

## CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2009

IHI Corporation (IHI) is listed on the Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section), Nagoya Stock Exchange (First Section), Fukuoka Stock Exchange and Sapporo Securities Exchange with the securities code number 7013.

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Submission of Quarterly Securities Report: August 12, 2009 (planned)

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures are in Japanese yen rounded to the nearest millions.

### 1. 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, 2009</b>	<b>244,536</b>	<b>(14.8)%</b>	<b>9,047</b>	<b>175.6%</b>	<b>7,668</b>	<b>48.6%</b>
Three months ended June 30, 2008	286,876	– %	3,283	– %	5,161	– %

	(Millions of yen)			
	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Three months ended June 30, 2009</b>	<b>3,527</b>	<b>4.7%</b>	<b>2.41</b>	–
Three months ended June 30, 2008	3,369	– %	2.30	–

#### (2) Financial Position

	(Millions of yen, except per share figures)			
	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share of Common Stock (Yen)
<b>June 30, 2009</b>	<b>1,471,571</b>	<b>212,998</b>	<b>13.5%</b>	<b>135.48</b>
March 31, 2009	1,489,342	205,950	12.9%	130.96

Note: Shareholders' equity at:

June 30, 2009:	¥198,664 million
March 31, 2009:	¥192,043 million

## 2. DIVIDENDS

(Record Date)	Dividends per Share					(Yen)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual	
Fiscal year ended March 31, 2009	—	0.00	—	0.00	0.00	
Fiscal year ending March 31, 2010	—	—	—	—	—	
Fiscal year ending March 31, 2010 (Forecast)	—	—	—	—	—	

## 3. CONSOLIDATED RESULTS FORECAST FOR THE YEAR ENDING MARCH 31, 2010

	(Millions of yen; Percentages show the rate of increase or decrease from the previous corresponding period)								
	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Six months ending September 30, 2009	580,000	(5.0)%	12,000	15.4%	4,000	(45.5)%	2,000	(50.3)%	1.36
Full Fiscal Year	1,290,000	(7.1)%	29,000	12.9%	13,000	(3.9)%	7,000	—	4.77

## 4. OTHER IMPORTANT INFORMATION

(1) **Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in scope of consolidation):** None

(2) **Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements:** Yes

For more details see “Notes to the Consolidated Financial Report” under Qualitative Information and Notes, on page 3.

(3) **Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (Changes to be described in the section of “Changes in basis of preparation for the quarterly consolidated financial statements”):**

(i) Changes due to revisions to accounting standards: Yes

(ii) Changes due to other reasons: None

For more details see “Notes to the Consolidated Financial Report” under Qualitative Information and Notes, on page 3.

(4) **Number of shares outstanding (common stock):**

(i) Number of shares outstanding at end of period (including treasury stock)

As of June 30, 2009: 1,467,058,482 shares

As of March 31, 2009: 1,467,058,482 shares

(ii) Number of treasury stock owned at end of period

As of June 30, 2009: 690,328 shares

As of March 31, 2009: 677,385 shares

(iii) Average number of shares of common stock outstanding during period (total consolidated quarterly period)

Three months ended June 30, 2009: 1,466,372,260 shares

Three months ended June 30, 2008: 1,466,488,858 shares

**1. Qualitative Information Regarding Consolidated Business Results**

The global economy, plagued by an unprecedented economic recession not seen since the end of World War II, caused by the financial crisis, is showing signs that the worst period is over as benefits materialize from governmental countermeasures implemented in many countries. The Japanese economy is also seeing recovery in exports and production as inventory adjustments progress and the economies start back up in Asia. Nevertheless, because production levels remain extremely low, capital investments are on a decline and employment conditions are deteriorating at an alarming rate, leaving the economy in relentlessly harsh conditions.

Looking ahead, while China and other emerging countries are maintaining relatively higher growth, the US and Europe are gradually pulling themselves out of their financial and real economy vicious cycle lighting the way for Japan to envision a return to a sustainable economic recovery in the long run.

However, as trends in overseas economies and international financial and capital markets cloud future prospects, at present, we expect conditions to continue where the risk of an economic downturn is high. In response to these harsh conditions, the IHI Group has made efforts to restructure business units, cut costs and expenses, handle periodic inspections and short deadline projects, strengthen foreign exchange risk management, use strong yen effects in the procurement of equipment and materials and fortify pre-order screening and after-order management. Despite these efforts, orders received during the first quarter of the current fiscal year fell 36.7% from the same period of the previous fiscal year to ¥148.3 billion due to the economic downturn and other factors. Net sales were down 14.8% from the same period of the previous fiscal year to ¥244.5 billion due to lower earnings in Industrial Machinery Operations, Shipbuilding and Offshore Operations and other segments despite a strong performance in Aero-Engine and Space Operations. In terms of income, Energy and Plants Operations greatly improved resulting in ¥9.0 billion in operating income, ¥7.6 billion in ordinary income and ¥3.5 billion in net income.

**2. Notes to the Consolidated Financial Report**

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in scope of consolidation)

None

- (2) Application of simplified accounting and special accounting for preparing quarterly consolidated financial statements

- (i) Simplified accounting method

*Calculation method for depreciation and amortization of fixed assets*

With regard to the fixed assets to which the Company and its consolidated subsidiaries apply the declining balance method, annual depreciation and amortization are prorated into the periods, while the some consolidated subsidiaries use an annual forecast based on a fixed asset budget for annual depreciation and amortization to be prorated.

*Method for calculating deferred tax assets and deferred tax liabilities*

In determining the recoverability of deferred tax assets, operating performance forecasts and tax planning used for the previous fiscal year were applied to the period under review along with significant changes in the operating environment or sudden and significant changes in conditions recognized in the period.

- (ii) Specific accounting procedures in the preparation of quarterly consolidated financial statements

*Tax expense calculation*

Tax expenses on income before income taxes for the period under review are calculated by multiplying income before income taxes for the period under review by the estimated effective tax rate for the current fiscal year applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for income before income taxes for the period under review.

The deferred corporate income tax amount is shown inclusive of income taxes.

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

- (i) Change in accounting standards

(Changes in accounting standards for recording construction revenue and cost of construction)

Previously, revenue from construction contracts was recognized on the percentage-of-completion basis for long-term, large-scale projects (lasting two years or more and revenue of ¥3.0 billion or more). Other projects are treated on the completed contract basis. Beginning from the period under review, “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and “Implementation Guidance on the Accounting Standard for Construction Contracts” (ASBJ No. 18, December 27, 2007),

are adopted, therefore construction contracts which started during the period under review and the outcome of which deemed certain are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects on the completed construction basis. As a result of the above, net sales increased ¥1,957 million, while operating income, ordinary income and income before income taxes and minority interests for the period under review increased ¥96 million, respectively. As a result of this change, there is minor impact on each segment.

(ii) Change in method of presentation

(Consolidated balance sheets)

Effective from the first quarter of the current fiscal year, due to standardization of account classification, the amount of “Work in process” includes that of “Partly-finished goods” separately presented until the previous fiscal year.

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	June 30, 2009	March 31, 2009 (Summary)
<b>Assets</b>		
Current assets		
Cash and deposits	54,044	87,547
Notes and accounts receivable-trade	286,307	352,840
Short-term investment securities	29,796	13,650
Finished goods	23,058	22,937
Raw materials and supplies	112,984	111,772
Work in process	382,637	336,455
Other	130,515	118,104
Allowance for doubtful accounts	(6,822)	(6,877)
Total current assets	1,012,519	1,036,428
Noncurrent assets		
Property, plant and equipment	274,223	273,964
Intangible assets		
Goodwill	5,231	5,451
Other	17,977	18,890
Total intangible assets	23,208	24,341
Investments and other assets		
Other	183,981	176,714
Allowance for doubtful accounts	(22,360)	(22,105)
Total investments and other assets	161,621	154,609
Total noncurrent assets	459,052	452,914
Total assets	1,471,571	1,489,342
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	250,861	294,871
Short-term loans payable	209,198	199,084
Current portion of bonds payable	10,000	25,000
Commercial papers	7,000	5,000
Income taxes payable	6,693	10,130
Advances received	228,607	212,362
Provision for bonuses	11,652	20,520
Provision for construction warranties	19,408	20,020
Provision for loss on construction contracts	24,033	29,891
Other provision	108	252
Other	80,099	81,051
Total current liabilities	847,659	898,181
Noncurrent liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	154,162	128,626
Provision for retirement benefits	137,004	137,796
Other provision	1,598	1,915
Other	58,150	56,874
Total noncurrent liabilities	410,914	385,211
Total liabilities	1,258,573	1,283,392

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	June 30, 2009	March 31, 2009 (Summary)
Net assets		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,031	43,032
Retained earnings	51,950	48,423
Treasury stock	(157)	(155)
Total shareholders' equity	190,586	187,062
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,788	4,679
Deferred gains or losses on hedges	1,160	908
Revaluation reserve for land	3,785	3,785
Foreign currency translation adjustment	(4,655)	(4,391)
Total valuation and translation adjustments	8,078	4,981
Subscription rights to shares	206	206
Minority interests	14,128	13,701
Total net assets	212,998	205,950
Total liabilities and net assets	1,471,571	1,489,342

**CONSOLIDATED STATEMENTS OF INCOME (Cumulative)**

(Millions of yen)

	Apr. 1, 2009 to June 30, 2009	Apr. 1, 2008 to June 30, 2008
Net sales	244,536	286,876
Cost of sales	203,426	251,530
Gross profit	41,110	35,346
Selling, general and administrative expenses	32,063	32,063
Operating income	9,047	3,283
Non-operating income		
Interest income	130	362
Dividends income	1,004	1,139
Equity in earnings of affiliates	261	436
Gain on valuation of derivatives	1,717	–
Foreign exchange gains	–	2,363
Other	958	1,403
Total non-operating income	4,070	5,703
Non-operating expenses		
Interest expenses	1,594	1,352
Other	3,855	2,473
Total non-operating expenses	5,449	3,825
Ordinary income	7,668	5,161
Extraordinary income		
Gain on sales of noncurrent assets	–	3,732
Total extraordinary income	–	3,732
Extraordinary loss		
Charges under Financial Securities and Exchange Law	–	1,594
Total extraordinary losses	–	1,594
Income before income taxes and minority interests	7,668	7,299
Income taxes	4,228	4,026
Minority interests	(87)	(96)
Net income	3,527	3,369

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2009 to June 30, 2009	Apr. 1, 2008 to June 30, 2008
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	7,668	7,299
Depreciation and amortization	10,000	9,602
Depreciation and amortization on other	1,443	1,365
Increase (decrease) in allowance for doubtful accounts	183	(229)
Increase (decrease) in provision for bonuses	(8,878)	(9,297)
Increase (decrease) in provision for construction warranties	(617)	2,078
Increase (decrease) in provision for loss on construction contracts	(5,919)	(1,937)
Increase (decrease) in provision for retirement benefits	(801)	(413)
Interest and dividends income	(1,134)	(1,501)
Interest expenses	1,594	1,352
Foreign exchange losses (gains)	(102)	(70)
Loss (gain) on sales of short-term and long term investment securities	7	-
Loss (gain) on valuation of short-term and long term investment securities	19	25
Equity in (earnings) losses of affiliates	(261)	(436)
Loss (gain) on sales and retirement of noncurrent assets	354	(3,445)
Decrease (increase) in notes and accounts receivable-trade	68,096	61,489
Increase (decrease) in advances received	13,937	34,212
Decrease (increase) in advance payments	3,420	777
Decrease (increase) in inventories	(46,671)	(55,508)
Increase (decrease) in notes and accounts payable-trade	(42,064)	(8,602)
Increase (decrease) in accrued expenses	(1,602)	(19,224)
Increase (decrease) in lease and guarantee deposits received	(55)	15
Other, net	13,486	5,820
Subtotal	12,103	23,372
Interest and dividends income received	1,212	1,614
Interest expenses paid	(1,611)	(1,500)
Income taxes paid	(8,895)	(16,849)
Net cash provided by (used in) operating activities	2,809	6,637
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	125	(314)
Purchase of short-term and long term investment securities	(5,353)	(2,550)
Proceeds from sales and redemption of short-term and long term investment securities	2,003	3,573
Purchase of property, plant and equipment and intangible assets	(12,446)	(8,490)
Proceeds from sales of property, plant and equipment	546	2,101
Payments for retirement of property, plant and equipment	(211)	(102)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(5,772)
Decrease (increase) in short-term loans receivable	(2,917)	(87)
Payments of long-term loans receivable	(19)	(63)
Collection of long-term loans receivable	50	40
Proceeds from termination of long-term investment	-	10,161
Other, net	(4,191)	(1,556)
Net cash provided by (used in) investing activities	(22,413)	(3,059)



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of yen)

	Apr. 1, 2009 to June 30, 2009	Apr. 1, 2008 to June 30, 2008
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	6,491	(5,264)
Net increase (decrease) in commercial papers	2,000	–
Proceeds from long-term loans payable	35,100	490
Repayment of long-term loans payable	(6,099)	(3,597)
Redemption of bonds	(15,000)	(15,000)
Repayments of lease obligations	(684)	–
Decrease (increase) in treasury stock	(3)	(16)
Cash dividends paid	(5)	(5,436)
Cash dividends paid to minority shareholders	(400)	(164)
Other, net	–	(123)
Net cash provided by (used in) financing activities	21,400	(29,110)
Effect of exchange rate change on cash and cash equivalents	1,088	(2,501)
Net increase (decrease) in cash and cash equivalents	2,884	(28,033)
Cash and cash equivalents at beginning of period	107,720	130,428
Increase in cash and cash equivalents from newly consolidated subsidiary	266	–
Increase in cash and cash equivalents from merger of non-consolidated subsidiary	11	–
Cash and cash equivalents at end of period	110,881	102,395

## 5. SEGMENT INFORMATION

### a. Performance by business segment

(Millions of yen)

Three months ended June 30, 2009	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plants Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Real Estate Operations	Other Operations	Total
<b>Sales and operating income:</b>								
Sales to outside customers	33,066	29,464	69,994	66,741	24,026	1,908	19,337	244,536
Intersegment sales and transfers	3,171	4,510	6,878	977	492	99	7,998	24,125
Total	36,237	33,974	76,872	67,718	24,518	2,007	27,335	268,661
Operating expenses	36,939	34,239	70,380	63,030	26,566	1,212	26,811	259,177
Operating income (loss)	(702)	(265)	6,492	4,688	(2,048)	795	524	9,484

	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>		
Sales to outside customers	-	244,536
Intersegment sales and transfers	(24,125)	-
Total	(24,125)	244,536
Operating expenses	(23,688)	235,489
Operating income (loss)	(437)	9,047

(Millions of yen)

Three months ended June 30, 2008	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plants Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Real Estate Operations	Other Operations	Total
<b>Sales and operating income:</b>								
Sales to outside customers	28,399	41,370	84,319	61,577	34,692	8,333	28,186	286,876
Intersegment sales and transfers	1,935	5,007	3,961	1,128	264	14	8,002	20,311
Total	30,334	46,377	88,280	62,705	34,956	8,347	36,188	307,187
Operating expenses	33,042	43,528	91,067	59,689	34,552	6,003	35,779	303,660
Operating income (loss)	(2,708)	2,849	(2,787)	3,016	404	2,344	409	3,527

	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>		
Sales to outside customers	-	286,876
Intersegment sales and transfers	(20,311)	-
Total	(20,311)	286,876
Operating expenses	(20,067)	283,593
Operating income (loss)	(244)	3,283

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, logistics and factory automation systems, parking systems, bridges and construction material products
  - (2) Industrial Machinery Operations  
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
  - (3) Energy and Plants 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) Real Estate Operations  
Real estate sales and rental
  - (7) Other Operations  
Diesel engines, agricultural machinery, construction machinery, financing and service industry and others
3. Operating expenses are entirely allocated to each business segment.

**b. Segment information by region**

Three months ended June 30, 2009 and three months ended June 30, 2008

Japan accounted for more than 90% of the total net sales of all segments. Consequently, disclosure of segment information of areas other than Japan has been omitted.

**c. Overseas sales**

(Millions of yen)						
Three months ended June 30, 2009	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	21,181	36,427	11,788	19,713	20,391	109,500
Consolidated net sales						244,536
Overseas sales as a percentage of consolidated net sales	8.7%	14.9%	4.8%	8.1%	8.3%	44.8%

(Millions of yen)						
Three months ended June 30, 2008	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	31,965	39,854	14,835	20,074	29,787	136,515
Consolidated net sales						286,876
Overseas sales as a percentage of consolidated net sales	11.1%	13.9%	5.2%	7.0%	10.4%	47.6%

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries included in each segment are as follows:
  - (1) Asia: China, Taiwan, Korea, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, 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 represent sales amounts for IHI and its consolidated subsidiaries in countries or regions outside of Japan.