

## CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 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: February 10, 2010 (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, except per share figures; percentages show the rate of increase or decrease from the previous corresponding period)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Nine months ended December 31, 2009</b>	<b>829,365</b>	<b>(11.1)%</b>	<b>22,714</b>	<b>- %</b>	<b>14,902</b>	<b>- %</b>
Nine months ended December 31, 2008	932,568	- %	624	- %	(10,332)	- %

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Nine months ended December 31, 2009</b>	<b>52</b>	<b>- %</b>	<b>0.04</b>	<b>0.04</b>
Nine months ended December 31, 2008	(24,553)	- %	(16.74)	-

#### (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>December 31, 2009</b>	<b>1,477,973</b>	<b>208,116</b>	<b>13.2%</b>	<b>132.63</b>
March 31, 2009	1,489,342	205,950	12.9%	130.96

Note: Shareholders' equity at:

December 31, 2009: ¥194,474 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	—	0.00	—	—	—	
Fiscal year ending March 31, 2010 (Forecast)	—	—	—	—	—	

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

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the previous year)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Full Fiscal Year	1,280,000 (7.8)%	34,000 32.4%	16,000 18.3%	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 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 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 issued (common stock):**

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

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

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

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

As of December 31, 2009: 714,758 shares

As of March 31, 2009: 677,385 shares

(iii) Average number of shares outstanding during period (cumulative consolidated quarterly period)

Nine months ended December 31, 2009: 1,466,370,056 shares

Nine months ended December 31, 2008: 1,466,450,248 shares

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

In the nine months under review in Japan, the economy was characterized by a financial environment that, though remaining harsh, continued to follow a trend of improvement. Against a backdrop of inventory adjustment progress in Japan and overseas, and recoveries in overseas economies especially in the emerging countries in Asia, the economy continued moving towards recovery. While managing to escape out of the worst period for exports and production levels, the business sentiment of companies, particularly those in the manufacturing industry, gradually improved, and companies were observed to have stopped lowering capital investments. Also, despite the continuation of a harsh employment and income environment, a recovery began in personal consumption centered on durable consumer goods due to the effects of various measures. Looking forward, Japan's economy is expected to recover at a gradual pace as a result of improvements in the external economic environment such as the recovery of the emerging countries. However, amidst expected continuation of the current sense of oversupply with respect to facilities and employees, the harsh environment surrounding corporate earnings such as the strong yen and deflation is expected to continue. Also, the repercussions of the global financial crisis, such as that observed with the Dubai credit crisis in the Middle-East that occurred in the latter part of November, are shrouding the future with uncertainty. Even with the real economy, the future contains the risk of economic outcome better or worse than anticipated arose by factors such as the economic situation of emerging countries and the resource-rich countries, the repercussions of balance sheet adjustments in the U.S. and European economies, and the trend of expectations of mid- to long-term growth.

In response to these harsh conditions, the IHI Group proceeded to subject businesses to concentration and selection. At the same time, it made efforts such as cutting costs and expenses, accepting maintenance, repair and short deadline projects, strengthening foreign exchange risk management, using strong yen effects in the procurement of equipment and materials, and fortifying pre-order acceptance screening and post-order-acceptance management. Despite these efforts, orders received during the nine months under review fell 28.2% from the same period of the previous fiscal year to ¥591.8 billion due to delay in economic recovery and other factors. Net sales were down 11.1% from the same period of the previous fiscal year to ¥829.3 billion due to lower sales in Industrial Machinery Operations, Energy and Plants Operations and other segments despite a firm performance in Logistics Systems and Structures Operations and Shipbuilding and Offshore Operations. In terms of profit, Logistics Systems and Structures Operations and Energy and Plants Operations improved resulting in ¥22.7 billion in operating income and ¥14.9 billion in ordinary income. However, due to the recording of loss resulting from the discontinuation of a project related to the GX launch vehicle among other reasons, net income was ¥52 million.

**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 procedures and special accounting procedures for preparing quarterly consolidated financial statements

- (i) Simplified accounting procedures

*Calculation method for depreciation and amortization of noncurrent assets*

With regard to the noncurrent assets to which the Company and its consolidated subsidiaries apply the declining balance method, annual depreciation and amortization are prorated into the periods, while some consolidated subsidiaries use an annual forecast based on a noncurrent 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 are applied to the period under review along with significant changes in the operating environment, temporary differences or other conditions recognized in the period.

- (ii) Special accounting procedures for preparing 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 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 policies

(Changes in accounting policies 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 were treated on the completed contract basis. Beginning from the first quarter of the current fiscal year, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007), are adopted, therefore construction contracts which started during the first nine months of the current fiscal year 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 ¥29,166 million, while operating income, ordinary income and income before income taxes and minority interests for the period under review increased ¥744 million, respectively.

The impact on each segment is described in the section of “Segment Information.”

(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 the amount of “Partly-finished goods” that was presented as a separate item until the previous fiscal year.

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	December 31, 2009	March 31, 2009 (Summary)
<b>Assets</b>		
Current assets		
Cash and deposits	61,544	87,547
Notes and accounts receivable-trade	286,173	352,840
Short-term investment securities	38,300	13,650
Finished goods	21,283	22,937
Raw materials and supplies	113,992	111,772
Work in process	386,944	336,455
Other	110,604	118,104
Allowance for doubtful accounts	(8,380)	(6,877)
Total current assets	1,010,460	1,036,428
Noncurrent assets		
Property, plant and equipment	287,199	273,964
Intangible assets		
Goodwill	4,972	5,451
Other	17,517	18,890
Total intangible assets	22,489	24,341
Investments and other assets		
Other	180,830	176,714
Allowance for doubtful accounts	(23,005)	(22,105)
Total investments and other assets	157,825	154,609
Total noncurrent assets	467,513	452,914
Total assets	1,477,973	1,489,342
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	232,193	294,871
Short-term loans payable	216,486	199,084
Current portion of bonds payable	30,000	25,000
Commercial papers	2,500	5,000
Income taxes payable	4,625	10,130
Advances received	227,237	212,362
Provision for bonuses	12,150	20,520
Provision for construction warranties	18,823	20,020
Provision for loss on construction contracts	17,506	29,891
Other provision	172	252
Other	86,841	81,051
Total current liabilities	848,533	898,181
Noncurrent liabilities		
Bonds payable	40,500	60,000
Long-term loans payable	180,411	128,626
Provision for retirement benefits	136,542	137,796
Other provision	1,747	1,915
Other	62,124	56,874
Total noncurrent liabilities	421,324	385,211
Total liabilities	1,269,857	1,283,392

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	December 31, 2009	March 31, 2009 (Summary)
Net assets		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,033	43,032
Retained earnings	48,475	48,423
Treasury stock	(160)	(155)
Total shareholders' equity	187,110	187,062
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,897	4,679
Deferred gains or losses on hedges	3	908
Revaluation reserve for land	3,785	3,785
Foreign currency translation adjustment	(4,321)	(4,391)
Total valuation and translation adjustments	7,364	4,981
Subscription rights to shares	310	206
Minority interests	13,332	13,701
Total net assets	208,116	205,950
Total liabilities and net assets	1,477,973	1,489,342

**CONSOLIDATED STATEMENTS OF INCOME (Cumulative)**

(Millions of yen)

	Apr. 1, 2009 to Dec. 31, 2009	Apr. 1, 2008 to Dec. 31, 2008
Net sales	829,365	932,568
Cost of sales	703,050	833,075
Gross profit	126,315	99,493
Selling, general and administrative expenses	103,601	98,869
Operating income	22,714	624
Non-operating income		
Interest income	332	1,164
Dividends income	1,926	1,711
Equity in earnings of affiliates	851	1,106
Amortization of negative goodwill	2,797	-
Other	4,072	3,365
Total non-operating income	9,978	7,346
Non-operating expenses		
Interest expenses	4,896	4,416
Expenses for delayed delivery	4,010	-
Foreign exchange losses	-	4,892
Other	8,884	8,994
Total non-operating expenses	17,790	18,302
Ordinary income (loss)	14,902	(10,332)
Extraordinary income		
Gain on sales of noncurrent assets	-	3,732
Gain on transfer of business	-	281
Gain on liquidation of subsidiaries and affiliates	-	148
Total extraordinary income	-	4,161
Extraordinary loss		
Loss on discontinuation of GX project	11,300	-
Loss on valuation of investment securities	1,661	295
Provision of allowance for doubtful accounts	-	13,582
Restructuring loss	-	2,036
Charges under Financial Securities and Exchange Law	-	1,594
Compensation for damage	-	532
Impairment loss	-	58
Other	-	84
Total extraordinary losses	12,961	18,181
Income (loss) before income taxes and minority interests	1,941	(24,352)
Income taxes	2,084	609
Minority interests	(195)	(408)
Net income (loss)	52	(24,553)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2009 to Dec. 31, 2009	Apr. 1, 2008 to Dec. 31, 2008
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	1,941	(24,352)
Depreciation and amortization	29,708	32,639
Depreciation and amortization on other	4,632	4,080
Impairment loss	5	58
Loss on discontinuation of GX project	11,300	-
Increase (decrease) in allowance for doubtful accounts	2,183	13,874
Increase (decrease) in provision for bonuses	(8,562)	(9,176)
Increase (decrease) in provision for construction warranties	(1,208)	1,422
Increase (decrease) in provision for loss on construction contracts	(12,632)	6,929
Increase (decrease) in provision for retirement benefits	(2,567)	(957)
Interest and dividends income	(2,258)	(2,875)
Interest expenses	4,896	4,416
Foreign exchange losses (gains)	2	66
Loss (gain) on sales of short-term and long term investment securities	(16)	4
Loss (gain) on valuation of short-term and long term investment securities	1,638	195
Equity in (earnings) losses of affiliates	(851)	(1,106)
Loss (gain) on sales and retirement of noncurrent assets	1,247	(1,831)
Gain on transfer of business	-	(281)
Decrease (increase) in notes and accounts receivable-trade	74,827	48,405
Increase (decrease) in advances received	12,774	29,550
Decrease (increase) in advance payments	4,582	(748)
Decrease (increase) in inventories	(48,529)	(114,296)
Increase (decrease) in notes and accounts payable-trade	(64,551)	(9,208)
Increase (decrease) in accrued expenses	472	(11,509)
Increase (decrease) in lease and guarantee deposits received	-	43
Other, net	2,248	(15,216)
<b>Subtotal</b>	<b>11,281</b>	<b>(49,874)</b>
Interest and dividends income received	2,351	2,918
Interest expenses paid	(4,598)	(4,313)
Income taxes paid	(7,874)	(18,684)
<b>Net cash provided by (used in) operating activities</b>	<b>1,160</b>	<b>(69,953)</b>
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	126	(47)
Purchase of short-term and long term investment securities	(2,555)	(9,098)
Proceeds from sales and redemption of short-term and long-term investment securities	2,063	4,537
Purchase of property, plant and equipment and intangible assets	(36,371)	(28,363)
Proceeds from sales of property, plant and equipment	1,645	5,615
Payments for retirement of property, plant and equipment	(206)	(450)
Proceeds from transfer of business	-	75
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(6,812)	(5,772)
Decrease (increase) in short-term loans receivable	(3,415)	(2,728)
Payments of long-term loans receivable	(33)	(1,172)
Collection of long-term loans receivable	247	141
Proceeds from termination of long-term investment	-	10,161
Other, net	(6,129)	(6,942)
<b>Net cash provided by (used in) investing activities</b>	<b>(51,440)</b>	<b>(34,043)</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2009 to Dec. 31, 2009	Apr. 1, 2008 to Dec. 31, 2008
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,588	59,154
Increase (decrease) in commercial papers	(2,500)	-
Proceeds from long-term loans payable	79,998	49,890
Repayment of long-term loans payable	(24,981)	(11,941)
Redemption of bonds	(15,000)	(28,000)
Repayments of lease obligations	(1,885)	-
Decrease (increase) in treasury stock	(13)	(23)
Cash dividends paid	(10)	(5,823)
Proceeds from stock issuance to minority shareholders	24	824
Cash dividends paid to minority shareholders	(494)	(451)
Other, net	(142)	(123)
Net cash provided by (used in) financing activities	43,585	63,507
Effect of exchange rate change on cash and cash equivalents	(89)	(4,804)
Net increase (decrease) in cash and cash equivalents	(6,784)	(45,293)
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	76
Cash and cash equivalents at end of period	101,213	85,211

## SEGMENT INFORMATION

### a. Performance by business segment

(Millions of yen)

Nine months ended December 31, 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	124,623	100,267	228,139	189,161	129,322	5,768	52,085	829,365
Intersegment sales and transfers	12,249	11,784	16,799	3,280	1,426	313	25,075	70,926
Total	136,872	112,051	244,938	192,441	130,748	6,081	77,160	900,291
Operating expenses	137,091	111,176	227,291	187,400	133,667	3,703	77,068	877,396
Operating income (loss)	(219)	875	17,647	5,041	(2,919)	2,378	92	22,895

	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>		
Sales to outside customers	-	829,365
Intersegment sales and transfers	(70,926)	-
Total	(70,926)	829,365
Operating expenses	(70,745)	806,651
Operating income (loss)	(181)	22,714

(Millions of yen)

Nine months ended December 31, 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	109,305	147,944	257,823	202,990	121,173	11,970	81,363	932,568
Intersegment sales and transfers	9,099	12,101	17,178	6,031	2,188	430	24,579	71,606
Total	118,404	160,045	275,001	209,021	123,361	12,400	105,942	1,004,174
Operating expenses	122,375	150,449	288,757	201,588	127,140	8,700	103,577	1,002,586
Operating income (loss)	(3,971)	9,596	(13,756)	7,433	(3,779)	3,700	2,365	1,588

	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>		
Sales to outside customers	-	932,568
Intersegment sales and transfers	(71,606)	-
Total	(71,606)	932,568
Operating expenses	(70,642)	931,944
Operating income (loss)	(964)	624

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.
4. Changes in accounting procedures  
(Changes in accounting policies for recording construction revenue and cost of construction)  
As mentioned under 2. (3) (i) of Qualitative Information and Notes, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007) are adopted beginning from the first quarter of the current fiscal year.  
As a result of this change, net sales increased ¥776 million in Logistics Systems and Structures Operations, ¥359 million in Industrial Machinery Operations, ¥388 million in Energy and Plants Operations and ¥27,900 million in Shipbuilding and Offshore Operations respectively. Operating income increased ¥21 million in Industrial Machinery Operations and ¥7 million in Energy and Plants Operations respectively. Operating loss decreased ¥83 million in Logistics Systems and Structures Operations and ¥655 million in Shipbuilding and Offshore Operations respectively.

**b. Segment information by geographic area**

Nine months ended December 31, 2009 and nine months ended December 31, 2008

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

### c. Overseas sales

(Millions of yen)						
Nine months ended December 31, 2009	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	75,565	103,957	72,609	51,395	62,555	366,081
Consolidated net sales						829,365
Overseas sales as a percentage of consolidated net sales	9.1%	12.5%	8.8%	6.2%	7.5%	44.1%

(Millions of yen)						
Nine months ended December 31, 2008	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	100,073	121,569	50,113	69,320	81,514	422,589
Consolidated net sales						932,568
Overseas sales as a percentage of consolidated net sales	10.7%	13.0%	5.4%	7.4%	8.8%	45.3%

#### 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.