(Translation)

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Report on Results of Investigation on Revisions to Operating Performance Forecast and Correction of Financial Results for Previous Fiscal Year, and Our Policy for Response Measures

In its "Notice of Revisions to Operating Performance Forecast" and "Notice of Potential Revisions to Previously Announced Fiscal Year's Results" both issued on September 28, 2007, IHI Corporation announced revisions to the operating performance forecast for the fiscal year ending March 31, 2008, potential revisions to the financial results for the previous fiscal year, and the establishment of an Internal Investigation Committee. Subsequently, the Company established an External Investigation Committee on October 9, 2007 and has, as announced in the "Progress of Internal Investigation", the "Progress of Internal Investigation and Announcement of Interim Financial Results", and the "Status of Investigation on Revisions to Operating Performance Forecast and Correction of Financial Results for the Previous Fiscal Year" issued on October 22, 2007, November 22, 2007 and December 11, 2007, respectively, investigated and scrutinized, through its Internal Investigation Committee, the details and cause of the recent significant decline of revisions to the operating performance forecast, resulting in changes to the figures in the financial results for the previous fiscal year, and potential measures for the prevention of recurrence, as well as reporting the progress of the investigation to the External Investigation Committee to have it verify the results of the investigation conducted by the Internal Investigation Committee. In addition, the Company has reported such part of the investigation results as related to accounting to its accounting auditors.

The results of the investigation conducted by the Internal and External Investigation Committees were reported at the Company's extraordinary board meeting held today. The Company hereby announces: an outline of the results so reported; the management liabilities for, and the measures to be taken to persons involved in the current issue; and the future countermeasures to be taken by the Company, as follows.

For more information, please refer to the "Outline of the Investigation Report of the Internal Investigation Committee", which outlines the report of the Internal Investigation Committee, and the "Investigation Report of the External Investigation Committee", which contains the full text of the report of the External Investigation Committee, both issued today together with this report.

Changes to the figures resulting from the revisions to the financial results for the previous fiscal year, which were announced in the "Status of Investigation on Revisions to Operating Performance Forecast and Correction of Financial Results for the Previous Fiscal Year" issued on December 11, 2007, are detailed below. For more information on the revisions to the operating performance forecast for the current fiscal year, please refer to the "Notice of Revisions to Operating Performance Forecast" issued separately today.

With respect to the semi-annual interim results for the fiscal year ending March 31, 2008, investigation is currently under way as to the potential effect of the revisions in question. Any revisions to the semi-annual interim results will be announced on December 14, 2007, together with revisions to the quarterly financial reports for the previous fiscal year. As for potential revisions to the financial statement and the semiannual report for the fiscal year that ended March 31, 2007, a report of revisions will be submitted and published promptly upon receipt of an audit report from the accounting auditors.

(1) Revisions to consolidated financial results

(In millions of yen)

		Before revisions	After revisions	Difference
The 190th term: The fiscal year that ended March 31, 2007	Net Sales	1,234,851	1,221,016	-13,835
	Operating Income	24,617	-5,626	-30,243
	Ordinary Income	21,511	-8,732	-30,243
	Income before income taxes, minority interests and other	45,302	15,059	-30,243
The 190th term: The 6 months that ended September 30, 2006	Net Sales	518,936	517,531	-1,405
	Operating Income	1,061	-8,762	-9,823
	Ordinary Income	-492	-10,315	-9,823
	Income before income taxes, minority interests and other	1,533	-8,290	-9,823

[Note]
The calculation of the current net income and interim net income is currently under way. Results will be announced promptly upon determination.

(2) Revisions to non-consolidated financial results

(In millions of yen)

		Before revisions	After revisions	Difference
The 190th term: The fiscal year that ended March 31, 2007	Net Sales	659,910	642,490	-17,420
	Operating Income	7,109	-17,589	-24,699
	Ordinary Income	12,741	-11,958	-24,699
	Income before income taxes	26,534	-4,583	-31,117

The 190th term: The 6 months that ended September 30, 2006	Net Sales	266,804	261,853	-4,950
	Operating Income	-5,201	-15,280	-10,078
	Ordinary Income	-3,234	-13,312	-10,078
	Income before income taxes	-5,563	-15,642	-10,078

[Note]
The calculation of the current net income and interim net income is currently under way. Results will be announced promptly upon determination.

1. Circumstances leading up to the present

At the Company's Management Committee meeting held on September 10, 2007, a "general review of the profit plans for FY 2007" was placed on the agenda. During the deliberation, the Company's Board Director and Executive Officer for the Energy Plants Operations and the Company's Managing Executive Officer for the Environment and Plants Operations reported that a significant decline of the operating profit/loss figures was expected in these businesses. This report was followed by the Company's Board Director and Executive Officer for the Finance and Accounting Division reporting that mainly due to the decline of profit/loss figures in these businesses, the Company's profit/loss forecast for FY 2007 will significantly decline from the forecast at the beginning of the fiscal year on both a consolidated and non-consolidated basis, and that the operating performance forecast for the fiscal year ending March 31, 2008 published in the quarterly financial report announced on May 14, 2007, which had been maintained in the quarterly financial report for the first quarter announced on August 7, 2007, would now have to be revised. Due to the sudden and considerable decline of profit/loss figures reported which is likely to have a serious impact on the Company's operations, the Company established an Internal Investigation Committee on the same day in order to investigate the details and cause of the significant revisions to the operating performance forecast for FY 2007 and to discuss countermeasures to be taken. The committee immediately started an investigation on the revisions to the operating performance forecast.

At the Company's extraordinary board meeting held on September 28, 2007, the Internal Investigation Committee reported the interim results of its investigation, which included the details of the revisions to the operating performance forecast and the finding that part of the effect of the performance forecast revisions is that the financial results for the previous fiscal year may also require revisions. In response to this report, the Company announced on the same day that the operating performance forecast for the fiscal year ending March 31, 2008 was revised due to a large amount of expected loss in the energy and plants business[1] and that a certain part of the cost reduction measures for long-term, large-scale projects in the energy and plants business was not assessed appropriately and was expected to have low feasibility, with such part being equivalent to approximately 28 billion yen, part of which might require a revision of the financial results as of the closing of the fiscal year that ended March 31, 2007.

[1] The energy and plants business consists mainly of operations supervised by the Company's Energy Plants Operations and Environment & Plants Operations.

Furthermore, on October 9, 2007 the Company established an External Investigation Committee comprising of attorneys and a certified public accountant who are independent of the IHI Group, in order to have it verify the contents and results of the investigation conducted by the Internal Investigation Committee. The Company required that the progress of the investigation conducted by the Internal Investigation Committee be reported to the External Investigation Committee, which was to verify the contents and results of the investigation. Verification by the External Investigation Committee has involved investigation by the External Investigation Committee, including interviews with persons involved in the Internal Investigation Committee and the energy and plants business.

As described above, the Company has conducted an investigation through the Internal and External Investigation Committees in order to have a total picture of the present issue. Today the Company reported the results of the investigations conducted by the two committees.

2. Investigation by the Internal Investigation Committee

An outline of the investigation report submitted by the Internal Investigation Committee is as follows:

(1) Establishment of the Internal Investigation Committee

The Company established the Internal Investigation Committee, which reports directly to the CEO, in order to investigate the details and cause of the significant revisions to the operating performance forecast for FY 2007 and to discuss the countermeasures to be taken.

In the course of the investigation into the revisions to the operating performance forecast, it was found that factors that required the decline revisions included not only those arising during the current fiscal year but also those from the previous fiscal year. This issue was also investigated by the Internal Investigation Committee.

(2) Method and contents of investigation

(a) Method of investigation

The Internal Investigation Committee reviewed documents, vouchers, etc. prepared or used in the performance of relevant duties (hereinafter referred to as "Documents, Etc.") and conducted interviews with persons involved in the preparation or approval of these Documents, Etc.

(i) Investigation of documents

Documents concerning the following items were reviewed, focusing on Documents, Etc. concerning project management in the energy and plants business and those concerning financial statements.

i. Documents concerning the corporate systems
ii. Documents concerning the receipt of orders
iii. Documents concerning project management
iv. Documents concerning financial statements
v. Documents concerning profit plans

(ii) Investigation through interviews

The Internal Investigation Committee conducted interviews with part of the following personnel involved in the energy and plants business: the Presidents and Vice Presidents of the Operations; the general managers of the Planning and Control Departments of the Operations; the managers of the Cost Accounting and Control Group of said Departments; the managers of the Sales Departments; the general managers of the Divisions; the managers of the Operation Control Departments of the Divisions; and project managers.[2] The Committee also conducted interviews with staff members of the Finance and Accounting Division, which is in charge of account settlement and profit planning, and those of the secretarial office (the Contracts and Legal Division and the Corporate Planning Division) for the Major Projects Review Committee and the preliminary review team for said committee.

(b) Main items of investigation

The critical points in the performance monitoring of long-term, large-scale projects in the energy and plants business are: (i) determination of the price proposed to the client upon receipt of an order; (ii) project management by the project manager and assessment of progress of the project by the Division supervising the project management; and (iii) timely profit/loss forecast based on project management by the project manager and conversion of the forecast into period profit/loss. Accordingly, the investigation focused on the following three aspects:

i. Confirmation of the circumstances surrounding the receipt of orders and confirmation of the method of cost estimation;
ii. Confirmation of the method of project management by the Operations and Divisions; and
iii. Confirmation of changes in the profit/loss forecast for projects subject to the percentage of completion method.

(3) Results of investigation on the decline of the operating performance forecast

(a) Analysis of factors involved in the decline of operating performance

The Internal Investigation Committee confirmed the amount of change made to the profit/loss forecast for each project in the energy and plants business, conducted a cross-sectional analysis of the factors involved in the confirmed amount of change, and published the following breakdown in the “Notice of Revisions to Operating Performance Forecast” and “Notice of Potential Revisions to Previously Announced Fiscal Year’s Results” both dated September 28, 2007. Please note that, as described later, the amounts below include changes to be made to the financial results for the previous fiscal year.

A. Decline of profitability in the overseas cement plant business: Approx. 13 billion yen.

[2] As a result of the reorganization implemented on April 1, 2007, the Power Plant Division, the Nuclear Power Division and the Environment and Plants Division, which together constituted the Energy and Plants Operations, were reorganized into the Energy Plants Operations and the Environment and Plants Operations, with the former consisting of the Power Plant Division and the Nuclear Power Division.

B. Decline of profitability in overseas projects (other than cement plants): Approx. 7 billion yen.
C. Disruptions of domestic boiler projects and the production of chemical engineering machines (reactors): Approx. 23 billion yen.
D. Prolonged negotiation over the increase of the contract price: Approx. 18 billion yen.
E. Failure to achieve the cost reduction effects reflected in the cost forecast for projects subject to the percentage of completion method: Approx. 28 billion yen.

Total: Approx. 89 billion yen.

(Note) The grounds for estimation of the amount corresponding to "E. Failure to achieve the cost reduction effects reflected in the cost forecast for projects subject to the percentage of completion method" (approx. 28 billion yen) are as follows:

According to the procedures prescribed by the relevant divisions involved, the estimate of total costs incurred in a long-term, large-scale project is calculated as follows: first, the actual cost incurred is calculated; next, costs to be incurred in the future are calculated using an analysis of variance between the actual cost and the operating budget; and finally, the actual cost and the future costs so calculated are added together to produce the intermediate cost (the estimated cost at completion of the work), which is the figure required to be used as the estimate of the total costs incurred. The estimate of the total costs incurred adopted in financial statements is the most recent intermediate cost as of the last month of the fiscal year.

The intermediate cost adopted in the financial statements for the fiscal year that ended March 31, 2007 was calculated based on the project monthly report and other data for February 2007. As of September 2007 the Internal Investigation Committee reassessed such part of the cost reduction in the intermediate cost as seeming to represent cost reduction measures. When measures considered unfeasible were regarded as loss, the amount of such loss was estimated to reach 28 billion yen.

(b) Cause of the significant decline of the operating performance forecast

As a result of its investigation, the Internal Investigation Committee concluded that the direct causes of the significant decline of the operating performance forecast in question are found in the following points. Of the direct causes described below, "(i) Concentration of projects", "(ii) Increased cost due to project schedule disruptions", and "(iii) Delay in the calculation of intermediate cost due to project schedule disruptions" largely seem to be the cause for the factors listed in A, B, C and E above, while "(iv) Problems in negotiating the increase of the contract price" largely seems to be the cause for the factor mentioned in D above. In this connection, an analysis of the problems which existed in the background from where these direct causes stemmed and which were facing the body supervising the energy and plants business, is described later in "(d) Problems inherent in the Energy and Plants Operations" and "(e) Problems in the internal control system".

(i) Concentration of projects

In the energy and plants business, the Operation Control Departments of each Division controls the amount of work by allocating construction projects ordered by clients to the monthly workload of the engineering and construction departments, each of which makes its operational plan suited for the workload.

The workload and the operational plan are both determined based on the assumption that all projects will be completed smoothly. If a work process of the project is delayed or disrupted, the next work process of the project must be revised. Similarly, while any problem arising during one work process must, in principle, be solved within such process, sometimes one or more outstanding problems may be carried forward to the next work process of the project. For these reasons, as the project progresses further, it becomes more and more difficult to identify the amount of workload of the project and to revise the workload plan. This difficulty tends to be greatest during the project stage immediately before completion.

In the power plant business, 5 to 6 construction projects had been executed concurrently until the first half of FY 2006. Then, during the period from around December 2006 through FY 2007, a total of 12 construction projects (6 domestic and 6 overseas) were executed concurrently. Many of these projects reached the stage immediately before completion during FY 2007. In response to the increased workload, the Power Plant Division took measures including active outsourcing, contracting of production to an overseas subsidiary and personnel recruitment. However, certain parts of the construction processes experienced problems, which affected other construction projects and led to project disruptions due to the insufficient number of project managers, the lack of ability to manage construction projects, weaknesses in the logistics aspects (including affiliated companies executing the construction works) and so forth.

In addition, although it was difficult to prevent the concentration of projects owing to the clients' convenience and the occurrence of problems, the Company failed, to some extent, to take into account the risk of project schedule disruption in controlling the volume of orders accepted.

The project schedule disruptions thus occurred caused "(ii) Increased cost due to project schedule disruptions" and "(iii) Delay in the calculation of the intermediate cost due to project schedule disruptions" described below, which further led to "(iv) Problems in negotiating an increase of the contract price".

(ii) Increased cost due to project schedule disruptions

In the power plant business, the project schedule disruptions were caused by the concentration of projects. In the plants business, project schedule disruptions were caused by rectification work due to quality problems and by unforeseen circumstances arising from country risks.

One problem found in these businesses was that disruption of one work process affecting subsequent work processes in a cascade manner, which resulted in an extended, amplified work disruption being carried forward to the final stage of the construction work which, in turn, resulted in delayed delivery or urgent works in order to catch up with the schedule. Another problem found was in the transmission of project schedule disruptions. Specifically, when first-rate personnel were assigned to a project in order to control disruption of the project, another project to which such personnel had been scheduled to be assigned became understaffed, resulting in a disruption of said project.

Urgent works and other measures taken to deal with the project schedule disruptions resulted not only in a rapid increase of personnel and increased personnel costs but also in an unexpected amounts of costs, including costs for urgent transportation and storage of materials and equipment. They also resulted in problems being found in the work process, which required rectification of the work and large amounts of abnormal costs. Furthermore, a considerable part of the personnel and time which had been set aside for the cost reduction measures was assigned to the measures to deal with process disruptions, resulting in a shortage of personnel and time, and in a failure to implement many of the cost reduction measures.

As described above, the project schedule disruptions not only caused direct losses in the final stage of construction projects but also prevented the achievement of the planned cost reductions. Furthermore, project schedule disruption in one project resulted in a negative cascade chain where problems arose in other projects. Thus, the project schedule disruptions resulted in a significant revision to the operating performance forecast.

(iii) Delay in the calculation of the intermediate cost due to project schedule disruptions

In the energy and plants business, internal business rules have been established, under which the actual cost and remaining costs are calculated in the course of a project, the final estimate of total costs incurred is prepared and the intermediate cost is calculated.

In the energy and plants business, indications of project schedule disruptions began to appear at the end of 2006. Under the pressure of dealing with gradually escalating disruptions, it became difficult to calculate the remaining costs. Calculation of the remaining costs was made even more difficult by the difficulty of reflecting the effect of the cost reduction measures in the profitability forecast for projects and the difficulty of assessing the level of achievement of the measures. In addition, delays tended to occur in the identification of the discrepancy between the progress of work and the operating budget under the management system in which information was manually collected, and the total budget was manually calculated at the sites of construction work affected by project schedule disruptions.

Under these circumstances, the following facts were found in the process of putting together a general review of the profit plans for FY 2007: (i) in some of the projects, the operating budget was being consumed at a higher rate relative to the progress of work and the final estimate of total costs incurred exceeded the operating budget; (ii) some of the cost reduction measures had become unfeasible; and (iii) some cost increase factors had been overlooked. These findings prompted a decision to make a substantial revision to the cost forecast.

(iv) Problems in negotiating an increase of the contract price

In the course of a large-scale project in the energy and plants business, it is common that additional works are required, specifications are changed, or the client requests changes in the work processes for its convenience. The Company has conducted its business in accordance with the following business practice: If any such change occurs, priority is given to completing the work as scheduled and the corresponding increase of the contract price is achieved by claiming and negotiating additional contract fees in a lump at the final stage of the work. However, the Company has recently seen frequent cases where negotiation based on the above business practice takes a long time to come to a conclusion or produces unfavorable results.

In the present issue, the Company depended on the existing business practice and failed to collect and organize sufficient materials to negotiate an increase of the contract price, and also failed to establish with clients rules to govern the increase of the contract price. In addition, the concentration of projects being near completion in FY 2007 resulted in failures to reach agreement, in reduction of the proposed increase of contract price or in prolonged negotiations, which, in turn, resulted in a rapid, significant decline of the operating performance forecast.

(v) Changes to the operating performance forecast by application of the percentage of completion method

In long-term, large-scale projects whose construction period is 2 years or more and the contract price is 3 billion yen or more, the Company calculates revenue according to the percentage of completion method.

One characteristic of this method is that the period profit/loss for one fiscal term is calculated by subtracting the total for the preceding term from that of the current term. Accordingly, if the contract price or the estimate of the total costs incurred is revised during the current fiscal term, the resulting difference in price or estimate will be reflected in the profit/loss for the current fiscal term.

In addition, if the estimate of total costs incurred for an undelivered project is expected to exceed the contract price, the Company regards the total balance of the estimated excess (hereinafter referred to as “Project Loss”) minus the profit/loss included in the financial statements up to the current fiscal term, as a loss for the fiscal term for which the Project Loss is expected (contracted project loss allowance).

Therefore, if a project was expected to produce profit until the preceding terms and if the project profit is expected to decrease in the current term, then the project may produce a period loss if the reduction in the project profit is large enough, because the total profit is recalculated based on the most recent project profit. If it is found in the current term that the Project Loss is expected to occur, the total profit calculated until the preceding terms is cancelled out and the total Project Loss, including the contracted project loss allowance for the loss expected to occur in the future, is included in the financial statements.

Thus, if the profit/loss forecast decline for a project which is subject to the percentage of completion method, the period profit/loss for the term for which the decline is expected may worsen significantly.

Of the approximately 89 billion yen revision to the operating performance forecast in question: (i) approximately 16 billion yen is considered to be due to an increase in the total contracted project loss allowance set aside for future losses, as a result of changes in the project profit/loss forecast from the time when the operating performance forecast was prepared, in some projects from a surplus to a deficit and in other projects from a deficit to a larger deficit; (ii) approximately 29 billion yen is considered to be due to cancellation of the profit included in the financial statements until the preceding term, for projects whose profit/loss forecast worsened from the preceding terms; and (iii) the remaining 44 billion yen is considered to be due to the decline of the operating performance corresponding to the progress of projects during the current term.

(c) Recognition by the head office of the decline of the operating performance forecast

The Internal Investigation Committee checked for any problem in the timing in which the head office became aware of the fact and risk of the decline of the operating performance forecast in question.

The Corporate Planning Division serves, together with the Contracts and Legal Division, as the secretarial office for the Major Projects Review Committee (described later). The Corporate Planning Division was responsible for checking the consistency of projects referred to the committee with the business strategies listed in the management policies, and was not expected to analyze the profitability of projects referred to the committee. The Planning Group of the Corporate Planning

Division was responsible for formulating policy to draw up profit plans for the entire company and for planning and formulating a corporate planning flow chart, but was not involved in the preparation or follow-up of profit plans of various divisions. Therefore, it was not considered obviously inappropriate that the Corporate Planning Division became aware of the fact and risk of significant decline of the operating performance forecast for the energy and plants business only in late August 2007, after the relevant divisions had submitted their general reviews of the profit plans for FY 2007 to the Financial and Accounting Division, and the Financial and Accounting Division had totaled the results of the reviews.

The Major Projects Review Committee is responsible for selecting projects and analyzing contract terms and conditions proposed to clients for major projects whose contract price exceeds a certain level. The Contracts and Legal Division was established in January 2004 as a result of the reorganization of, and in order to reinforce, the Major Projects Review Committee. Since its establishment, the division has been in charge of operating the committee as part of its secretarial office. The Company has strived to control risks by improving the functions and extending the roles of the Major Projects Review Committee. However, orders for many of the projects relevant to the present issue were accepted before the enhancement and improvement of the review function of the committee. In addition, some risks were unforeseeable at the time of order acceptance and some of the cost reduction effects which had been included in the plans became unfeasible due to the process disruptions and other factors described above. All these circumstances resulted in a significant decline of the Company's operating performance and the Company failed to become aware of such fact and risk at an early stage. Although none of the activities of the Major Projects Review Committee were found to be obviously inappropriate, points to be improved were found, such as securing sufficient review time at preliminary review meetings.

The Finance and Accounting Division checked and reviewed the details of the performance of the Energy Plants Operations and the Environment and Plants Operations, both periodically and whenever the division obtained information indicating a possible decline of performance, and confirmed that the performance of these operations was within the range of the performance forecast adopted by the Finance and Accounting Division. None of the activities of the Finance and Accounting Division were found to be obviously inappropriate. However, considering the fact that the financial results for the previous fiscal year had to be revised, there seems to be a possibility that the division failed to conduct sufficient control and monitoring activities as the organization for putting together accounting results. In the present issue, however, the fundamental cause was failure of the relevant Operations to provide information to the Finance and Accounting Division by mistake, despite their function to serve as information sources for said Division. To this extent, the results in question might have been beyond the scope of control required of the Finance and Accounting Division.

(d) Problems inherent in the Energy and Plants Operations

The Internal Investigation Committee concluded that the following problems inherent in the Energy and Plants Operations exist in the background of the direct causes of the decline of the operating performance forecast described in (b) above.

(i) Organizational structure of Operations, Divisions and Sales Departments

Before changes in the organizational structure were made as a result of the reorganization on April 1, 2007, the Sales Department of the Energy and Plants Operations was not part of the Divisions but was positioned at the same level as the

Divisions under the Operations. The President of the Operations had the authority to approve or reject acceptance of orders of large-scale construction work. The volume of orders accepted was controlled by the Planning and Control Departments of the Operations. Particularly in the power plant business, the highest priority was given to receiving an order whenever an inquiry was received from a major client. It is inferred that opinions of the relevant Division on the leveling of completion schedule of project or the contract price were often rejected by the Sales Department. As a result, the Divisions were unable to completely control the volume of accepted orders, which resulted in hasty work schedules.

(ii) Reference of potential projects to the Major Projects Review Committee

It is inferred that the aggressive sales attitude of the energy and plants business, particularly of the Sales Department, must sometimes have resulted in consideration of projects with low profitability or high risk, due to the intensifying competition in the market. On the other hand, the Major Projects Review Committee required that each project achieve a certain profit level. In order to achieve this, it was necessary to improve the profitability of the project by developing cost reduction measures and reflecting the expected cost reduction effects in the cost estimate. When a project was referred to the Committee, cost reduction measures such as modifying designs through value engineering activities (hereinafter referred to as “VE activities”), changing suppliers to foreign companies, mainly those in other Asian countries, and reducing the time allowed for the project, were specifically assigned to the relevant departments, and the cost estimate was prepared based on the assumption that these measures would be realized. However, due to the process disruptions and other factors described above, not all of these measures were realized eventually.

(iii) Problems related to cost competitiveness and cost reduction measures

Cost reduction activities are one of the challenges that the Company, as a plant manufacturer, should actively address at all times in order to enhance its competitiveness in the business. In principle, a business with poor cost competitiveness should work on cost reduction in order to achieve its profit goal. However, such business actually tends to attempt to recover fixed costs by increasing sales instead of reducing costs. This seems to have been a cause of the tendency for the Operations and Sales Departments to attempt to increase the number of orders accepted.

However, increasing the number of orders accepted involves the risk of increasing workload beyond the engineering, execution and administration capacities in the Operation. It actually resulted in disruptions of the final work processes of the projects, leading to the decline of project profit/loss figures. In many occasions work force was spent on measures to control the project schedule disruptions, which resulted in the loss of opportunities to make development/improvement efforts on which the Operation should have actually focused, which in turn, led to the stagnation of activities for improving cost competitiveness of the projects for the future.

(e) Problems in the internal control system

(i) Risk assessment and measures against risks

In several of the long-term, large-scale projects in the energy and plant business, certain risks which had not been expected initially or indications of risks for which no preparatory measures had been taken surfaced. There were delays or errors in taking measures against these risks because of the Company's failure to appropriately assess these risks. There were also failures to take such measures even if the Company had appropriately assessed these risks. These failures seem to have arisen from: failure to establish standardized, easy-to-understand assessment criteria for recognizing risks, such as methods for measuring the possibility of the occurrence of risks and their potential effects on cost, in order to prevent risks from being recognized differently by different persons in charge of risk assessment; or, if such criteria had been established, failure to make them known to these persons.

(ii) Information and communication

In the chain of command from the Operations through Divisions to execution groups, policies on the formulation of plans and goals for profit improvement were not thoroughly communicated. In particular, the communication of policies and goals from Divisions to execution groups was not always successful enough to lead to specific actions by the groups. Another problem was observed in the reverse flow of reports from execution groups through the Divisions to the Operations, which was that necessary information was not communicated in a timely manner in an available form or, if communicated, was not understood properly.

Similar problems were observed in the relationships between affiliated companies and the Divisions/Operations in charge of these companies.

(iii) Control environment

When developing a profit plan for each fiscal year, the head office requested each Operations to specify its goals to achieve a mid-term management plan. In response to the request, the head office and each Operation negotiated and set numerical goals, which were regarded as the Operations' commitment, in accordance with which a guideline was issued from each Operations to each of its Divisions to achieve the ordinary income goal without fail. In the energy and plants business, it was observed that divisions had to comply with this guideline by submitting their very best numerical performance forecast by such means as taking additional cost reduction effects into account.

Other concerns include: possible discrepancies between Operations and Divisions in the recognition of the level of difficulty of each specific measure for achieving goals due to lack of discussion; and aggressive manners of the Operations officers which made it hard for Division personnel to report risk information.

(iv) Control activities

The Power Plant Division and the Environment and Plants Division had management systems that were centered around project managers. Due to the intricacy of management and the realization of unexpected risks caused by process schedule disruptions, these systems failed to foresee, and take measures against the present situation in a timely, appropriate manner.

With respect to the estimation of total costs incurred when the percentage of completion method applied, basic procedures had been prescribed in each Operations' internal rules, etc. and the intermediate cost system and other calculation tools had been installed. However, in the Power Plant Division, increased workload resulted in failures to prepare the data necessary for the operation of said system in a timely, appropriate manner, leading to workload disruptions.

In the Nuclear Power Division, project managers' responsibility for costing was unclear. In addition, there seem to have been inappropriate points in the estimation of total costs incurred by the engineering, procurement, manufacturing and other departments responsible for cost management.

The Planning and Control Departments of the Operations is a superior body which is supposed to check that account settlement procedures followed by the divisions are appropriate. However, the Planning and Control Departments of the Operations seems to have failed to fulfill its expected function and conducted inadequate control activities.

(v) Monitoring

In the Nuclear Power Division, intermediate cost review meetings and performance review meetings failed to call for the attendance of persons in charge of the relevant project from the budget group of the Operation Control Department of the Division or persons from the Planning and Control Departments of the Operations. The divisions' and Operations' internal systems for monitoring activities of the Nuclear Power Division were not entirely sufficient compared to those for the Power Plant Division and the Environment and Plants Operations.

Another concern was that it might have been difficult for the Head Office to collect accurate information because under the current organizational structure, the Operations' monitoring of divisions is conducted through the Planning and Control Departments of the Operations. Room for improvement was found in the Head Office's system for monitoring the information on its divisions.

(4) Results of investigation on potential revisions to financial results for the previous fiscal year

In the process of investigation of the decline of the operating performance forecast in question, the Internal Investigation Committee found that part of the decline of the operating performance forecast for the energy and plants business stemmed from events that may require revisions to the financial results for the previous fiscal year. Accordingly, the committee not only investigated the details and cause of the significant decline of the operating performance forecast and considered measures to be taken, but also conducted an investigation of potential effects on the financial results for the previous fiscal year, while paying attention to the status of the audit of appropriate timing conducted by the audit corporation.

(a) Methods and contents of investigation

The Internal Investigation Committee received from Divisions and departments, documents on individual projects concerning the following three points and received explanations on the projects, including project summaries, changes in project profit/loss figures, and the level of concreteness and results of cost reduction measures. The committee also conducted repeated interviews with persons who were likely to have been involved in the following areas, including the general managers of the Planning and Control Departments of the Operations, general managers of the Divisions, and managers of the Operation Control Departments of Divisions. After these activities, the committee concluded that if those documents and the explanations provided by the Divisions and departments involved were consistent, the estimate of total costs incurred adopted in the financial statements for FY 2006 should be considered appropriate and should not raise any concern for appropriate timing, while if such consistency was not found, the financial results for FY 2006 should be revised.

(i) Explanation of the difference between the operating performance forecast shown in the February 2007 issue of Project Monthly Report[3] and that adopted in the financial statements for the fiscal year that ended March 31, 2007.
(ii) Explanation of the difference between the project performance forecast adopted in the financial statements for the 6-month period that ended September 30, 2006 and that adopted in the financial statements for the fiscal year that ended March 31, 2007.
(iii) Explanation of the difference between the project performance forecast adopted in the financial statements for the fiscal year that ended March 31, 2007 and that to be adopted in the financial statements for the 6-month period that ended September 30, 2007.

(b) Results of review

The Internal Investigation Committee reviewed decline attributable to the failure to achieve cost reduction measures that had been reflected in the operating performance forecast in question for the energy and plants business. The review revealed several projects for which it did not seem appropriate to reflect the expected cost reduction effects in the financial statements for the 6-month period that ended September 30, 2006 and those for the fiscal year that ended March 31, 2007. It was also revealed in the process of review that apart from the failure to achieve cost reduction measures, some costs had been left out.

The problems discovered by the Internal Investigation Committee's investigation are as follows (the amounts specified below are rough figures and the total does not correspond to the sum of 30.2 billion yen as the total revisions to the financial results for the previous fiscal year).

(i) Cost reduction without impartial consideration (approximately 1.5 billion yen)

In two of the projects in the power plant business, the General Manager of the Planning and Control Department of the former Energy and Plants Operations gave the Power Plant Division aggressive instructions to achieve 30% profitability by focusing on cost reduction, including VE activities. As a result, the Power Plant Division incorporated certain cost reduction measures into the plan. In addition, the percentage of completion method was applied to the project based on the estimate of total costs incurred which took these cost reduction measures into account. After these actions, these projects were included in the financial statements for the fiscal year that ended March 31, 2007. The Internal Investigation Committee concluded, after careful investigation, that these cost reduction measures had low probability of being achieved after all, and were not impartial and should not be reflected in the estimate of total costs incurred adopted in the financial statements for the fiscal year that ended March 31, 2007.

(ii) Appropriateness of the timing of revising the assessment of cost reduction effects (approximately 7 billion yen)

In the Power Plant Division, specific cost reduction measures were developed and assigned to each department. Due to the increasing difficulty to achieve cost

[3] "Project Monthly Report" refers to periodic documents prepared by project managers to report the progress of their projects.

reduction because of the pressure of dealing with project schedule disruptions and other issues, the Internal Investigation Committee concluded that in several of the projects, the assessment of cost reduction effects should have been revised at the end of September 2006 and at the end of March 2007. Although it is extremely difficult to judge the appropriate timing of the revisions which should have been made, the Internal Investigation Committee concluded that for these projects, those cost reduction measures without supporting documentary evidence for specific activities should be handled conservatively, and should not be reflected as cost reductions in the financial statements for the 6-month period that ended September 30, 2006 and for the fiscal year that ended March 31, 2007.

In the Environment and Plants Operations, reduction in the cost of steel expected from reduced tank weight to be achieved by VE activities was reflected in the financial statements. Although weight reduction had been achieved to some extent, a rise in steel prices resulted in increased costs which more than cancelled out the reduced cost. It was found that as a result of this, the expected cost reduction effects were not likely to be achieved in some of the projects as of the end of the fiscal year that ended March 31, 2007. The Internal Investigation Committee concluded that, for these projects, the expected cost reduction effects should be handled in conservative manner and should not be reflected in the financial statements for the fiscal year that ended March 31, 2007.

(iii) Failure by mistake to include cost increase factors (approximately 3.5 billion yen)

In the Power Plant Division, some projects were found in which cost increases from the operating budget had been found at the time of ordering steel, and the estimate of total costs incurred should have been increased accordingly but the cost increase was not reflected in the estimate. For these projects, the Internal Investigation Committee concluded that the cost increase should be reflected in the estimate of total costs incurred adopted in the financial statements for the fiscal year that ended March 31, 2007.

(iv) Failure by mistake to include cost increase factors due to facts identified in or before the last month of the fiscal year (approximately 5.5 billion yen)

The Internal Investigation Committee concluded that, for orders placed in or after April 2007, if cost increase factors associated with these orders were not reflected in the estimate of total costs incurred, even if the cost increase resulting from these cost increase factors could have reasonably been recognized within the fiscal term that ended March 31, 2007 based on such facts as letter of intent placed with contractors before the end of March 2007, receipt of order forms from clients, or completion of the construction works ordered from contractors, these cost increase factors should be reflected in the estimate of total costs incurred adopted in the financial statements for the fiscal year that ended March 31, 2007.

(v) Handling of compensation claimed by contractors (approximately 5 billion yen)

In overseas construction projects, some contractors had claimed expenses for repairs of failures or additional expenses due to the increased price of steel. These claims were not reflected in the estimate of total costs incurred adopted in the financial statements for the fiscal year that ended March 31, 2007 because the terms and conditions of contracts with these contractors provided that the contract price was fixed and no additional payments would be made in principle.

Subsequently, however, in some of these projects the Company changed its policy and made part of the payment requested by the contractor in order to make up for delays in the work processes which could not have been made to meet the deadline without cooperation from the contractor. In those projects, the delays in the project schedule had occurred by the end of March 2007. The Internal Investigation Committee concluded that, if considered impartially at this point in time, it is likely that the payment would be made to the contractor and that the financial results for the previous fiscal year should be revised accordingly.

(vi) Handling of cost increase items discovered in April-September 2007 (approximately 8 billion yen)

For projects in which cost increase events occurred during FY 2006 but cost calculation was delayed until the period from April to September 2007, the committee concluded that these cost increase items should be reflected in the financial statements for FY 2006, based on a conservative view that it is desirable to reflect these items in the estimate of total costs incurred adopted at the end of FY 2006 using a reasonable basis for calculation.

(c) Changes made to financial results for the previous fiscal year

The amounts of income that the Internal Investigation Committee concluded after its investigation should not have been included in the financial results for the previous fiscal year, are as shown at the beginning of this report.

The amount of difference from the financial results published for the previous fiscal year was, on a consolidated basis, 30.2 billion yen for the fiscal year that ended March 31, 2007 and 9.8 billion yen for the 6-month period that ended September 30, 2006. In total, these amounts exceed the estimated 2.8 billion yen announced as “Potential Revisions to Previously Announced Fiscal Year’s Results” on September 28, 2007. Of the 30.2 billion yen, only approximately 18.1 billion yen was predicted as part of the 28 billion yen, with the remaining approximately 12.1 billion yen having been newly identified in the process of assessment of appropriate timing as a change that must be made to the previous financial results. However, this excess portion represents part of the 89 billion yen as the total of: the 61 billion yen as the estimated decline of the operating performance forecast in the energy and plants business; and the 28 billion yen as “Potential Revisions to Previously Announced Fiscal Year’s Results”.

With respect to the financial results for fiscal periods before the 6-month period that ended September 30, 2006, the Internal Investigation Committee checked the results for each fiscal period for differences from the project profit/loss forecast issued a half term before and, as a result, confirmed that no events existed that would require revisions to the financial results for any of the fiscal periods before the fiscal year that ended March 31, 2006.

(d) Background and cause of revisions to financial results for the previous fiscal year

The Internal Investigation Committee assessed the appropriate timing of revenues and costs from a conservative perspective and concluded that the financial results for the previous fiscal year should be revised by large amounts as described above. In reaching this conclusion, the committee considered that the background and cause of the revisions comprised the following.

(i) Problems in the Operations' and Divisions' attitude towards the achievement of profit goals

In the management of the former Energy and Plants Operations, the highest priority seems to have been given to achieving numerical profit goals promised by the Operations to the head office. It is inferred that this caused the Planning and Control Departments of the Operations to give coercive instructions based on imprudent or optimistic interpretations in the calculation of estimates of total costs incurred in projects subject to the percentage of completion method, despite the delicate nature of this calculation in terms of accounting.

(ii) Problems in information transmission under the internal control system in which information on projects was not conveyed from the relevant departments to administration departments in a timely manner

There seem to have been problems with the information transmission and receiving procedures, in that information on projects was not conveyed from the relevant departments to administration departments in a timely manner. It is also inferred that delays in the transmission of information between departments and in the assessment process of administration departments were further affected by disruptions in the administration departments stemming from process disruptions and similar disruptions arising in affiliated companies executing construction works.

(iii) Role of the cost management departments for the energy and plants business

Each Operations had its cost management department, which was expected to conduct cost management and deal with audit/investigation as an independent department. However, the cost management group of the Energy and Plants Operations was not entirely sufficient in terms of the number and experience of the staff. In addition, there is concern that the team might have been unable to fulfill its expected role because of its remote relationship with the hub of the Operations.

(iv) Influence on businesses other than the energy and plants business

During the investigation of the present issue, the Internal Investigation Committee investigated operating budgets, intermediate costs and estimates of total costs incurred adopted in the financial statements for projects subject to the percentage of completion method in the businesses other than the energy and plants business. No inconsistencies were found in the process running from the operating budget to account settlement in any of the businesses. Accordingly, the Internal Investigation Committee concluded that the cause of this serious situation – revisions to the financial results for the previous fiscal year -- arising from the energy and plants business has had no influence on other businesses.

(e) Future measures

The construction of an internal control system for the IHI Group has been earnestly pursued, with the Internal Control Planning & Promotion Division having been established in November 2006 and a so-called J-SOX-compliant system having been established. Amid these efforts by the IHI Group as a whole, the Company is working on the construction of an objective, transparent and effective internal control system. In order to prevent any recurrence of similar problems, the Internal Investigation Committee, based on the results of its investigation, presented the following recommendations on measures to be taken in order to enhance the internal control of the energy and plants business, and measures to be taken by the head office in order to support the recovery of the energy and plants business.

(i) Enhancement of project audit functions

A. Audit by the head office of the management of the intermediate cost and of risks

In order to control the volume of orders accepted and assess risks and profitability in major operations of the energy and plants business, the functions of the Major Projects Review Committee and of the Contracts and Legal Division as the secretarial office of said committee should be expanded and enhanced. In addition, the head office's audit function should be enhanced by immediately establishing a new system which will be put in charge of periodic audits and the collection of information on the management of the intermediate cost for, and risks in projects.

B. Monitoring of negotiation process for contract price increase

A system should be constructed under which negotiation information is conveyed in a timely manner not only to the departments involved but also to the top management, through periodic monitoring of negotiations and the management of negotiations with clients in the energy and plant businesses by the new system at the head office to be established as described above.

C. Establishment of a liaison committee for the Finance and Accounting Division and Division officers

The monitoring function should be further enhanced by holding periodic meetings at which performance will be reported by Division officers to the Finance and Accounting Division, and enabling said division to collect information directly from the Divisions.

D. Enhancement of the cost management department of the Energy Plants Operations and the Environment and Plants Operations

The cost management groups of the administration department or of the planning department of each Operations should be transferred to the Finance and Accounting Division as the "Energy and Plants Cost Management Group, Finance and Accounting Division" for the time being, in order to enhance the control of cost management and to provide financial training to the group staff.

E. Stipulation and standardization of intermediate cost procedures

By establishing effective operating standards for intermediate cost procedures, a system should be constructed which will ensure the objectivity and transparency of the intermediate cost calculation process, and which will appropriately reflect the progress of individual projects and information obtained by divisions on the intermediate cost.

(ii) Promotion of reform of organization and corporate culture, and training

A. Promotion of the awareness campaign "Team IHI Campaign" and conveyance of management philosophy

As part of the "Team IHI Campaign", a company-wide awareness campaign to create a corporate culture which will allow employees to have liberal and open-minded discussion with their superiors, juniors and colleagues regardless of individual employees' layers of operation, a moral survey should be conducted by outsourcing in order to investigate problems in the corporate culture, and corporate culture reform should be promoted based on the results of the survey.

In addition, officers of the Operations and divisions should present clear future visions as well as making it well known to the personnel of their own Operations or division that management should be conducted in good faith and with a sense of ethics.

B. Consideration of reorganization to enhance the project implementation system

In order to enhance the project implementation system, the Energy Plants Operations and the Environment and Plants Operations should conduct reorganization in terms of the following points in a manner that will suit the characteristics of each business:

i. Enhancement of the review system for order acceptance
ii. Achievement of cost reduction by establishing a system which would allow personnel to concentrate on VE activities
iii. Enhancement of the control of schedules and logistics from engineering to installation work
iv. Clarification of project responsibility systems
v. Enhancement of the control of invoicing to clients and vendors

C. Training

i. Improvement of compliance training

Further improvement of compliance training which is already provided to all employees should be pursued. In particular, in response to the present situation, the stratified compliance training provided by the Human Resources Division should focus on the accuracy required in the accounts closing procedures and profit/loss accounting, compliance with relevant laws and regulations, and the significance of accountability, in order to make these points thoroughly known to employees.

ii. Sharing the awareness of the cause of the decline of operating performance

The Energy Plants Operations and the Environment and Plants Operations should ensure that the awareness of the cause of the present decline of operating performance is shared by all officers and employees, by providing opportunities to explain and discuss the cause in each department and at each appropriate timing.

iii. Improvement of project manager training

Specific departments should be appointed as responsible for the development of project managers. The appointed departments should systematically work on the training of project managers, should help them deepen their understanding of risk assessment and measures to deal with risks in projects, and should construct a system in which risk information will be conveyed to departments in need of the information in a timely manner.

iv. Company-wide training to make the accounting procedures fully known

In order to prevent any recurrence of a similar situation, the Finance and Accounting Division should hold seminars to convey potential problematic cases, the idea of the percentage of completion method, and the significance of accuracy in estimates, including the estimate of total costs incurred.

In addition, efforts should be made to help employees deepen their understanding of the importance of developing a (J-SOX) system to ensure the appropriateness of financial reports as required by the Financial Products and Exchange Law.

v. Improvement of the internal training “Financial Management Seminar”

D. Personnel reinforcement of the Finance and Accounting Division

In order to deal with the increased complexity and volume of work at the financial departments these days, the organizational capacity should be enhanced by recruiting mid-career workers who are specialized in finance.

E. Enhancement of the internal audit function

In order to deal with increasingly complex accounting systems and modes of transactions, the cooperation between the Internal Audit Division which performs the internal audit function, and the Finance and Accounting Division should be enhanced. In addition, workers specialized in auditing should be assigned to or employed by the Internal Audit Division in order to enhance the internal audit function.

F. Personnel rotation between the head office and the Operations

In order to deal with risks arising from failure to convey information from the Operations to the head office, a personnel rotation system between the head office and the Operations should be introduced for officers at and above the general manager level.

In addition, in order to enhance and maintain the cost management functions of all the Operations, periodic personnel rotation between the Operations and the Finance and Accounting Division should be practiced at all layers of operation.

3. Investigation by the External Investigation Committee

(1) Establishment of the External Investigation Committee

The Company established an External Investigation Committee on October 9, 2007 in order to have it verify the items and results of the investigation conducted by the Internal Investigation Committee from an objective position. The External Investigation Committee consists of the following members:

Members of the External Investigation Committee (titles omitted):
Chairperson (attorney-at-law): Tetsuo Kawawa

Member (certified public accountant):	Akio Okuyama
Member (attorney-at-law):	Mineo Enomoto
Member (attorney-at-law):	Iwao Toigawa

(2) Methods and results of investigation

For the methods and results of the investigation by the External Investigation Committee, please refer to an explanation announced in full text in the "Investigation Report of the External Investigation Committee" dated today.

4. Management liabilities and measurements of persons involved

As described above, the causes of the significant decline of the operating performance forecast for FY 2007 and the revisions to the financial results for the previous year are described in the investigation report of the Internal Investigation Committee. The main causes seem to have arisen from the malfunction of the administration of the Energy Plants Operations and the Environment and Plants Operations (the former Energy and Plants Operations) as a whole. The large sum of revisions to the financial results for the previous fiscal year indicates that it is unlikely that this weakness in the administration function occurred suddenly in FY 2007. Considering these points, it is undeniable that the following persons should be held liable, to differing degrees, for the mismanagement and its consequences: the Presidents of the Energy Plants Operations and the Environment and Plants Operations; the Vice Presidents, the general managers of the Planning and Control Departments and the division directors of these Operations who are under the control of the Presidents; and the President of the former Energy and Plants Operations during FY 2006 and the Vice President, the General Manager of the Planning and Control Department and division directors of said Operations who were under the control of the President during the same period.

In addition, while the Company is operated under an Operations unit system, in which the president of each Operations is responsible for all performance and management of the operations supervised by that Operations, considering the major impact of the present situation on the Company and stakeholders, it is undeniable that the following persons should also be held liable for the mismanagement and its consequences in some way as those who are responsible for management of the Company: the Chairman of the Board, the President and CEO and other representative directors, the Board Directors for the Energy Plants Operations and the Environment and Plants Operations (the former Energy and Plants Operations), the Board Director for the Finance and Accounting Division, and the Board Director for the Contracts and Legal Division.

Based on the above considerations, the Company has decided to impose the following measurements to IHI Management.

Chairman of the Board	Mototsugu Ito	Resignation as Board Director on December 31, 2007
President and Chief Executive Officer	Kazuaki Kama	100% reduction of remuneration for 6 months
Executive Vice President	Teiichi Tamaki	20% reduction of remuneration for 6 months
Executive Vice President	Yukiya Nakagawa	20% reduction of remuneration for 6 months
Executive Vice President	Toshiro Takei	20% reduction of remuneration for 6 months

Board Director and Managing Executive Officer	Kimiaki Gotoh	10% reduction of remuneration for 6 months
Board Director and Executive Officer	Makoto Serizawa	30% reduction of remuneration for 6 months
Board Director and Executive Officer	Masahiro Nagasaki	Resignation from Board Director and Executive Officer
Managing Officer	Mutsumi Maruyama	Demotion to Operating Officer
Operating Officer	Ken Yamada	Demotion to Associate Director
Corporate Advisor (former Executive Vice President)		
	Isao Nakao	20% reduction of remuneration for 1 month
Corporate Advisor (former President of the former Energy and Plants Operations)		
	Yasuo Shinohara	Dismissed as Corporate Advisor
Corporate Advisor (former Vice President of the former Energy and Plants Operations)		
	Motoki Yoshinaga	20% reduction of remuneration for 3 months
Corporate Auditor (former Vice President of the former Energy and Plants Operations)		
	Sakae Andoh	30% reduction of remuneration for 3 months

(Note)
Titles in parentheses indicate a title held until March 31, 2007.

5. Future measures

The Company regards the present decline of its operating performance and the present situation that has required revisions to previous financial results as an extremely serious event and deeply regrets it. The Company takes seriously the results of the investigations conducted and the recommendations made by the Internal and External Investigation Committees, and intends to promptly put together measures to be taken by the Company to prevent a recurrence and to implement them. The Company also intends to take measures to enhance the internal control and to improve the corporate culture of the entire company, not to mention the energy and plant business, and will do its best to regain the trust of stakeholders in the Company.

Measures to be taken by the Company to prevent a recurrence will be promptly developed based on the reports of the Internal and External Investigation Committees and will be reported to you all after being passed as a Board resolution.

The Company was placed on the supervisory post on December 11, 2007 by the Tokyo Stock Exchange, Inc. ("TSE") as a result of the "Status of Investigation on Revisions to Operating Performance Forecast and Correction of Financial Results for the Previous Fiscal Year" published on the same day. This is because the TSE considered, based on the contents announced in the statement, that there is good reason to believe that the revisions to the financial statement are significant and that, depending on future developments and results of a review to be conducted following the submission of a report of revisions, Article 605, Paragraph 1, Item 14 of the Rules for the Security Listing Regulations (a case where the TSE considers there is good reason to believe that a listed company falls under the first half of subitem a, Item 11 of Article 601 of the Security Listing Regulations) may apply, and concluded that it was necessary to call it to investors' attention. The Company intends to promptly submit a report of revisions to the financial statement and the semiannual report for the fiscal year that ended March 31, 2007, and will make its best effort to be released from the supervisory post as soon as possible by implementing improvement measures to prevent a recurrence based on deep reflection on the circumstances leading up to the present issue.

We sincerely apologize for the great inconvenience and anxiety experienced by the Company's shareholders and many other stakeholders due to the Company's situation described above.

We would like to ask for your support and understanding.