

**CONSOLIDATED FINANCIAL REPORT  
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010  
 <Japanese GAAP>**

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

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Submission of Quarterly Securities Report: November 12, 2010 (planned)  
 Preparing supplementary material on quarterly financial results: Yes  
 Holding quarterly financial results presentation meeting (for institutional investors and analysts): Yes

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>Six months ended September 30, 2010</b>	<b>563,683</b>	<b>3.2%</b>	<b>29,105</b>	<b>78.4%</b>	<b>25,069</b>	<b>227.1%</b>
Six months ended September 30, 2009	546,344	(10.5)%	16,313	56.8%	7,665	4.4%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Six months ended September 30, 2010</b>	<b>13,494</b>	<b>236.8%</b>	<b>9.20</b>	<b>9.20</b>
Six months ended September 30, 2009	4,007	(0.4)%	2.73	–

### (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>September 30, 2010</b>	<b>1,351,053</b>	<b>237,747</b>	<b>16.5%</b>	<b>151.82</b>
March 31, 2010	1,412,421	227,065	15.0%	144.66

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

September 30, 2010: ¥222,676 million  
 March 31, 2010: ¥212,160 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, 2010	—	0.00	—	2.00	2.00	
Fiscal year ending March 31, 2011	—	0.00	—	—	—	
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	—	—	

(Note) Revisions to the dividend forecasts in the current quarter: None  
At present, the dividend forecasts are undecided.

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

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

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Full-Year	1,180,000 (5.0)%	35,000 (25.8)%	24,000 (27.3)%	15,000 (13.7)%	10.23

(Note) Revisions to the forecast of results in the current quarter: None

## 4. OTHERS

### (1) Changes in significant subsidiaries during the current quarter (Changes in specified subsidiaries accompanying change in scope of consolidation) : None

(Note) For details, please refer to "1. Summary of changes in significant subsidiaries" of "NOTES TO THE CONSOLIDATED FINANCIAL REPORT" on pages 3-4.

### (2) Application of simplified accounting and special accounting: Yes

(Note) For details, please refer to "2. Summary of simplified accounting and special accounting" of "NOTES TO THE CONSOLIDATED FINANCIAL REPORT" on pages 3-4.

### (3) Changes in accounting policies and procedures, and methods of presentation

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

(ii) Changes due to other reasons: Yes

(Note) For details, please refer to "3. Summary of changes in accounting policies and procedures, and methods of presentation" of "NOTES TO THE CONSOLIDATED FINANCIAL REPORT" on pages 3-4.

### (4) Number of shares issued (common stock):

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

As of September 30, 2010

1,467,058,482 shares

As of March 31, 2010

1,467,058,482 shares

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

As of September 30, 2010

393,961 shares

As of March 31, 2010

479,306 shares

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

Six months ended September 30, 2010

1,466,612,772 shares

Six months ended September 30, 2009

1,466,369,946 shares

#### \* Indication regarding execution of quarterly review procedures

This quarterly financial report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

#### \* Proper use of forecast of results, and other special matters

- 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.
- No dividend forecast for the fiscal 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.

## QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

In the six months under review in Japan, while a gradual trend of economic recovery continued, the pace of this recovery began to slow mainly as a result of weakening exports amid a slowing down of the overseas economy and the strengthening of the yen. Concerning domestic private-sector demand, personal consumption temporarily strengthened due to the effects of the extremely hot summer and the rush to purchase cars before the eco-car subsidy ran out. However, there are concerns that a correction in personal consumption is to follow. In the field of private capital investment, the environment has started to pick up. This firm turnaround is being supported by improvements in corporate earnings and the business sentiment of companies. Looking at the overseas economies, two distinctly different trends are apparent: the emerging countries continue to experience relatively high growth while the developed countries remain in a gradual recovery. It can be said, however, that the overall pace of economic recovery is nevertheless slowing.

The IHI Group believes the Japanese economy will continue on a path of gradual recovery into the future, although the trend of economic recovery is expected to weaken temporarily. Specifically, demand from overseas is expected to increase at about the current gradual pace as the overseas economy continues to improve on the back of the emerging countries. As for domestic private-sector demand, although there is a high possibility that it will remain at the gradual pace that currently exists, the IHI Group thinks demand, supported by an easing in the financial environment and additional measures to address the financial situation, will again pick up. However, we continue to be wary about the economy of taking an unexpected turn for the worse for reasons including recent foreign exchange movements, the effects of economic measures, and the continuing high unemployment levels and restrictive credit availability in Europe and North America.

In response to these conditions, the IHI Group conducted business activities according to the Group Management Policies 2010 that was announced in November last year. Group Management Policies 2010 is a three-year mid-term management plan that commenced in the current fiscal year. The plan marks a paradigm shift in the business structure “from a focus on equipment sales to being geared to lifecycles,” “from a domestic focus to global development,” and “from a focus on technological seeds to being geared to market needs.” The concrete management benchmarks of the plan include consolidated net sales of ¥1,400 billion and consolidated ordinary income of ¥60 billion. Based on the Group Management Policies 2010, we have designated seven businesses including components for nuclear power plants, floating LNG storage facilities, vehicular turbochargers and pharmaceutical plants as “growing business with staple products” and have declared it necessary to aggressively develop these businesses as pillars of profit for the next generation. In the six months under review, the IHI Group began to take concrete steps towards achieving this by establishing a joint venture company with Toshiba Corporation to manufacture turbine parts for nuclear power plants (TOSHIBA IHI Power Systems Corporation, to be formally established in January 2011 and begin operation in April of the same year) and forming a collaboration with UMN Pharma Inc. to produce drug substances for influenza vaccines (UNIGEN Inc.).

Orders received during the six months under review improved in all business segments, rising 16.8% from the same period of the previous fiscal year to ¥490.0 billion. Overall net sales were up 3.2% from the same period of the previous fiscal year to ¥563.6 billion due to considerable growth in sales from Ships & Offshore Facilities Operations, despite lower sales from Energy & Resources Operations and Aero Engine & Space Operations. In terms of profit, the improved profits from Ships & Offshore Facilities Operations contributed to considerably lifting operating income, ordinary income and net income to ¥29.1 billion, ¥25.0 billion and ¥13.4 billion, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT

### 1. Summary of changes in significant subsidiaries

None

### 2. Summary of simplified accounting and special accounting

#### (1) Simplified accounting method

##### *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 estimated an annual depreciation and amortization based on a noncurrent asset budget and prorate them into the periods.

#### *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 any significant changes in the operating environment, temporary differences or other conditions recognized in the period.

#### (2) Special accounting for preparing quarterly consolidated financial statements

##### *Tax expense calculation*

Tax expenses on income before income taxes for the six months under review are calculated by multiplying income before income taxes and minority interests for the six months under review by the reasonably estimated effective tax rate for the fiscal year after 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 and minority interests for the six months under review.

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

### **3. Summary of changes in accounting policies and procedures, and methods of presentation**

#### *Change in accounting standards*

##### *Adoption of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”*

Effective from the first quarter, the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, March 10, 2008) are adopted.

As a result of this change, there is minor impact on ordinary income and income before income taxes and minority interests.

##### *Adoption of the “Accounting Standard for Asset Retirement Obligations”*

Effective from the first quarter, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) are adopted.

As a result of this change, in the six months under review, operating income and ordinary income decreased by ¥76 million, while income before income taxes and minority interests decreased by ¥371 million. The change in asset retirement obligations due to the adoption of this accounting standard and guidance amounted to ¥380 million.

##### *Change in translation method of income and expenses of foreign subsidiaries into Japanese yen*

Previously, income and expenses of foreign subsidiaries were translated into Japanese yen at the spot rate prevailing as of the balance sheet date. However, to reflect the performance of foreign subsidiaries more accurately, the Company has changed into the new method where they are translated at the average rate during the period effective from the first quarter.

As a result of this change, in the six months under review, net sales and operating income increased by ¥3,340 million and ¥15 million respectively, while ordinary income and income before income taxes and minority interests increased by ¥122 million.

# QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

## 1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2010	March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	77,636	76,641
Notes and accounts receivable-trade	269,778	320,227
Short-term investment securities	16,778	30,894
Finished goods	20,217	20,823
Work in process	272,746	277,797
Raw materials and supplies	111,034	105,835
Other	128,630	118,070
Allowance for doubtful accounts	(7,884)	(8,545)
Total current assets	888,935	941,742
Noncurrent assets		
Property, plant and equipment	289,172	290,909
Intangible assets		
Goodwill	4,325	4,741
Other	16,758	18,375
Total intangible assets	21,083	23,116
Investments and other assets		
Other	162,558	181,253
Allowance for doubtful accounts	(10,695)	(24,599)
Total investments and other assets	151,863	156,654
Total noncurrent assets	462,118	470,679
Total assets	1,351,053	1,412,421

**1. CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

September 30, 2010

March 31, 2010  
(Summary)

	September 30, 2010	March 31, 2010 (Summary)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	247,010	241,185
Short-term loans payable	147,300	173,527
Current portion of bonds payable	20,500	20,500
Income taxes payable	11,636	11,250
Advances received	161,749	171,071
Provision for bonuses	21,750	22,640
Provision for loss on construction contracts	20,169	17,074
Provision for construction warranties	17,649	18,703
Other provision	120	228
Other	60,688	81,986
<b>Total current liabilities</b>	<b>708,571</b>	<b>758,164</b>
<b>Noncurrent liabilities</b>		
Bonds payable	40,000	40,000
Long-term loans payable	166,601	184,190
Provision for retirement benefits	133,218	135,217
Other provision	1,466	1,831
Other	63,450	65,954
<b>Total noncurrent liabilities</b>	<b>404,735</b>	<b>427,192</b>
<b>Total liabilities</b>	<b>1,113,306</b>	<b>1,185,356</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	95,762	95,762
Capital surplus	43,037	43,028
Retained earnings	79,581	65,933
Treasury stock	(85)	(105)
<b>Total shareholders' equity</b>	<b>218,295</b>	<b>204,618</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	7,010	9,462
Deferred gains or losses on hedges	89	38
Revaluation reserve for land	3,875	3,844
Foreign currency translation adjustment	(6,593)	(5,802)
<b>Total valuation and translation adjustments</b>	<b>4,381</b>	<b>7,542</b>
Subscription rights to shares	388	302
Minority interests	14,683	14,603
<b>Total net assets</b>	<b>237,747</b>	<b>227,065</b>
<b>Total liabilities and net assets</b>	<b>1,351,053</b>	<b>1,412,421</b>

**2. CONSOLIDATED STATEMENTS OF INCOME (Cumulative)**

(Millions of yen)

	Apr. 1, 2010 to Sep. 30, 2010	Apr. 1, 2009 to Sep. 30, 2009
Net sales	563,683	546,344
Cost of sales	462,303	465,427
Gross profit	101,380	80,917
Selling, general and administrative expenses	72,275	64,604
Operating income	29,105	16,313
Non-operating income		
Interest income	292	236
Dividends income	1,627	1,204
Equity in earnings of affiliates	186	590
Gain on valuation of derivatives	–	1,865
Other	4,944	2,272
Total non-operating income	7,049	6,167
Non-operating expenses		
Interest expenses	3,080	3,222
Foreign exchange losses	5,113	–
Other	2,892	11,593
Total non-operating expenses	11,085	14,815
Ordinary income	25,069	7,665
Extraordinary income		
Gain on sale of subsidiary stock	898	–
Total extraordinary income	898	–
Extraordinary loss		
Loss on valuation of investment securities	3,309	–
Impairment loss	953	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	295	–
Total extraordinary losses	4,557	–
Income before income taxes and minority interests	21,410	7,665
Income taxes	7,521	4,053
Income before minority interests	13,889	–
Minority interests	395	(395)
Net income	13,494	4,007

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2010 to Sep. 30, 2010	Apr. 1, 2009 to Sep. 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	21,410	7,665
Depreciation and amortization	21,112	21,119
Depreciation and amortization on other	2,942	3,090
Impairment loss	953	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	295	–
Increase (decrease) in allowance for doubtful accounts	(689)	(685)
Increase (decrease) in provision for bonuses	(856)	(642)
Increase (decrease) in provision for construction warranties	(997)	888
Increase (decrease) in provision for loss on construction contracts	3,145	(6,190)
Increase (decrease) in provision for retirement benefits	(1,962)	(2,013)
Interest and dividends income	(1,919)	(1,440)
Interest expenses	3,080	3,222
Foreign exchange losses (gains)	480	5
Loss (gain) on sales of short-term and long term investment securities	(1,003)	(9)
Loss (gain) on valuation of short-term and long term investment securities	3,398	122
Equity in (earnings) losses of affiliates	(186)	(590)
Loss (gain) on sales and retirement of noncurrent assets	443	1,067
Decrease (increase) in notes and accounts receivable-trade	48,497	102,713
Increase (decrease) in advances received	(7,873)	18,058
Decrease (increase) in advance payments	1,408	4,516
Decrease (increase) in inventories	2,257	(48,617)
Increase (decrease) in notes and accounts payable-trade	(26,534)	(61,562)
Increase (decrease) in accrued expenses	(6,644)	(2,971)
Increase (decrease) in lease and guarantee deposits received	1,229	(8)
Other, net	(8,250)	8,633
Subtotal	53,736	46,371
Interest and dividends income received	2,807	1,499
Interest expenses paid	(3,151)	(3,150)
Income taxes paid	(5,609)	(6,875)
Net cash provided by (used in) operating activities	47,783	37,845
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	19	135
Purchase of short-term and long term investment securities	(2,425)	(8,691)
Proceeds from sales and redemption of short-term and long term investment securities	3,098	2,016
Purchase of property, plant and equipment and intangible assets	(27,857)	(19,980)
Proceeds from sales of property, plant and equipment	605	770
Payments for retirement of property, plant and equipment	(82)	(231)
Sale of consolidated subsidiary	1,544	–
Decrease (increase) in short-term loans receivable	(169)	(3,330)
Payments of long-term loans receivable	(72)	(34)
Collection of long-term loans receivable	131	217
Other, net	(2,228)	(9,050)
Net cash provided by (used in) investing activities	(27,436)	(38,178)

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2010 to Sep. 30, 2010	Apr. 1, 2009 to Sep. 30, 2009
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	999	17,272
Net increase (decrease) in commercial papers	–	(2,000)
Proceeds from long-term loans payable	15,530	55,500
Repayment of long-term loans payable	(22,301)	(12,716)
Redemption of bonds	–	(15,000)
Repayments of lease obligations	(1,525)	(2,074)
Decrease (increase) in treasury stock	(2)	(1)
Cash dividends paid	(2,900)	(8)
Cash dividends paid to minority shareholders	(323)	(400)
Other, net	–	(142)
Net cash provided by (used in) financing activities	(10,522)	40,431
Effect of exchange rate change on cash and cash equivalents	(1,773)	1,296
Net increase (decrease) in cash and cash equivalents	8,052	41,394
Cash and cash equivalents at beginning of period	124,870	107,720
Increase in cash and cash equivalents from newly consolidated subsidiary	129	266
Increase in cash and cash equivalents from merger of non-consolidated subsidiary	169	11
Cash and cash equivalents at end of period	133,220	149,391

## SEGMENT INFORMATION

### (1) Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The company organizes operation divisions by products and services and the operation divisions deploy business activities formulating both domestic and overseas strategies for each product and service comprehensively.

The IHI group therefore categorizes segments which are based on the operation divisions and classified by markets and other similarities of products and services. The six reportable segments are as follows: Energy & Resources, Ships & Offshore Facilities, Physical Distribution Systems & Social Infrastructure, Rotating & Industrial Machinery, Aero Engine & Space, and Others.

Main products and services belonging to each segment

- (i) Energy & Resources  
Boilers, gas turbines, components for nuclear power plants, storage facilities, process plants and power systems
- (ii) Ships & Offshore Facilities  
Shipbuilding, ship repairs, offshore structures and floating LNG storage facilities
- (iii) Physical Distribution Systems & Social Infrastructure  
Material handling systems, physical distribution and factory automation systems, parking systems, bridges, construction materials, traffic systems and real estate sales and rental
- (iv) Rotating & Industrial Machinery  
Vehicular turbochargers, compressors, steel manufacturing equipment, paper production machines and environmental control systems
- (v) Aero Engine & Space  
Jet engines, space-related equipment and defense machinery
- (vi) Others  
Diesel engines, agricultural machinery, construction machinery and other services

### (2) Information about sales and profit or loss by reportable segments

Six months ended September 30, 2010

(Millions of yen)

	Reportable Segment						Total	Adjustment (Note)	Consolidated
	Energy & Resources	Ships & Offshore Facilities	Physical Distribution Systems & Social Infrastructure	Rotating & Industrial Machinery	Aero Engine & Space	Others			
<b>Sales:</b>									
Sales to outside customers	141,867	98,809	82,172	77,747	119,307	43,781	563,683	—	563,683
Intersegment sales and transfers	16,912	594	5,292	6,711	2,320	15,799	47,628	(47,628)	—
Total	158,779	99,403	87,464	84,458	121,627	59,580	611,311	(47,628)	563,683
Segment profit (Operating income)	15,416	4,588	2,967	3,876	2,381	1,776	31,004	(1,899)	29,105

Note: Adjustment of segment profit represents intersegment transactions of ¥141 million and unallocated corporate expenses of negative ¥2,040 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

**(3) Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment**

*Material impairment loss of noncurrent assets*

In the segment of “Physical Distribution Systems & Social Infrastructure,” impairment losses of idle land were recognized in the amount of ¥953 million for the six months under review.

*Material change in goodwill amount*

None

*Material negative goodwill arisen*

None

Additional information

Effective from the first quarter, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) are adopted.

Reference information

Six months ended September 30, 2009

Under the new segmentation, the reclassified segment information for the six months ended September 30, 2009 is shown below.

(Millions of yen)

	Reportable Segment						Total	Adjustment (Note)	Consolidated
	Energy & Resources	Ships & Offshore Facilities	Physical Distribution Systems & Social Infrastructure	Rotating & Industrial Machinery	Aero Engine & Space	Others			
<b>Sales:</b>									
Sales to outside customers	159,049	74,490	72,693	70,636	132,187	37,289	546,344	—	546,344
Intersegment sales and transfers	17,666	1,071	6,658	9,053	2,889	20,883	58,220	(58,220)	—
Total	176,715	75,561	79,351	79,689	135,076	58,172	604,564	(58,220)	546,344
Segment profit or loss									
(Operating income or loss)	13,197	(1,464)	2,145	1,497	5,637	1,061	22,073	(5,760)	16,313

Note: Adjustment of segment profit represents intersegment transactions of negative ¥296 million and unallocated corporate expenses of negative ¥5,464 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.