

## CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2010

IHI Corporation (IHI) is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange and 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 25, 2010 (planned)  
 Submission of Annual Securities Report: June 25, 2010 (planned)  
 Commencement of Dividend Payments: June 28, 2010 (planned)  
 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 millions.

### PERFORMANCE

#### (1) Business Results

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

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Fiscal Year ended March 31, 2010</b>	<b>1,242,700</b>	<b>(10.5)%</b>	<b>47,145</b>	<b>83.6%</b>	<b>33,027</b>	<b>144.3%</b>
Fiscal Year ended March 31, 2009	1,388,042	2.8%	25,679	—%	13,521	—%

	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
<b>Fiscal Year ended March 31, 2010</b>	<b>17,378</b>	<b>—%</b>	<b>11.85</b>	<b>—%</b>	<b>8.6%</b>	<b>2.3%</b>	<b>3.8%</b>
Fiscal Year ended March 31, 2009	(7,407)	—%	(5.05)	—%	(3.6)%	0.9%	1.9%

(Reference)

1. Equity in earnings of non-consolidated subsidiaries and affiliates
  - Fiscal Year ended March 31, 2010: ¥445 million
  - Fiscal Year ended March 31, 2009: ¥780 million
2. Average number of shares outstanding (consolidated)
  - Fiscal Year ended March 31, 2010: 1,466,412,787 shares
  - Fiscal Year ended March 31, 2009: 1,466,434,580 shares

## (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>March 31, 2010</b>	<b>1,412,421</b>	<b>227,065</b>	<b>15.0%</b>	<b>144.66</b>
March 31, 2009	1,489,342	205,950	12.9%	130.96

(Reference) Shareholders' equity at the end of the period (consolidated)

March 31, 2010:	¥212,160 million
March 31, 2009:	¥192,043 million

## (3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of Period
<b>Fiscal Year ended March 31, 2010</b>	<b>76,708</b>	<b>(62,754)</b>	<b>(1,800)</b>	<b>124,870</b>
Fiscal Year ended March 31, 2009	(17,638)	(41,727)	42,812	107,720

## 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)			
<b>Fiscal Year ended March 31, 2010</b>	<b>0.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2,933</b>	<b>16.9%</b>	<b>1.5%</b>
Fiscal Year ended March 31, 2009	0.00	0.00	0.00	—	—	—
Fiscal Year ending March 31, 2011 (Forecast)				—	—	—

(Note) At present, the dividend forecasts are undecided.

## FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2011

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First Half of the Fiscal Year	560,000	2.5%	12,000	(26.4)%	7,000	(8.7)%	5,000	24.8%	3.41
Full-Year	1,180,000	(5.0)%	35,000	(25.8)%	24,000	(27.3)%	15,000	(13.7)%	10.23

## 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 of consolidated financial statements”)**
- A. Changes due to revisions to accounting standards: Yes
  - B. Changes due to other reasons: None

**(3) Number of Shares Issued (Common Stock):**

Number of shares issued including treasury stock shares	
As of March 31, 2010:	1,467,058,482 shares
As of March 31, 2009:	1,467,058,482 shares
Number of shares of treasury stock	
As of March 31, 2010:	479,306 shares
As of March 31, 2009:	677,385 shares

Notes:

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 the year ending March 31, 2011 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 the dividend forecast amount as soon as it is possible to do so.

**1. Business Results****Overview****A. Summary of consolidated performance**

In Japan's economy during the fiscal year under review, the economy, after hitting the bottom, began to recover against a background of inventory adjustment progress in Japan and overseas and recoveries in overseas economies in addition to the effect from measures towards durable consumer goods. Despite this, however, there remains a large sense of oversupply with respect to facilities and employees due to a substantial gap between supply and demand, and continuing deflationary situation. In the global economy, China has recovered to high growth fueled by internal demand that has been boosted by large-scale economic stimulus measures, and recently there are concerns that its economy is overheated. The emerging countries in Asia are also recovering owing to internal demand stimulus measures and exports to China. In contrast, the U.S., although gradually recovering after the economy's decline was halted by economic stimulus measures and rescue measures for financial institutions, still remains in a grave situation where the credit crunch is still evident and the employment situation continues to worsen. The situation in Europe, also, remains grave. Although its economy has stopped falling thanks to a recovery in exports, unemployment remains high and the worsening financial situation of certain southern European countries has emerged as a factor of instability.

In response to these conditions, the IHI Group made efforts regarding consolidated revenue management for each business segment such as subjecting businesses to concentration and selection, 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 fiscal year under review fell 17.5% from the previous fiscal year to ¥970.4 billion due to delay in economic recovery and other factors. Net sales were down 10.5% from the previous fiscal year to ¥1,242.7 billion due to lower sales in Energy and Plants Operations, Industrial Machinery Operations and other segments despite a firm performance in Shipbuilding and Offshore Operations and Logistics Systems and Structures Operations. In terms of profit, on the other hand, thanks to improved profitability in Energy and Plants Operations and the Logistics Systems and Structures Operations, and other factors, operating income rose 83.6% from the previous fiscal year to ¥47.1 billion and after accounting for interest expense, ordinary income rose 144.3% from the previous fiscal year to ¥33.0 billion. However, due to the recording of extraordinary loss resulting from the discontinuation of a project related to the GX launch vehicle, among other reasons, net income was ¥17.3 billion.

**B. Summary of consolidated performance by segment****Logistics Systems and Structures Operations**

Although this segment increased orders for steel bridge construction due to large overseas orders, orders received were down 2.5% from the previous fiscal year to ¥170.4 billion due to a decline of orders for parking systems and logistics and factory automation systems, which was brought by a drop in private sector demand.

Despite reduced revenue from equipment related to private capital investment such as material handling systems and logistics and factory automation systems, sales of steel bridges and shield tunneling machines were firm overall and sales increased 2.6% from the previous fiscal year to ¥209.9 billion.

Due to factors such as profitability improvements in public capital investment projects such as steel bridges, operating income was ¥2.0 billion.

#### Industrial Machinery Operations

Orders received fell 39.1% from the previous fiscal year to ¥118.3 billion due to decreased orders in steel-manufacturing equipment, which had large orders in the previous fiscal year, and sluggish sales of vehicular turbochargers, compressors and others.

As a result of revenue decreases in categories including vehicular turbochargers, steel-manufacturing equipment, and papermaking machines, sales were down 24.3% from the previous fiscal year to ¥166.8 billion.

Impacted by the above-mentioned drop in revenue, operating income was down 62.2% from the previous fiscal year to ¥4.7 billion.

#### Energy and Plants Operations

Orders received were down 11.2% from the previous fiscal year to ¥266.3 billion due to a decrease in orders for new projects involving such products as boilers and diesel/gas engines, despite an increase in orders for storage facilities and engine plants for overseas.

Due to decreased revenues resulting from having passed a peak in major projects for boilers and chemical machinery, sales were down 16.3% from the previous fiscal year to ¥365.2 billion.

Owing to improved profitability in categories such as boilers, storage facilities and nuclear machinery, operating income was ¥28.8 billion.

#### Aero-Engine and Space Operations

Orders received fell 13.3% from the previous fiscal year to ¥280.5 billion due to a decline in orders for jet engines for civil aviation and the Ministry of Defense.

Sales were down 5.6% from the previous fiscal year to ¥281.0 billion due to decreased sales of jet engine parts for the Ministry of Defense and civil jet engines affected by the strong yen.

Operating income was down 36.5% from the previous fiscal year to ¥7.0 billion as a result of the above-mentioned decreases in revenue.

#### Shipbuilding and Offshore Operations

Orders received were down 20.0% from the previous fiscal year to ¥63.1 billion due to the continuation of sluggish shipbuilding orders. During the year, the company received orders for 6 new ships: 5 bulk carrier ships and 1 electrical propulsion ship.

Sales were up 17.7% from the previous fiscal year to ¥213.9 billion as a result of an increase in sales from shipbuilding due to the application of the percentage-of-completion method. During the year, IHI delivered 17 new ships (4 tankers, 3 container vessels, 8 bulk carrier ships and 2 electrical

propulsion ships).

Operating income was down 61.9% from the previous fiscal year to ¥1.0 billion due to the impact of the strong yen in foreign currency exchange.

#### Real Estate Operations

Although real estate leasing was firm, orders received were down 10.1% from the previous fiscal year to ¥7.1 billion due to the absence of large-scale real estate sales.

Sales were down 50.4% from the previous fiscal year to ¥7.8 billion. This is due to the lull effect from handover of many units of the condominium complex in the Toyosu area (Koto-ku, Tokyo) in the previous fiscal year.

As a result of the above-mentioned decrease in revenues from condominium sales, operating income dropped 43.0% from the previous fiscal year to ¥2.9 billion.

#### Other Operations

Orders received fell 33.7% from the previous fiscal year to ¥64.5 billion due to a decrease in orders for construction machinery, agricultural machinery, and diesel engines.

Sales were down 16.0% from the previous fiscal year to ¥117.9 billion due to a decrease in revenues in agricultural machinery and construction machinery.

Due to the impact of decreased revenues, operating income fell 87.6% from the previous fiscal year to ¥0.3 billion.

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

**March 31, 2010**

March 31, 2009

**ASSETS****Current assets:**

Cash and deposits	76,641	87,547
Notes and accounts receivable-trade	320,227	352,840
Short-term investment securities	30,894	13,650
Finished goods	20,823	22,937
Raw materials and supplies	105,835	111,772
Partly-finished work	–	289,929
Work in process	277,797	46,526
Deferred tax assets	42,384	28,559
Other	75,686	89,545
Allowance for doubtful accounts	(8,545)	(6,877)
Total current assets	941,742	1,036,428

**Noncurrent assets:****Property, plant and equipment:**

Buildings and structures, net	107,616	104,200
Machinery, equipment and vehicles, net	59,375	56,662
Land	91,212	78,648
Construction in progress	7,277	10,399
Other, net	25,429	24,055
Total property, plant and equipment	290,909	273,964

**Intangible assets:**

Goodwill	4,741	5,451
Software	14,772	14,338
Other	3,603	4,552
Total intangible assets	23,116	24,341

**Investments and other assets:**

Investment securities	85,448	76,786
Deferred tax assets	42,254	49,701
Other	53,551	50,227
Allowance for doubtful accounts	(24,599)	(22,105)
Total investments and other assets	156,654	154,609

Total noncurrent assets	470,679	452,914
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<b>Total assets</b>	<b>1,412,421</b>	<b>1,489,342</b>
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# CONSOLIDATED BALANCE SHEETS

(Millions of yen)

March 31, 2010

March 31, 2009

## LIABILITIES

### Current liabilities:

Notes and accounts payable-trade	241,185	294,871
Short-term loans payable	173,527	199,084
Commercial papers	–	5,000
Current portion of bonds payable	20,500	25,000
Accrued expenses	39,231	38,774
Income taxes payable	11,250	10,130
Advances received	171,071	212,362
Provision for bonuses	22,640	20,520
Provision for construction warranties	18,703	20,020
Provision for loss on construction contracts	17,074	29,891
Other provision	228	252
Other	42,755	42,277
<b>Total current liabilities</b>	<b>758,164</b>	<b>898,181</b>

### Noncurrent liabilities:

Bonds payable	40,000	60,000
Long-term loans payable	184,190	128,626
Deferred tax liabilities for land revaluation	6,661	3,377
Provision for retirement benefits	135,217	137,796
Other provision	1,831	1,915
Other	59,293	53,497
<b>Total noncurrent liabilities</b>	<b>427,192</b>	<b>385,211</b>

### Total liabilities

1,185,356 1,283,392

## NET ASSETS

### Shareholders' equity:

Capital stock	95,762	95,762
Capital surplus	43,028	43,032
Retained earnings	65,933	48,423
Treasury stock	(105)	(155)
<b>Total shareholders' equity</b>	<b>204,618</b>	<b>187,062</b>

### Valuation and translation adjustments:

Valuation difference on available-for-sale securities	9,462	4,679
Deferred gains or losses on hedges	38	908
Revaluation reserve for land	3,844	3,785
Foreign currency translation adjustment	(5,802)	(4,391)
<b>Total valuation and translation adjustments</b>	<b>7,542</b>	<b>4,981</b>

### Subscription rights to shares

302 206

### Minority interests

14,603 13,701

### Total net assets

227,065 205,950

### Total liabilities and net assets

1,412,421 1,489,342



# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
Net sales	1,242,700	1,388,042
Cost of sales	1,048,875	1,221,612
<b>Gross profit</b>	<b>193,825</b>	<b>166,430</b>
<b>Selling, general and administrative expenses:</b>		
Inquiry expenses	13,379	12,139
Provision of allowance for doubtful accounts	5,438	2,907
Salaries for directors and employees	54,418	49,695
Traveling and transportation expenses	5,049	5,373
Research and development expenses	21,698	21,312
Business consignment expenses	5,810	5,716
Contribution for expenses common to all business segments	3,545	3,030
Depreciation	5,618	8,610
Other	31,725	31,969
Total selling, general and administrative expenses	146,680	140,751
<b>Operating income</b>	<b>47,145</b>	<b>25,679</b>
<b>Non-operating income:</b>		
Interest income	706	1,460
Dividends income	3,536	2,936
Equity in earnings of affiliates	445	780
Amortization of negative goodwill	4,004	–
Other income	6,828	5,412
<b>Total non-operating income</b>	<b>15,519</b>	<b>10,588</b>
<b>Non-operating expenses:</b>		
Interest expenses	6,630	6,154
Expenses for delayed delivery	5,162	–
Compensation for damages	3,879	–
Foreign exchange losses	–	3,070
Loss on valuation of derivatives	–	1,769
Other expenses	13,966	11,753
<b>Total non-operating expenses</b>	<b>29,637</b>	<b>22,746</b>
<b>Ordinary income</b>	<b>33,027</b>	<b>13,521</b>

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	1,151	14,523
Gain on sales of investment securities	717	–
Gain on transfer of business	–	281
Gain on liquidation of subsidiaries and affiliates	–	148
<b>Total extraordinary income</b>	<b>1,868</b>	<b>14,952</b>
<b>Extraordinary loss:</b>		
Loss on discontinuation of GX project	10,238	–
Loss on valuation of investment securities	1,594	335
Impairment loss	247	102
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
Loss on liquidation of subsidiaries and affiliates	–	412
Loss on valuation of shares in subsidiaries and affiliates	–	166
<b>Total extraordinary losses</b>	<b>12,079</b>	<b>19,940</b>
<b>Income before income taxes and minority interests</b>	<b>22,816</b>	<b>8,533</b>
Income taxes-current	14,071	15,260
Income taxes-deferred	(8,781)	890
<b>Total income taxes</b>	<b>5,290</b>	<b>16,150</b>
Minority interests	148	(210)
<b>Net income (loss)</b>	<b>17,378</b>	<b>(7,407)</b>

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Shareholders' equity</b>		
<b>Capital stock:</b>		
Balance at the end of previous period	95,762	95,762
Balance at the end of current period	95,762	95,762
<b>Capital surplus:</b>		
Balance at the end of previous period	43,032	43,037
Changes of items during the period		
Disposal of treasury stock	(4)	(5)
Total changes of items during the period	(4)	(5)
Balance at the end of current period	43,028	43,032
<b>Retained earnings:</b>		
Balance at the end of previous period	48,423	56,012
Effect of changes in accounting policies applied to foreign subsidiaries	–	(182)
Changes of items during the period		
Dividends from surplus	(2,933)	–
Net income (loss)	17,378	(7,407)
Net increase from newly consolidated subsidiaries	3,063	–
Reversal of revaluation reserve for land	2	–
Total changes of items during the period	17,510	(7,407)
Balance at the end of current period	65,933	48,423
<b>Treasury stock:</b>		
Balance at the end of previous period	(155)	(135)
Changes of items during the period		
Purchase of treasury stock	(13)	(41)
Disposal of treasury stock	63	21
Total changes of items during the period	50	(20)
Balance at the end of current period	(105)	(155)
<b>Total shareholders' equity:</b>		
Balance at the end of previous period	187,062	194,676
Effect of changes in accounting policies applied to foreign subsidiaries	–	(182)
Changes of items during the period		
Dividends from surplus	(2,933)	–
Net income (loss)	17,378	(7,407)
Purchase of treasury stock	(13)	(41)
Disposal of treasury stock	59	16
Net increase from newly consolidated subsidiaries	3,063	–
Reversal of revaluation reserve for land	2	–
Total changes of items during the period	17,556	(7,432)
Balance at the end of current period	204,618	187,062

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities:</b>		
Balance at the end of previous period	4,679	22,104
Changes of items during the period		
Net changes of items other than shareholders' equity	4,783	(17,425)
Total changes of items during the period	4,783	(17,425)
Balance at the end of current period	9,462	4,679
<b>Deferred gains or losses on hedges:</b>		
Balance at the end of previous period	908	1,518
Changes of items during the period		
Net changes of items other than shareholders' equity	(870)	(610)
Total changes of items during the period	(870)	(610)
Balance at the end of current period	38	908
<b>Revaluation reserve for land:</b>		
Balance at the end of previous period	3,785	3,787
Changes of items during the period		
Net changes of items other than shareholders' equity	59	(2)
Total changes of items during the period	59	(2)
Balance at the end of current period	3,844	3,785
<b>Foreign currency translation adjustment:</b>		
Balance at the end of previous period	(4,391)	(2,168)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,411)	(2,223)
Total changes of items during the period	(1,411)	(2,223)
Balance at the end of current period	(5,802)	(4,391)
<b>Total valuation and translation adjustments:</b>		
Balance at the end of previous period	4,981	25,241
Changes of items during the period		
Net changes of items other than shareholders' equity	2,561	(20,260)
Total changes of items during the period	2,561	(20,260)
Balance at the end of current period	7,542	4,981
<b>Subscription rights to shares:</b>		
Balance at the end of previous period	206	114
Changes of items during the period		
Net changes of items other than shareholders' equity	96	92
Total changes of items during the period	96	92
Balance at the end of current period	302	206
<b>Minority interests:</b>		
Balance at the end of previous period	13,701	14,375
Changes of items during the period		
Net changes of items other than shareholders' equity	902	(674)
Total changes of items during the period	902	(674)
Balance at the end of current period	14,603	13,701

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Total net assets:</b>		
Balance at the end of previous period	205,950	234,406
Effect of changes in accounting policies applied to foreign subsidiaries	–	(182)
Changes of items during the period		
Dividends from surplus	(2,933)	–
Net income (loss)	17,378	(7,407)
Purchase of treasury stock	(13)	(41)
Disposal of treasury stock	59	16
Net increase from newly consolidated subsidiaries	3,063	–
Reversal of revaluation reserve for land	2	–
Net changes of items other than shareholders' equity	3,559	(20,842)
Total changes of items during the period	21,115	(28,274)
Balance at the end of current period	227,065	205,950

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes and minority interests	22,816	8,533
Depreciation	41,317	45,880
Depreciation and amortization on other	6,324	5,374
Impairment loss	247	102
Loss on discontinuation of GX project	10,238	–
Increase (decrease) in allowance for doubtful accounts	3,932	16,543
Increase (decrease) in provision for bonuses	1,837	(956)
Increase (decrease) in provision for construction warranties	(1,328)	800
Increase (decrease) in provision for loss on construction contracts	(13,081)	(2,635)
Increase (decrease) in provision for retirement benefits	(3,894)	(2,558)
Interest and dividends income	(4,242)	(4,396)
Interest expenses	6,630	6,154
Foreign exchange losses (gains)	(52)	150
Loss (gain) on sales of short-term and long term investment securities	(730)	9
Loss (gain) on valuation of short-term and long term investment securities	2,341	875
Equity in (earnings) losses of affiliates	(445)	(780)
Loss (gain) on sales and retirement of noncurrent assets	1,130	(11,623)
Gain on transfer of business	–	(281)
Decrease (increase) in notes and accounts receivable-trade	43,232	2,064
Increase (decrease) in advances received	(45,288)	(10,127)
Decrease (increase) in advance payments	11,745	21,114
Decrease (increase) in inventories	67,535	(16,790)
Increase (decrease) in notes and accounts payable-trade	(62,295)	(20,190)
Increase (decrease) in accrued expenses	68	(18,466)
Increase (decrease) in lease and guarantee deposits received	–	(3,015)
Decrease (increase) in other current assets	1,422	1,880
Increase (decrease) in other current liabilities	(11,073)	(5,659)
Decrease (increase) in consumption taxes refund receivable	14,073	(5,203)
Other, net	–	260
<b>Subtotal</b>	<b>92,469</b>	<b>7,059</b>
Interest and dividends income received	4,315	4,362
Interest expenses paid	(6,588)	(6,049)
Income taxes paid	(13,488)	(23,010)
<b>Net cash provided by (used in) operating activities</b>	<b>76,708</b>	<b>(17,638)</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2009 to Mar. 31, 2010	Apr. 1, 2008 to Mar. 31, 2009
<b>Net cash provided by (used in) investing activities:</b>		
Net decrease (increase) in time deposits	94	127
Purchase of short-term and long term investment securities	(3,479)	(8,530)
Proceeds from sales and redemption of short-term and long-term investment securities	3,038	4,539
Purchase of property, plant and equipment and intangible assets	(52,589)	(46,986)
Proceeds from sales of property, plant and equipment and intangible assets	4,229	16,773
Payments for retirement of noncurrent assets	(234)	(946)
Proceeds from transfer of business	–	281
Purchase of newly consolidated subsidiaries	(6,772)	(7,101)
Net decrease (increase) in short-term loans receivable	(3,471)	(5,251)
Payments of long-term loans receivable	(108)	(129)
Collection of long-term loans receivable	348	228
Proceeds from termination of long-term investment	–	10,161
Decrease (increase) in other investments	(2,214)	(1,919)
(Decrease) increase in other fixed liabilities	(989)	(2,990)
Other, net	(607)	16
<b>Net cash provided by (used in) investing activities</b>	<b>(62,754)</b>	<b>(41,727)</b>
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term loans payable	(23,054)	43,605
Net increase (decrease) in commercial papers	(5,000)	5,000
Proceeds from long-term loans payable	111,410	58,529
Repayment of long-term loans payable	(56,737)	(27,992)
Redemption of bonds payable	(25,000)	(28,000)
Repayments of lease obligations	(2,968)	(2,680)
Proceeds from stock issuance to minority shareholders	24	824
Decrease (increase) in treasury stock	42	(25)
Cash dividends paid	(12)	(5,829)
Cash dividends paid to minority shareholders	(505)	(497)
Other, net	–	(123)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,800)</b>	<b>42,812</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>425</b>	<b>(6,231)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,579</b>	<b>(22,784)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>107,720</b>	<b>130,428</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>4,560</b>	<b>–</b>
<b>Increase in cash and cash equivalents from merger of non-consolidated subsidiary</b>	<b>11</b>	<b>76</b>
<b>Cash and cash equivalents at end of period</b>	<b>124,870</b>	<b>107,720</b>

# Notes to the Consolidated Financial Statements

## I. Basis of preparation of the Consolidated Financial Statements

### 1. Scope of Consolidation

#### Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 92

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

In the fiscal year under review, changes to consolidated subsidiaries were as follows. IHI Infrastructure Systems Co., Ltd. and one other company were added due to our additional acquisition of shares and four companies were added by new establishment. In addition, IHI-Sullair Compression Technology (Suzhou) Co., Ltd. and one other non-consolidated subsidiary were added changing the status to consolidated subsidiaries due to their increased materiality. Also, as a result of dissolution due to merger, seven companies were removed from the scope of consolidation.

### 2. Application of the Equity Method

#### Number and names of major affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method: 16

Names of major equity method affiliates: Turbo Systems United Co., Ltd. and others

In the fiscal year under review, changes to equity method affiliates were as follows.

One company was removed through the sale of shares.

Also, in the Jurong Engineering Limited Group, one company was added by new incorporation and one company was removed because it is in the process of disposal and its materiality decreased.



### 3. Significant Accounting Policies

#### *(1) Securities*

Securities to be held until maturity are stated at amortized cost (by the straight-line method). Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the sale price is 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.)

#### *(4) Depreciation and amortization*

- Property, plant and equipment (except for lease assets)

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

- Intangible assets (except for lease assets)

These assets are amortized by 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 are depreciated over the lease period as useful period using the straight-line method with no residual value. IHI uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on and before March 31, 2008.

#### *(5) Significant allowances and provisions*

- Allowance for doubtful accounts

To provide for losses on bad debts, the allowance for doubtful accounts is provided based on historical default rates for general receivables, plus individually estimated amounts for specific uncollectible receivables.

- Provision for bonuses

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

- 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.
- 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 end of the fiscal year.
- Provision for retirement benefits  
Provision for retirement benefits is provided for based on projected benefit obligations and estimated pension fund assets at the end of the fiscal year.  
Past service costs are amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual in each year. In principle, actuarial differences are amortized from the next fiscal year of the fiscal year in which the difference occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

#### Change in accounting policies

Effective from the fiscal year under review, the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008) is adopted.

The amounts charged to expense and not yet treated regarding the difference of projected benefit obligations which arose in line with the adoption of this Standard in the fiscal year in which the Standard was first adopted were both immaterial.

- 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 at the subsidiaries.
- Provision for directors' retirement benefits  
For payment of retirement benefits to directors and corporate auditors, the provision for directors' retirement benefits is provided for at consolidated subsidiaries in Japan in the amount that would be required to pay, based on the internal policy, if all eligible directors and corporate auditors retired at the end of the fiscal year.

#### *(6) Changes to other significant matters concerning the preparation of the consolidated financial statements*

- Changes in accounting policies for recording revenues and costs of construction contracts

Previously, revenue from construction contracts was recognized on the percentage-of-completion basis for long-term, large-scale projects lasting two years or more with contract amount of ¥3.0 billion or more. Other projects were treated on the completed construction basis. Beginning from 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 current fiscal year and the outcome of which deemed definite 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 or on the delivery basis. As a result of changes, net sales increased by

¥55,702 million and operating income, ordinary income and income before income taxes and minority interests all increased by ¥2,823 million.

(7) *Changes to 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 statements of income

Taking their materiality into consideration, “Expenses for delayed delivery” and “Compensation for damages” are separately presented that were included in “Other expenses” for the previous fiscal year

Disclosure of other matters than the above are omitted because there are no significant changes to the latest annual securities report filed on June 26, 2009.

## II. Notes to the Consolidated Financial Statements

### Statements of changes in shareholders' equity

1. *Number of shares issued*

(1) *Matters related to the types and total number of shares issued*

Stock type	Number of shares at the end of the previous fiscal year	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	(Shares)
				Number of shares at the end of the fiscal year under review
Common stock	1,467,058,482	—	—	1,467,058,482

(2) *Matters related to the types and number of treasury stock shares*

Types and number of treasury stock shares

Stock type	Number of shares at the end of the previous fiscal year	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	(Shares)
				Number of shares at the end of the fiscal year under review
Common stock	677,385	90,047	288,126	479,306

Notes

1. The increase of shares is due to the repurchase of shares less than one unit and the decrease of 27,624 shares of the total decrease is due to the additional purchase of shares less than one unit by shareholders and exercise of stock acquisition rights.
2. The decrease of 250,502 shares of the total decrease is due to the delivery of treasury stock shares to minority shareholders by share exchange when merging consolidated subsidiaries.
3. The decrease of 10,000 shares is due to sale of treasury stock shares by a consolidated subsidiary which held treasury stock.

2. *Matters related to dividends*

(1) *Dividends paid*

Not applicable

(2) *Dividends whose record date is within the fiscal year under review and whose effective date falls in the next fiscal year*

(Resolution)	Stock type	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2010	Common stock	2,933	2	March 31, 2010	June 28, 2010

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.

## Segment information

### a. Information by business segment

Fiscal Year ended March 31, 2010

(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	Consolidated
<b>Sales and operating income:</b>										
Sales to outside customers	190,202	146,617	327,946	276,797	212,100	7,441	81,597	1,242,700	–	1,242,700
Intersegment sales and transfers	19,739	20,238	37,259	4,289	1,848	409	36,364	120,146	(120,146)	–
Total	209,941	166,855	365,205	281,086	213,948	7,850	117,961	1,362,846	(120,146)	1,242,700
Operating expenses	207,930	162,069	336,387	274,045	212,854	4,885	117,655	1,315,825	(120,270)	1,195,555
Operating income	2,011	4,786	28,818	7,041	1,094	2,965	306	47,021	124	47,145
<b>Assets, depreciation and capital expenditure:</b>										
Assets	175,350	140,773	251,023	309,882	157,628	49,593	228,174	1,312,423	99,998	1,412,421
Depreciation	3,222	6,392	4,660	17,919	3,751	1,452	2,750	40,146	1,171	41,317
Capital expenditure	3,481	9,088	8,998	12,326	4,449	1,888	3,067	43,297	389	43,686

Fiscal 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	Consolidated
<b>Sales and operating income:</b>										
Sales to outside customers	187,049	198,684	410,287	290,513	178,658	15,297	107,554	1,388,042	–	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)	1,388,042
Operating expenses	206,161	207,862	442,691	286,749	178,836	10,632	137,978	1,470,909	(108,546)	1,362,363
Operating income (loss)	(1,464)	12,652	(6,223)	11,091	2,869	5,200	2,475	26,600	(921)	25,679
<b>Assets, depreciation and capital expenditure:</b>										
Assets	166,678	155,944	307,431	355,292	170,372	53,946	200,891	1,410,554	78,788	1,489,342
Depreciation	2,975	5,830	4,373	19,434	3,739	1,539	4,805	42,695	3,185	45,880
Capital expenditure	2,634	10,406	6,452	20,996	5,349	420	4,174	50,431	1,925	52,356

#### 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. The amounts of corporate assets unallocated into segments and included in the “Eliminations and Corporate” were ¥293,378 million for the year ended March 31, 2010 and ¥281,692 million for the year ended March 31, 2009. Major part of these assets consisted of surplus funds (cash and deposits, securities and insurance funds) and deferred tax assets.
  5. Changes in accounting policies

Changes in accounting policies for recording revenues and costs of construction contracts

As described in “ I. Basis of preparation of the Consolidated Financial Statements,” 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) were adopted effective from the fiscal year under review.

As a result of this change, in the year under review, net sales increased by ¥1,011 million in the Logistics Systems and Structures Operations, ¥573 million in the Industrial Machinery Operations, ¥1,352 million in the Energy and Plants Operations, and ¥52,867 million in the Shipbuilding and Offshore Operations. Also, operating income increased by ¥79 million in the Logistics Systems and Structures Operations, ¥37 million in the Industrial Machinery Operations, ¥25 million in the Energy and Plants Operations, and ¥2,693 million in the Shipbuilding and Offshore Operations.

Changes in accounting policies for recording retirement benefits

As described in “ I. Basis of preparation of the Consolidated Financial Statements,” the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008) were adopted effective from the fiscal year under review.

The impact of this change on each business segment is immaterial.

## **b. Information by geographical segment**

Fiscal Year ended March 31, 2010 and Fiscal Year ended March 31, 2009

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

### c. Overseas sales

Fiscal Year ended March 31, 2010

(Millions of yen)

	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	122,129	139,292	111,318	70,371	81,515	524,625
Consolidated net sales						1,242,700
Overseas sales as a percentage of consolidated net sales	9.8%	11.2%	9.0%	5.7%	6.5%	42.2%

Fiscal Year ended March 31, 2009

(Millions of yen)

	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%

#### Notes

1. Countries and regions are classified according to geographical proximity.
2. The countries and regions 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 and regions outside of Japan.

#### **Per share information**

1. Net assets per share: 144.66 yen
2. Net income per share: 11.85 yen
3. Number of shares used as a base of net income per share calculation: 1,466,412,787 shares

**Omission of disclosure**

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

- Lease transactions
- Transactions with parties concerned
- Tax effect accounting
- Securities
- Derivative transactions
- Retirement benefits
- Stock options, etc.
- Business combinations, etc.
- Fair value of rental property

**Significant subsequent events**

Not applicable