

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2009

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

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Annual General Meeting of Shareholders: June 26, 2009 (planned)
 Submission of Financial Statements: June 26, 2009 (planned)
 Commencement of Dividend Payments: —
 U.S. GAAP: Not applied

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 million.

PERFORMANCE

(1) Business Results

(Millions of yen)						
Years ended March 31	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
2009	1,388,042	2.8%	25,679	—	13,521	—
2008	1,350,567	10.6%	(16,807)	—	(30,812)	—

(Millions of yen)							
Years ended March 31	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
2009	(7,407)	—	(5.05)	—	(3.6)%	0.9%	1.9%
2008	25,195	—	17.18	—	11.7%	(2.0)%	(1.2)%

Notes:

1. Equity in earnings of non-consolidated subsidiaries and affiliates

Year ended March 31, 2009:	¥ 780 million
Year ended March 31, 2008:	¥ 154 million
2. Average number of shares outstanding (consolidated)

Year ended March 31, 2009:	1,466,434,580 shares
Year ended March 31, 2008:	1,466,623,898 shares
3. Percentages shown for net sales, operating income, ordinary income and net income are the rates of increase and decrease from the corresponding period of the previous year.

(2) Financial Position

(Millions of yen, except per share figures)

March 31	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share of Common Stock (Yen)
2009	1,489,342	205,950	12.9%	130.96
2008	1,542,295	234,406	14.3%	149.96

Note: Shareholders' equity at the end of the period (consolidated)

March 31, 2009:	192,043 million
March 31, 2008:	219,917 million

(3) Cash Flows

(Millions of yen)

Years ended March 31	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of Period
2009	(17,638)	(41,727)	42,812	107,720
2008	3,339	46,789	(48,786)	130,428

DIVIDENDS

(Record Date)	Dividends per Share			Total Amount of Dividend Payment (Millions of Yen)	Dividend Payout Ratio (Consolidated)	Dividend to Net Assets Ratio (Consolidated)
	Interim (Yen)	Year-end (Yen)	Annual (Yen)			
Year ended March 31, 2009	0.00	0.00	0.00	—	—	—
Year ended March 31, 2008	0.00	4.00	4.00	5,866	23.3%	2.7%
Year ending March 31, 2010 (Forecast)	0.00	0.00	0.00	—	—	—

FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2010

(Millions of yen; percentages show rates of increase and decrease from the corresponding period of the previous year)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Interim	590,000 (3.4%)	11,000 5.8%	4,000 (45.5%)	2,000 (50.3%)	1.36
Full-Year	1,300,000 (6.3%)	29,000 12.9%	13,000 (3.9%)	7,000 —%	4.77

Note:

1. Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as political and general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.

2. No dividend forecast for year ending March 31, 2010 is provided because of uncertainties concerning the future trends in the economic environment such as those related to the economy, exchange rates and raw and other material prices. After considering the operational trends from this point forward, the Company will act swiftly to disclose a dividend forecast amount as soon as it is possible to do so.

OTHER IMPORTANT INFORMATION

- (1) Changes to significant subsidiaries during the period under review (Changes to specified subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements (Changes to be described in the section of “Changes in basis of preparation for consolidated financial statements”)
- A. Changes due to revisions to accounting standards: Yes
 - B. Changes due to other reasons: Yes

(3) Number of Shares Outstanding (Common Stock)

Number of shares outstanding	
As of March 31, 2009:	1,467,058,482 shares
As of March 31, 2008:	1,467,058,482 shares
Number of treasury stock owned	
As of March 31, 2009:	677,385 shares
As of March 31, 2008:	536,481 shares

QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS

1. Business Results

(1) Overview

A. Summary of consolidated performance

Japan's economy had already turned sluggish by the summer of 2008. The slump in the world's economy, especially in developed countries, resulted in a slowdown of exports and lower profitability due to the steep rise in the cost of energy and raw materials. The bankruptcy of Lehman Brothers, a major US investment bank, in mid-September initiated a financial crisis and intensified the worldwide economic slowdown even in newly developing countries. The volume of exports and production sharply declined, and corporations began looking at ways to reduce redundancy in human resources and facilities, causing Japan to slip into a serious recession.

In response to these harsh conditions, the IHI Group decided to subject businesses to consolidation and selection and each group company took every step to maximize profitability. As a whole, the group recorded orders received totaling ¥1,176.7 billion. This amounted to a decrease of 24.4% when compared with the previous fiscal year but this decline is largely due to the fact that we were awarded a major plant construction project during the previous fiscal year. Although some equipment sales were affected by the latest economic downturn, net sales were up 2.8% from the previous year to ¥1,388.0 billion owing to increased revenues in the following segments: Logistics Systems and Structures Operations, Industrial Machinery Operations, Energy and Plants Operations and Shipbuilding and Offshore Operations. Operating income and ordinary income were up to ¥25.6 billion and ¥13.5 billion respectively despite declining profit margins due to the economic slowdown and price hikes for equipment and materials, and the appreciation of the yen. Much of the increase in operating and ordinary income is due to the recovery of the Energy and Plants Operations whose performance had deteriorated significantly in the previous fiscal year. Net loss of ¥7.4 billion was recorded due to extraordinary gains in sale of fixed assets (including land sold during the fiscal year) and transfer to provision for doubtful accounts.

B. Summary of consolidated performance by segment

Logistics Systems and Structures Operations

Although this segment received some major orders, such as for bridge construction, orders decreased 8.5% from the previous fiscal year to ¥174.7 billion largely because of the steep decline in demand for private capital investment.

On the other hand, sales rose 11.1% from the previous fiscal year to ¥204.6 billion owing to increased profits from projects such as railroad vehicles and deck cranes, while the bridge construction recorded a decrease in sales.

An operating loss of ¥1.4 billion was attributable to the delayed recovery in the profitability in public capital investment projects.

Industrial Machinery Operations

Despite falling demand for automotive turbochargers due to the substantial drop in automobile sales worldwide, orders received rose 13.6% when compared with the previous fiscal year to ¥194.2 billion

owing to steady performance of the industrial furnace business.

Despite the decrease in the sale of automotive turbochargers, sales for this segment were also up 14.0% from the previous fiscal year to ¥220.5 billion due to the favorable performance of the industrial furnace and rolling machine businesses.

However, operating income was only ¥12.6 billion, representing a 19.2% drop when compared with the previous fiscal year. This was largely due to the decreased income from automotive turbochargers and price hikes for equipment and materials outweighing the increased income from rolling machines

Energy and Plants Operations

Orders received fell 30.5% from the previous fiscal year to ¥299.8 billion due to the large order for chemical machinery received during the previous fiscal year and because of the decrease in orders for diesel/gas engines. This decrease was despite the favorable performance of the nuclear machinery business.

Sales rose 10.3% year-on-year to ¥436.4 billion owing to major construction work for chemical machinery and the steady performance of boiler/nuclear machinery maintenance and renovation business.

Despite significant improvements in boiler, storage and nuclear machinery businesses, this segment recorded an operating loss of ¥6.2 billion due to the appreciation of the yen.

Aero-Engine and Space Operations

Orders received edged up 0.1% from the previous fiscal year to ¥323.6 billion despite the adverse effects of defense budget cuts. This slight gain is attributed to steady performance of civil aero-engines.

Sales were down 5.0% when compared with the previous fiscal year to ¥297.8 billion due to impact of the strong yen on aero-engine sales and decreased revenues from maintenance work.

Operating income was down 53.1% from the previous fiscal year to ¥11.0 billion due to the appreciation of the yen.

Shipbuilding and Offshore Operations

Orders received fell 71.7% when compared with the previous fiscal year to ¥78.9 billion due to a decrease in new shipbuilding orders.

Despite the decrease in ship repairs (this year fell in between the periodic warship inspection schedule), sales rose 13.0% from the previous fiscal year to ¥181.7 billion due to the increased delivery of newly built ships. During the year, IHI delivered 18 new ships (3 tankers, 3 container vessels, 10 bulk carrier ships, 1 naval vessel and 1 electrical propulsion ship) totaling 1.79 million deadweight tons.

Despite the appreciation of the yen, operating income was up 19.0% from the previous fiscal year to ¥2.8 billion owing to improvements in profitability of new shipbuilding.

Real Estate Operations

Orders received fell 20.2% year-on-year to ¥7.9 billion due to decreased real estate sales.

Sales were ¥15.8 billion, representing 61.2% drop when compared with the previous fiscal year. This is due to the lull effect from a large number of the turn-over dates of units of the condominium complex in the Toyosu area (Koto-ku, Tokyo) being clustered together at the end of the previous fiscal year.

An operating income of ¥5.2 billion, representing 57.8% drop from the previous fiscal year, was attributable to this decreased income.

Other Operations

Orders received fell 35.4% to ¥97.3 billion from the previous fiscal year due to a decrease in orders for agricultural equipment, construction machinery and diesel engines resulting from the worldwide recession.

In line with orders, sales of agricultural equipment and construction machinery also fell 15.9% from the previous fiscal year to ¥140.4 billion.

Decrease in orders and sales resulted in an operating income of ¥2.4 billion, representing a 52.2% drop from the previous fiscal year.

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2009	March 31, 2008
ASSETS		
Current assets:		
Cash and deposits	¥ 87,547	¥ 72,080
Notes and accounts receivable-trade	352,840	358,945
Short-term investment securities	13,650	46,455
Inventories	—	455,885
Merchandise and finished goods	22,937	—
Work in process	289,929	—
Partly-finished work	46,526	—
Raw materials and supplies	111,772	—
Deferred tax assets	28,559	33,887
Other	89,545	119,438
Allowance for doubtful accounts	(6,877)	(4,066)
Current assets	1,036,428	1,082,624
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	104,200	101,222
Machinery, equipment and vehicles, net	56,662	58,445
Land	78,648	77,761
Construction in progress	10,399	5,330
Other, net	24,055	19,003
Property, plant and equipment	273,964	261,761
Intangible assets:		
Goodwill	5,451	1,450
Software	14,338	14,354
Royalties and other intangible assets	—	5,141
Other	4,552	—
Intangible assets	24,341	20,945
Investments and other assets:		
Investment securities	76,786	96,955
Deferred tax assets	49,701	34,965
Other	50,227	54,520
Allowance for doubtful accounts	(22,105)	(9,475)
Investments and other assets	154,609	176,965
Noncurrent assets	452,914	459,671
Assets	¥ 1,489,342	¥ 1,542,295

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2009	March 31, 2008
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	¥ 294,871	¥ 315,008
Short-term loans payable	199,084	131,706
Commercial papers	5,000	—
Current portion of bonds payable	25,000	28,000
Accrued expenses	38,774	63,088
Income taxes payable	10,130	16,188
Advances received	212,362	226,838
Provision for bonuses	20,520	21,420
Provision for construction warranties	20,020	19,122
Provision for loss on construction contracts	29,891	32,690
Other provision	252	—
Other	42,277	44,622
Current liabilities	898,181	898,682
Noncurrent liabilities:		
Bonds payable	60,000	85,000
Long-term loans payable	128,626	123,216
Deferred tax liabilities for land revaluation	3,377	3,131
Provision for retirement benefits	137,796	140,409
Other provision	1,915	—
Other	53,497	57,451
Noncurrent liabilities	385,211	409,207
Liabilities	1,283,392	1,307,889
NET ASSETS		
Shareholders' equity:		
Capital stock	95,762	95,762
Capital surplus	43,032	43,037
Retained earnings	48,423	56,012
Treasury stock	(155)	(135)
Shareholders' equity	187,062	194,676
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	4,679	22,104
Deferred gains or losses on hedges	908	1,518
Revaluation reserve for land	3,785	3,787
Foreign currency translation adjustment	(4,391)	(2,168)
Valuation and translation adjustments	4,981	25,241
Subscription rights to shares	206	114
Minority interests	13,701	14,375
Net assets	205,950	234,406
Liabilities and net assets	¥ 1,489,342	¥ 1,542,295

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2008 to Mar. 31, 2009	Apr. 1, 2007 to Mar. 31, 2008
Net sales	¥ 1,388,042	¥ 1,350,567
Cost of sales	1,221,612	1,235,111
Gross profit	166,430	115,456
Selling, general and administrative expenses:		
Inquiry expenses	12,139	10,205
Provision of allowance for doubtful accounts	2,907	198
Salaries for directors and employees	49,695	49,731
Traveling and transportation expenses	5,373	5,381
Research and development expenses	21,312	20,470
Business consignment expenses	5,716	5,531
Contribution for expenses common to all business segments	3,030	2,790
Depreciation	8,610	5,944
Other	31,969	32,013
Selling, general and administrative expenses	140,751	132,263
Operating income (loss)	25,679	(16,807)
Non-operating income:		
Interest income	1,460	1,902
Dividends income	2,936	2,527
Equity in earnings of affiliates	780	154
Other	5,412	3,983
Non-operating income	10,588	8,566
Non-operating expenses:		
Interest expenses	6,154	5,927
Payment for the labor cost difference of employees on loan to other companies	—	1,088
Foreign exchange losses	3,070	6,515
Administrative expenses for idle assets	—	1,002
Compensation for damages	—	2,422
Loss on valuation of derivatives	1,769	—
Other	11,753	5,617
Non-operating expenses	22,746	22,571
Ordinary income (loss)	¥ 13,521	¥ (30,812)

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2008 to Mar. 31, 2009	Apr. 1, 2007 to Mar. 31, 2008
Extraordinary income:		
Gain on sales of noncurrent assets	¥ 14,523	¥ —
Gain on transfer of business	281	—
Gain on liquidation of subsidiaries and affiliates	148	—
Gain on sales of land	—	87,374
Gain on sales of investment securities	—	3,400
Extraordinary income	14,952	90,774
Extraordinary loss:		
Provision of allowance for doubtful accounts	13,748	—
Restructuring loss	3,051	—
Charges under Financial Securities and Exchange Law	1,594	—
Loss relating to violation of Anti-Monopoly Act	532	414
Loss on liquidation of subsidiaries and affiliates	412	—
Loss on valuation of investment securities	335	—
Loss on valuation of equity in affiliated companies	166	592
Impairment loss	102	378
Loss on devaluation of space business-related assets	—	6,304
Losses on disposal of property, plant and equipments	—	3,292
Cost of environment conservation measures	—	1,234
Directors' retirement benefits for prior periods	—	954
Extraordinary loss	19,940	13,168
Income before income taxes and minority interests	8,533	46,794
Income taxes-current	15,260	21,357
Income taxes-deferred	890	304
Income taxes	16,150	21,661
Minority interests	(210)	(62)
Net income (loss)	¥ (7,407)	¥ 25,195

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2008 to Mar. 31, 2009	Apr. 1, 2007 to Mar. 31, 2008
Shareholders' equity		
Capital stock:		
Capital stock	¥ 95,762	¥ 95,762
Changes of items during the period	—	—
Capital stock	95,762	95,762
Capital surplus:		
Capital surplus	43,037	43,034
Changes of items during the period		
Disposal of treasury stock	(5)	3
Total changes of items during the period	(5)	3
Capital surplus	43,032	43,037
Retained earnings:		
Retained earnings	56,012	35,124
Effect of changes in accounting policies applied to foreign subsidiaries	(182)	—
Changes of items during the period		
Dividends from surplus	—	(5,866)
Net income (loss)	(7,407)	25,195
Net increase from newly consolidated subsidiaries	—	743
Net increase in equity-method companies	—	951
Loss from incorporating non-consolidated subsidiary	—	(260)
Reversal of revaluation reserve for land	—	125
Total changes of items during the period	(7,407)	20,888
Retained earnings	48,423	56,012
Treasury stock:		
Treasury stock	(135)	(74)
Changes of items during the period		
Purchase of treasury stock	(41)	(66)
Disposal of treasury stock	21	5
Total changes of items during the period	(20)	(61)
Treasury stock	¥ (155)	¥ (135)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2008 to Mar. 31, 2009	Apr. 1, 2007 to Mar. 31, 2008
Total shareholders' equity:		
Shareholders' equity	¥ 194,676	¥ 173,846
Effect of changes in accounting policies applied to foreign subsidiaries	(182)	—
Changes of items during the period		
Dividends from surplus	—	(5,866)
Net income (loss)	(7,407)	25,195
Purchase of treasury stock	(41)	(66)
Disposal of treasury stock	16	8
Net increase from newly consolidated subsidiaries	—	743
Net increase in equity-method companies	—	951
Loss from incorporating non-consolidated subsidiary	—	(260)
Reversal of revaluation reserve for land	—	125
Total changes of items during the period	(7,432)	20,830
Shareholders' equity	187,062	194,676
Valuation and translation adjustments		
Valuation difference on available-for-sale securities:		
Valuation difference on available-for-sale securities	22,104	35,654
Changes of items during the period		
Net changes of items other than shareholders' equity	(17,425)	(13,550)
Total changes of items during the period	(17,425)	(13,550)
Valuation difference on available-for-sale securities	4,679	22,104
Deferred gains or losses on hedges:		
Deferred gains or losses on hedges	1,518	(483)
Changes of items during the period		
Net changes of items other than shareholders' equity	(610)	2,001
Total changes of items during the period	(610)	2,001
Deferred gains or losses on hedges	908	1,518
Revaluation reserve for land:		
Revaluation reserve for land	3,787	3,912
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	(125)
Total changes of items during the period	(2)	(125)
Revaluation reserve for land	¥ 3,785	¥ 3,787

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2008 to Mar. 31, 2009	Apr. 1, 2007 to Mar. 31, 2008
Foreign currency translation adjustment:		
Foreign currency translation adjustment	¥ (2,168)	¥ (699)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,223)	(1,469)
Total changes of items during the period	(2,223)	(1,469)
Foreign currency translation adjustment	(4,391)	(2,168)
Total valuation and translation adjustments:		
Valuation and translation adjustments	25,241	38,384
Changes of items during the period		
Net changes of items other than shareholders' equity	(20,260)	(13,143)
Total changes of items during the period	(20,260)	(13,143)
Valuation and translation adjustments	4,981	25,241
Subscription rights to shares:		
Subscription rights to shares	114	—
Changes of items during the period		
Net changes of items other than shareholders' equity	92	114
Total changes of items during the period	92	114
Subscription rights to shares	206	114
Minority interests:		
Minority interests	14,375	14,817
Changes of items during the period		
Net changes of items other than shareholders' equity	(674)	(442)
Total changes of items during the period	(674)	(442)
Minority interests	13,701	14,375
Net assets:		
Net assets	234,406	227,047
Effect of changes in accounting policies applied to foreign subsidiaries	(182)	—
Changes of items during the period		
Dividends from surplus	—	(5,866)
Net income (loss)	(7,407)	25,195
Purchase of treasury stock	(41)	(66)
Disposal of treasury stock	16	8
Net increase from newly consolidated subsidiaries	—	743
Net increase in equity-method companies	—	951
Loss from incorporating non-consolidated subsidiary	—	(260)
Reversal of revaluation reserve for land	—	125
Net changes of items other than shareholders' equity	(20,842)	(13,471)
Total changes of items during the period	(28,274)	7,359
Net assets	¥ 205,950	¥ 234,406

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	¥ 8,533	¥ 46,794
Depreciation	45,880	38,521
Depreciation and amortization on other	5,374	5,161
Impairment loss	102	378
Increase (decrease) in allowance for doubtful accounts	16,543	(430)
Increase (decrease) in provision for bonuses	(956)	822
Increase (decrease) in provision for construction warranties	800	6,596
Increase (decrease) in provision for loss on construction contracts	(2,635)	5,601
Increase (decrease) in provision for retirement benefits	(2,558)	(3,879)
Interest and dividends income	(4,396)	(4,429)
Interest expenses	6,154	5,927
Foreign exchange losses (gains)	150	152
Loss (gain) on sales of short-term and long term investment securities	9	(3,400)
Loss (gain) on valuation of short-term and long term investment securities	875	711
Equity in (earnings) losses of affiliates	(780)	(154)
Loss on disposal of property, plant and equipments	(11,623)	(84,082)
Loss on devaluation of space business-related assets	—	6,304
Gain on transfer of business	(281)	—
Decrease (increase) in notes and accounts receivable-trade	2,064	(13,477)
Increase (decrease) in advances received	(10,127)	26,423
Decrease (increase) in advance payments	21,114	(968)
Decrease (increase) in inventories	(16,790)	(17,364)
Increase (decrease) in notes and accounts payable-trade	(20,190)	(2,122)
Increase (decrease) in accrued expenses	(18,466)	7,980
Increase (decrease) in lease and guarantee deposits received	(3,015)	(5,592)
Decrease (increase) in other current assets	1,880	(1,060)
Increase (decrease) in other current liabilities	(5,659)	(1,039)
Decrease (increase) in consumption taxes refund receivable	(5,203)	3,818
Other, net	260	1,648
Subtotal	7,059	18,840
Interest and dividends income received	4,362	4,333
Interest expenses paid	(6,049)	(6,041)
Income taxes paid	(23,010)	(13,793)
Net cash provided by (used in) operating activities	¥ (17,638)	¥ 3,339

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	¥ 127	¥ 43
Purchase of short-term and long term investment securities	(8,530)	(1,463)
Proceeds from sales of short-term and long term investment securities	4,539	11,588
Purchase of property, plant and equipment and intangible assets	(46,986)	(46,143)
Proceeds from sales of property, plant and equipment and intangible assets	16,773	90,224
Payments for retirement of noncurrent assets	(946)	(312)
Proceeds from transfer of business	281	—
Purchase of newly consolidated subsidiaries	(7,101)	—
Net decrease (increase) in short-term loans receivable	(5,251)	167
Payments of long-term loans receivable	(129)	(747)
Collection of long-term loans receivable	228	552
Proceeds from termination of long-term investment	10,161	—
Decrease (increase) in other investments	(1,919)	(6,614)
(Decrease) increase in other fixed liabilities	(2,990)	(503)
Other, net	16	(3)
Net cash provided by (used in) investing activities	(41,727)	46,789
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	43,605	10,231
Net increase (decrease) in commercial papers	5,000	—
Proceeds from long-term loans payable	58,529	32,684
Repayment of long-term loans payable	(27,992)	(95,195)
Proceeds from issuance of bonds payable	—	30,000
Redemption of bonds payable	(28,000)	(20,000)
Repayments of lease obligations	(2,680)	—
Proceeds from stock issuance to minority shareholders	824	—
Decrease (increase) in treasury stock	(25)	(58)
Cash dividends paid	(5,829)	(5,794)
Cash dividends paid to minority shareholders	(497)	(654)
Other, net	(123)	—
Net cash provided by (used in) financing activities	42,812	(48,786)
Effect of exchange rate change on cash and cash equivalents	(6,231)	(1,488)
Net increase (decrease) in cash and cash equivalents	(22,784)	(146)
Cash and cash equivalents	130,428	129,939
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	—	605
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	76	30
Cash and cash equivalents	¥ 107,720	¥ 130,428

SEGMENT INFORMATION

a. Performance by business segment Year ended March 31, 2009

(Millions of yen)

	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	Eliminations and Corporate
Sales and operating income:									
Sales to outside customers	¥187,049	¥198,684	¥410,287	¥290,513	¥178,658	¥15,297	¥107,554	¥1,388,042	¥—
Intersegment sales and transfers	17,648	21,830	26,181	7,327	3,047	535	32,899	109,467	(109,467)
Total	204,697	220,514	436,468	297,840	181,705	15,832	140,453	1,497,509	(109,467)
Operating expenses	206,161	207,862	442,691	286,749	178,836	10,632	137,978	1,470,909	(108,546)
Operating income (loss)	¥(1,464)	¥12,652	¥(6,223)	¥11,091	¥2,869	¥5,200	¥2,475	¥26,600	(921)
Assets, depreciation expense and capital expenditure:									
Assets	¥ 166,678	¥ 155,944	¥ 307,431	¥ 355,292	¥ 170,372	¥ 53,946	¥ 200,891	¥ 1,410,554	¥ 78,788
Depreciation expense	2,975	5,830	4,373	19,434	3,739	1,539	4,805	42,695	3,185
Capital expenditure	2,634	10,406	6,452	20,996	5,349	420	4,174	50,431	1,925

Consolidated

Sales and operating income:	
Sales to outside customers	¥1,388,042
Intersegment sales and transfers	—
Total	1,388,042
Operating expenses	1,362,363
Operating income (loss)	¥25,679
Assets, depreciation expense and capital expenditure:	
Assets	¥ 1,489,342
Depreciation expense	45,880
Capital expenditure	52,356

	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	Eliminations and Corporate
Sales and operating income:									
Sales to outside customers	¥169,936	¥173,633	¥371,517	¥308,227	¥159,569	¥40,443	¥127,242	¥1,350,567	¥—
Intersegment sales and transfers	14,370	19,757	24,132	5,179	1,260	310	39,762	104,770	(104,770)
Total	184,306	193,390	395,649	313,406	160,829	40,753	167,004	1,455,337	(104,770)
Operating expenses	186,286	177,735	469,728	289,744	158,418	28,432	161,822	1,472,165	(104,791)
Operating income (loss)	¥(1,980)	¥15,655	¥(74,079)	¥23,662	¥2,411	¥12,321	¥5,182	¥(16,828)	¥21
Assets, depreciation expense and capital expenditure:									
Assets	¥166,385	¥160,370	¥340,619	¥359,939	¥160,954	¥71,303	¥186,479	¥1,446,049	¥96,246
Depreciation expense	3,195	5,484	3,825	15,984	3,179	824	5,605	38,096	425
Capital expenditure	3,396	9,041	4,553	16,839	2,680	158	6,316	42,983	1,962

Consolidated

Sales and operating income:	
Sales to outside customers	¥1,350,567
Intersegment sales and transfers	—
Total	1,350,567
Operating expenses	1,367,374
Operating income (loss)	¥(16,807)
Assets, depreciation expense and capital expenditure:	
Assets	¥1,542,295
Depreciation expense	38,521
Capital expenditure	44,945

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

Year ended March 31, 2008 and Year ended March 31, 2009

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

c. Overseas sales

(Millions of yen)

Year ended March 31, 2009	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	¥142,548	¥157,661	¥79,789	¥90,447	¥136,218	¥606,663
Consolidated net sales						¥1,388,042
Overseas sales as a percentage of consolidated net sales	10.3%	11.4%	5.7%	6.5%	9.8%	43.7%

(Millions of yen, %)

Year ended March 31, 2008	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	¥146,997	¥173,145	¥73,980	¥78,431	¥104,873	¥577,426
Consolidated net sales						¥1,350,567
Overseas sales as a percentage of consolidated net sales	10.9%	12.8%	5.5%	5.8%	7.8%	42.8%

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, the 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.

Notes to the Consolidated Financial Report

A. Significant Matters Concerning the Preparation of the Consolidated Financial Report

1. Scope of Consolidation

(1) Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 91

Name of major consolidated subsidiaries : IHI Marine United Inc., and others

In the fiscal year under review, changes to consolidated subsidiaries were as follows. Hauzer Techno Coating B.V. and its three subsidiaries, and Central Conveyor Co., Ltd. became consolidated subsidiaries. In addition, two companies were newly established, one company became defunct through corporate restructuring and two companies became defunct through liquidation or merger.

Also, as a result of changes to shareholder composition in the Jurong Engineering Limited Group, one former equity method affiliate became a consolidated subsidiary and two consolidated subsidiaries were liquidated.

2. Application of the Equity Method of Accounting

(1) Number and names of major affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method: 17

Name of equity method affiliates: Turbo Systems United Co., Ltd. and other

In the fiscal year under review, changes to equity method affiliates were as follows. One company was added through the acquisition of shares of Hauzer Techno Coating B.V. and one company was added through its new establishment.

Also, in the Jurong Engineering Limited Group, one company was added due to changes in shareholder composition and one company was removed because it became a consolidated subsidiary.

3. Summary of Significant Accounting Policies

(1) *Securities*

Securities to be held until maturity are stated at amortized cost (by straight line depreciation method). Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences were directly included into assets and the sale price computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

(2) *Derivatives*

Derivatives are stated at fair market value.

(3) *Inventories*

Raw materials and supplies are stated at cost by the moving-average method, and finished goods, work in process and partly-finished work are stated principally at identified cost. (For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(Change of accounting method)

For product inventories, IHI used the lower of cost or market by the moving-average method for raw materials and supplies, and the indentified cost method mainly for finished goods, work in process and partly-finished work. Beginning this consolidated fiscal year, IHI adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, announced on July 5, 2006)” and calculated inventory values using either the moving-average method or the indentified cost method. (For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

As a result, operating income, ordinary income and income before income taxes and minority interests for the period under review all decreased by ¥4,409 million.

(4) *Depreciation*

Depreciation of property, plant and equipment (except for leased assets) are computed by the fixed percentage method.

However, depreciation of lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, is computed by the straight-line method.

(Additional information)

In accordance with the revised Corporate Tax Law, IHI and its domestic consolidated subsidiaries changed the depreciation period for machinery/equipment from 7-15 years to 5-12 years beginning this fiscal year.

As a result, operating income, ordinary income and income before income taxes and minority interests for the period under review all decreased by ¥1,280 million.

Amortization of intangible assets is computed using the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets, estimated by the Company (within five years).

Lease assets

Lease assets related to non-ownership transfer finance leases

Leases can depreciate assets over the lease period using the straight-line method with no residual value. The Company uses the ordinary lease transaction method for non-ownership transfer finance leases for which agreements were concluded on and before March 31, 2008.

(Change of accounting method)

Non-ownership transfer finance lease agreements which were based on the accounting method for ordinary lease transactions are now based on the accounting method for sales transactions beginning this fiscal year as per “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]).

Non-ownership transfer finance lease agreements concluded before the beginning of this fiscal year are still based on the accounting method for ordinary lease transactions.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the period under review was minimal.

(5) *Basis for recording significant allowances*

a. Allowance for doubtful accounts

To provide for losses on doubtful accounts, the allowance for doubtful accounts is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.

b. Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

c. Provision for construction warranties

To provide for guaranteed project expenses, the provision for construction warranties is recorded as an estimate of future expenditures based on historical experience.

d. Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses for work in progress at the fiscal year-end balance sheet date.

e. Provision for retirement benefits

Provision for retirement benefits are provided for based on estimated severance liabilities and pension fund assets at the end of the consolidated fiscal year, as of the consolidated balance sheet date. Some consolidated subsidiaries adopted the simplified method to calculate such liabilities.

Past service costs are disposed of as expenses using the straight-line method over a certain number of years within the average remaining work period of employees at the time of accrual. Actuarial differences are disposed of as expenses from the next fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees, calculated for the fiscal year during which the difference accrues.

f. Provision for directors' bonuses

For payment of bonuses to directors of consolidated subsidiaries in Japan, the provision for directors' bonuses is provided for in the amount that is expected to be paid.

g. Provision for directors' retirement benefits

Domestic consolidated subsidiaries record a consolidated fiscal year-end payment amount based on internal regulations to provide for officer retirement allowance expenditures.

(6) Changes to other important matters for preparation of the consolidated financial statement

- Accounting methods applicable to overseas subsidiaries and used for the consolidated financial statement:

Beginning this fiscal year, IHI adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, May 17, 2006).

There is no impact from this change on operating income, ordinary income and income before income taxes and minority interest for the period under review.

Disclosure of any other explanations than above is omitted, as there are no important changes to those statements posted on the last Financial Statements (submitted on June 27, 2008).

II. Notes regarding Consolidated Financial Statements

(Statements of changes in net assets)

1. Number of shares outstanding

Matters related to the types and number of shares outstanding

(Unit: Shares)

Stock type	Number of stocks at the end of the previous fiscal year	Number of stocks increased during the fiscal year under review	Number of stocks decreased during the fiscal year under review	Number of stocks at the end of the fiscal year under review
Common stock	1,467,058,482	–	–	1,467,058,482

Matters related to the types and number of treasury stocks

The types and number of treasury stocks

(Unit: Shares)

Stock type	Number of stocks at the end of the previous fiscal year	Number of stocks increased during the fiscal year under review	Number of stocks decreased during the fiscal year under review	Number of stocks at the end of the fiscal year under review
Common stock	536,481	228,711	87,807	677,385

Notes

1. The increase of 218,711 shares is due to the repurchase of odd stocks and the decrease of 87,807 shares is due to the additional purchase of odd stocks by shareholders.
2. The increase of 10,000 shares is due to purchase of a consolidated subsidiary which held treasury stocks.

2. Matters related to dividends

(1) Dividends paid

(Resolution)	Stock type	Total dividend amount (millions of yen)	Dividends per share (yen)	Base date	Effective date
Annual General Meeting of Shareholders held on June 27, 2008	Common stock	5,886	4	March 31, 2008	June 30, 2008

Disclosure of any other explanations regarding consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows than shown above is omitted since there is no significant necessity of such disclosure in the summary report on financial results.

(Notes regarding per share data)

1. Net asset value per share: 130.96 yen
2. Net income per share: (5.05) yen
3. Number of shares used as a base of current net income per share calculation:
1,466,434,580 shares

(Omission of disclosure)

Disclosure of explanations regarding the following matters is omitted since there is no significant necessity for such disclosure in the summary report on financial results:

- Lease transactions
- Transactions with parties concerned
- Tax effect accounting
- Investment securities
- Derivative transactions
- Retirement benefits
- Stock options, etc.
- Business combinations, etc.