

(Translation)

Securities Code: 7013
June 3, 2010

To: Shareholders

IHI Corporation
Kazuaki Kama, President & CEO
1-1, Toyosu 3-chome, Koto-ku, Tokyo

**NOTICE OF CONVOCATION
OF THE 193RD ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 193rd Ordinary General Meeting of Shareholders of IHI Corporation (the “Company”). The meeting shall be held as described below.

If you are unable to attend the meeting on the date specified below, you can exercise your voting rights by voting form (i.e., “Form for Exercising Voting Right”) or via the Internet, etc. Please exercise your voting rights after reviewing the Reference Material for the General Meeting of Shareholders contained herein.

[If you exercise your voting rights by voting form]

Please exercise your voting rights by stating whether you are for or against the agenda items on the voting form enclosed herein and send the form back to us so that it reaches us by 5:30 p.m. on June 24, 2010 (Thursday).

[If you exercise your voting rights via the Internet, etc.]

Please exercise your voting rights after examining “Exercise of Voting Rights by Electronic Measures” on pages 83 and 84 by using the Internet, etc. through the website designated by the Company (<http://www.web54.net>) by 5:30 p.m. on June 24, 2010 (Thursday) (JST).

1. **Date and Time:** June 25, 2010 (Friday), 10:00 a.m.
2. **Place:** The “Hiten” main banquet hall, Grand Prince Hotel New Takanawa
13-1, Takanawa 3-chome, Minato-ku, Tokyo
3. **Purposes**

Matters to be reported:

1. Report on the business report and the consolidated financial statements for the 193rd fiscal year (from April 1, 2009 to March 31, 2010), and the results of the audit of the consolidated financial statements by the accounting auditor and the Board of Corporate Auditors.
2. Report on the financial statements for the 193rd fiscal year (from April 1, 2009 to March 31, 2010).

Matters to be resolved:

- Agenda Item No. 1:** Appropriation of surplus
Agenda Item No. 2: Election of fifteen (15) directors

4. Predetermined Treatment regarding Convocation

- (1) If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.
- (2) If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.
- (3) If you do not state whether you are for or against each of the agenda items in exercising your voting rights by the voting form, you shall be considered to have stated that you are for the agenda item.

- END -

1. The reception of the attendees to the meeting at the reception desk shall start at 8:45 a.m.
2. You are kindly requested to present the enclosed voting form to the receptionist when you attend the meeting.
3. Please note that we shall post any amendments to the Reference Material for the General Meeting of Shareholders, the business report, the financial statements or the consolidated financial statements on our website (<http://www.ihico.jp>) if any such amendment is made.

Disclaimer:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

(Attachment)

Business Report

(From April 1, 2009 to March 31, 2010)

1. Matters on Current Status of Company Group

(1) Progress of business operations and their results

Japan's economy during the fiscal year under review, 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, although there are signs of economic recovery in the Asian countries, particularly China, the situation continues to be serious in the U.S. and Europe

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 18% from the previous fiscal year to 970.4 billion yen due to delay in economic recovery and other factors. Net sales were down 10% from the previous fiscal year to 1,242.7 billion yen 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. Also, the order backlog at the end of the fiscal year under review stood at 1,269.4 billion yen, a fall of 18% from the previous year-end.

In terms of profit and loss, thanks to improved profitability in Energy and Plants Operations and the Logistics Systems and Structures Operations, and other factors, operating income rose 84% from the previous fiscal year to 47.1 billion yen and ordinary income rose 144% from the previous fiscal year to 33.0 billion yen. Net income was 17.3 billion yen, due to the recording of extraordinary loss resulting from the discontinuation of a project related to the GX launch vehicle among other reasons.

The Company sincerely regrets that, continuing from the end of the first half of the previous year, it has decided to withhold payment of interim dividends at the end of the first half of the current fiscal year due to the difficulty of gaining midterm profits.

Business operations by sector are summarized as follows:

○ Logistics Systems & Structures Operations

In "Logistics Systems & Structures Operations", although this segment increased orders for bridge construction due to large overseas orders, orders

received were slightly down from the previous fiscal year to 170.4 billion yen 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 bridges and shield tunneling machines and others were firm overall and sales increased 3% from the previous fiscal year to 209.9 billion yen.

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

○ **Industrial Machinery Operations**

In “Industrial Machinery Operations”, orders received fell 39% from the previous fiscal year to 118.3 billion yen 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% from the previous fiscal year to 166.8 billion yen.

Operating income was down 62% from the previous fiscal year to 4.7 billion yen.

○ **Energy & Plants Operations**

In “Energy & Plants Operations”, orders received were down 11% from the previous fiscal year to 266.3 billion yen 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 having passed a peak in major projects for boilers and chemical machinery, sales were down 16% from the previous fiscal year to 365.2 billion yen.

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

○ **Aero-Engine & Space Operations**

In “Aero-Engine & Space Operations”, orders received fell 13% from the previous fiscal year to 280.5 billion yen due to a decline in orders for jet engines for civil aviation and the Ministry of Defense.

Sales were down 6% from the previous fiscal year to 281.0 billion yen 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 37% from the previous fiscal year to 7.0 billion yen.

○ **Shipbuilding & Offshore Operations**

In “Shipbuilding & Offshore Operations”, orders received were down 20% from the previous fiscal year to 63.1 billion yen due to the continuation of sluggish shipbuilding orders. During the year, the Company received orders for 6 new ships including bulk carrier ships.

Sales were up 18% from the previous fiscal year to 213.9 billion yen as a result of an increase in sales from shipbuilding due to the expansion of the scope of application of the percentage-of-completion accounting method. During the year, the IHI Group delivered 17 new ships (4 tankers, 3 container vessels, 8 bulk carrier ships and 2 electrical propulsion ships).

Operating income was down 62% from the previous fiscal year to 1.0 billion yen due to the impact of the strong yen in foreign currency exchange.

○ **Real Estate Operations**

In “Real Estate Operations”, although real estate leasing was firm, orders received were down 10% from the previous fiscal year to 7.1 billion yen due to the absence of large-scale real estate sales.

Sales were down 50% from the previous fiscal year to 7.8 billion yen. This is due to the absence of large-scale real estate sales.

As a result of the decrease in revenues from real estate sales, operating income dropped 43% from the previous fiscal year to 2.9 billion yen.

○ **Other Operations**

In “Other Operations”, orders received fell 34% from the previous fiscal year to 64.5 billion yen due to a decrease in orders for construction machinery, agricultural machinery, and diesel engines.

Sales were down 16% from the previous fiscal year to 117.9 billion yen due to a decrease in revenues in agricultural machinery and construction machinery.

Operating income fell 88% from the previous fiscal year to 0.3 billion yen.

[Sales, Orders Received and Order Backlog by Business Segment]

(Millions of yen)

Business Segment	Sales		Orders Received		Order Backlog	
	Amount	%	Amount	%	Amount	%
Logistics Systems & Structures Operations	209,941	17	170,407	17	191,749	15
Industrial Machinery Operations	166,855	13	118,305	12	88,543	7
Energy & Plants Operations	365,205	29	266,352	27	311,117	24
Aero-Engine & Space Operations	281,086	23	280,543	29	329,097	26
Shipbuilding & Offshore Operations	213,948	17	63,168	7	325,243	26
Real Estate Operations	7,850	1	7,109	1	12	0
Other Operations	117,961	10	64,538	7	23,709	2
Elimination & Corporate	(120,146)	(10)	—	—	—	—
Total	1,242,700	100	970,422	100	1,269,470	100
Of which, overseas	524,625	42	340,043	35	580,770	46

(2) Financing

With regard to financing, the ending balance of the borrowings for the current fiscal period was 357.7 billion yen because of the short- and long-term borrowings of 30 billion yen in order to finance operating funds for business activities, capital investment to enhance product competitiveness and productivity improvement and investment funds for business enhancement.

With regard to bonds payable, the ending balance of bonds payable for the current fiscal period was 60.5 billion yen because the Company redeemed the 30th unsecured bonds (15 billion yen) in June 2009 and the 33rd unsecured bonds (10 billion yen) in February 2010.

(3) Capital investment

With respect to capital investment activities, the total capital investment for the current fiscal period was 37.4 billion yen as a result of the Company having made progress centering on enhancement of the target businesses stipulated by “Group Management Policies 2007” such as additional factory constructions for civil aircraft jet parts in the Aero-Engine & Space Operations business, production facilities in manufacturing subsidiaries of vehicular turbochargers and nuclear power plants in the Energy & Plants Operations business.

(4) Status of important business reorganizations etc.

- (a) The IHI Group has completed the company reorganization and the business integration of the bridge, water gate and other steel structure businesses to IHI Infrastructure Systems Co., Ltd. as follows:
- The Company made Kurimoto Bridge, Ltd. and Matsuo Bridge Co., Ltd. wholly-owned subsidiaries on August 28, 2009 and October 16, 2009, respectively, by acquisition of shares of these companies.
 - The Company completed the absorption-type split that allowed it to transfer the bridge, water gate and other steel structure businesses and relevant maintenance business to Matsuo Bridge Co., Ltd. on November 1, 2009 .
 - Matsuo Bridge Co., Ltd. completed the absorption-type merger with Kurimoto Bridge, Ltd., and changed the trade name to IHI Infrastructure Systems Co., Ltd. on November 1, 2009.
 - IHI Infrastructure Systems Co., Ltd. was transferred the water gate, steel pipe and water pipe bridge-related businesses from Kurimoto, Ltd. on January 1, 2010.
- (b) The Company completed the absorption-type split that allowed it to transfer the waste disposal facility business and the associated businesses to IHI Kankyo Engineering Co., Ltd. (IKE), a subsidiary of the Company, on October 1, 2009.
- (c) The Company and JFE Engineering Corporation established Japan Tunnel Systems Corporation by joint capital investment on November 4, 2009 and completed an absorption-type split to transfer businesses for shield tunneling machines and other tunnel construction machinery to Japan Tunnel Systems Corporation on January 1, 2010.
- (d) The Company merged with subsidiaries, IHI Logistics Limited, IHI Ship & Chemical Plant Co., Ltd. (ISC) and Tokyo-wan Tochi Co., Ltd. (TTK) in a form of absorption-type merger on January 1, 2010.

(5) Issues to be addressed

On the premise that the sustainable recovery of the global economy will continue, the Japanese economy is expected to continue its modest recovery that started in the area of the export business. However, since the self-sustained economic recovery driven by private sector demand in Japan remains weak, it appears like it will take some time before the Japanese economy breaks away from the deflation phase and gets back on a sustainable growth path.

In such economic environment, the IHI Group developed IHI Group Vision in May 2009 as the basic policy for the mid-to long-term growth measures and declared it would develop businesses that assume leading roles by accelerating the selection and concentration of business operations in five business areas: Energy and Resources; Shipbuilding, Social Infrastructure and Security; Industrial Machinery and Systems; Rotating and Mass Production Machinery; and Aero-Engines & Space. Subsequently, the Company established Group Management Policies 2010 in November 2009, a mid-term management plan that covers the three years from FY2010.

Group Management Policies 2010 sets specific numerical management targets: consolidated sales of 1,400 billion yen, consolidated ordinary income of 60 billion yen, balance of interest bearing debt of less than 400 billion yen. In

order to achieve these targets, the Company will designate seven businesses, such as those relating to nuclear machinery, floating LNG storage facilities, and vehicular turbochargers, as growing business with staple products and aggressively pursue development by preferentially investing management resources in them to make them pillars of profits for the next generation.

The Company will make a fundamental review of the conventional business styles and make the necessary changes with speed in the implementation of these business strategies. Specifically, the Company will implement measures while adopting “shifting from focusing on equipment sales to lifecycles,” and “shifting from a domestic focus to global development” as business models and “shifting from focusing on technological seeds to market needs” as a product strategy.

In the area of “Energy and Resources”, the Company will expand power-generating plants mainly in emerging countries, expand ground and floating LNG storage plants taking into account an increase in demand for LNG, and enhance the supply system of nuclear power related-equipment responding to the Nuclear Renaissance.

In the area of “Shipbuilding, Social Infrastructure and Security”, the Company will enhance the engineering and lifecycle businesses in the area of Shipbuilding, discover demand for new constructions mainly in emerging countries and demand for renewing or extending the lifetime of infrastructure mainly in developed countries in the area of Social Infrastructure, and engage in new fields such as vaccine manufacturing and systems for traffic safety assistance in the area of Security.

In the area of “Industrial Machinery and Systems”, the Company will capture demand for production and logistic facilities associated with industrial advances in emerging countries particularly in China.

In the area of “Rotating and Mass Production Machinery”, the Company, with vehicular turbochargers and compressors as core products, will quantitatively expand to the most popular price range in emerging countries including China and discover demand in the European markets where environmentally friendly technology has had a competitive advantage.

In the area of “Aero-Engines and Space”, the Company will aim to develop next-generation aero engines, expand the maintenance business for existing engines and try to win orders for the development of rocket engines, keeping an eye on entering the field of space transportation systems.

At the same time, the Company will promote globalization and effective operations of each business, strengthen its cross-business sales capacity to further capitalize on the IHI Group’s strengths of having various products and services, and promote enhancement and acceleration of new business development.

The IHI Group will maximize its corporate value and evolve into a global group of companies through implementing these measures. We would like to ask for your continued understanding and support.

(6) Changes in assets and profit/loss

(Millions of yen)

Item	190th Fiscal Year	191st Fiscal Year	192nd Fiscal Year	193rd Fiscal Year
Orders Received	1,361,127	1,556,545	1,176,749	970,422
Net Sales	1,221,016	1,350,567	1,388,042	1,242,700
Ordinary Income	(8,732)	(30,812)	13,521	33,027
Net Income	(4,593)	25,195	(7,407)	17,378
Net Income per Share (Yen)	(3.46)	17.18	(5.05)	11.85
Total Assets	1,536,078	1,542,295	1,489,342	1,412,421
Net Assets	227,047	234,406	205,950	227,065

(7) Main business (As of March 31, 2010)

Business Segment	Main Business
Logistics Systems & Structures Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of material handling systems including cranes etc., logistics and factory automation systems, parking systems, bridges, water gate, construction material products, transportation system, etc.
Industrial Machinery Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of iron and steel manufacturing equipment, heat treatment facilities, paper making machines, compressors, vehicular turbocharger, superchargers for ships, etc.
Energy & Plants Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of boilers, gas turbines, components for nuclear power plants, pressure vessels, petroleum/gas plant, low-temperature liquid gas plant, diesel/gas engines, power systems, etc.
Aero-Engine & Space Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of jet engines, space-related equipment, defense machinery and systems
Shipbuilding & Offshore Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of tankers, container vessels, bulk carrier ships, ore carrier, ferries, LNG carrier, electrical propulsion ship, naval vessel, coast guard ship, work vessel, offshore structures, etc.
Real Estate Operations	Sales, purchase, lease, brokerage, management, maintenance and preservation of real-estate, and land development
Other Operations	Design, manufacture, sales, installation, repairing, overhaul and maintenance of diesel engines, agricultural machinery, construction machinery, etc.; financing; and services

(8) Main sales offices and works (As of March 31, 2010)

1) The Company

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo		
Sales Offices	Hokkaido Branch (Chuo-ku, Sapporo-city)	Tohoku Branch (Aoba-ku, Sendai-city)	
	Kitakanto Branch (Omiya-ku, Saitama-city)	Yokohama Branch (Naka-ku, Yokohama-city)	
	Hokuriku Branch (Toyama-city, Toyama)	Chubu Branch (Nakamura-ku, Nagoya-city)	
	Kansai Branch (Chuo-ku, Osaka-city)	Chugoku Branch (Naka-ku, Hiroshima-city)	
	Shikoku Branch (Takamatsu-city, Kagawa)	Kyushu Branch (Chuo-ku, Fukuoka-city)	
Oversea Offices	SINGAPORE		
	PARIS	NEW DELHI	BANGKOK
	KUALA LUMPUR	JAKARTA	BEIJING
	SHANGHAI	BAHRAIN	MOSCOW
	HANOI	TAIPEI	SEOUL
Works	Sunamachi Works [Koto-ku, Tokyo]		
	Mizuho Aero-Engine Plant (Mizuho-machi, Nishitama-gun, Tokyo)		
	Soma No.1 Aero-Engine Works Soma No.2 Aero-Engine Works (Soma-city, Fukushima)		
	Yokohama Nuclear & Chemical Components Works Yokohama Machinery Works (Isogo-ku, Yokohama-city)		
	Aichi Works (Chita-city, Aichi)		
	Aioi Works, Aioi Casting Workshop (Aioi-city, Hyogo)		
	Kure Aero-Engine & Turbo Machinery Plant (Kure-city, Hiroshima)		

(Notes)

1. On April 1, 2010, the Yokohama Branch merged with the Kitakanto Branch and became the Metropolitan Branch.
2. On January 1, 2010, the Company succeeded Sunamachi Works as a result of the absorption-type merger with IHI Ship & Chemical Plant Co., Ltd.

2) Subsidiaries

IHI Marine United Inc.	Head Office	Minato-ku, Tokyo
	Works	Yokohama Shipyard Kure Shipyard
IHI AEROSPACE CO., LTD.	Head Office	Koto-ku, Tokyo
	Works	Tomioka Plant
IHI Infrastructure Systems Co., Ltd.	Head Office	Sakai-ku, Sakai-City
	Works	Sakai Works
Niigata Power Systems Co., Ltd.	Head Office	Chuo-ku, Tokyo
	Works	Ohta Plant, Niigata Engine Plant, Niigata Gas Turbine Plant, Niigata Foundry Plant
IHI Transport Machinery Co., Ltd.	Head Office	Chuo-ku, Tokyo
	Works	Numazu Works Yasuura Works
Ishikawajima Construction Materials Co., Ltd.	Head Office	Sumida-ku, Tokyo

(Notes)

1. On October 16, 2009, the Company made Matsuo Bridge Co., Ltd. a wholly-owned subsidiary, and, on November 1, 2009, the Company made Matsuo Bridge succeed the Company's bridge, water gate and other steel structure businesses and relevant maintenance business. As of November 1, 2009, Matsuo Bridge Co., Ltd. changed its trade name to IHI Infrastructure Systems Co., Ltd.
2. IHI Transport Machinery Co., Ltd. changed its trade name from Ishikawajima Transport Machinery Co., Ltd. on October 1, 2009
3. Ishikawajima Construction Materials Co., Ltd. changed its location of head office from Chiyoda-ku, Tokyo on June 26, 2009.

(9) Employees of Corporate Group (As of March 31, 2010)

Business Segment	Number of Employees
Logistics Systems & Structures Operations	4,200
Industrial Machinery Operations	3,832
Energy & Plants Operations	5,440
Aero-Engine & Space Operations	5,422
Shipbuilding & Offshore Operations	2,835
Real Estate Operations	43
Other Operations	2,609
Corporate (company-wide)	509
Total	24,890

(542 increase compared with March 31, 2009)

(10) Material subsidiaries

Company Name	Capital	Voting Interest of the Company	Main Business
IHI Marine United Inc.	11,099 million yen	100.00%	Manufacture and sales of ships/vessels, boats, offshore development equipment and floating structures
IHI AEROSPACE CO., LTD.	5,000 million yen	100.00%	Manufacture and sales of space development equipment, rockets and aircraft parts
IHI Infrastructure Systems Co., Ltd. (Note 1)	4,903 million yen	100.00%	Design, manufacture and sales of bridges, water gates and steel structure
JURONG ENGINEERING LIMITED (Note 2)	51,788 thousand Singapore dollar	95.55%	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering, plants
Niigata Power Systems Co., Ltd.	3,000 million yen	100.00%	Manufacture and sales of internal combustion engines, gas turbine engines and electric power generation facilities etc.
IHI Transport Machinery Co., Ltd. (Note 3)	2,647 million yen	67.06%	Manufacture and sales of mechanical parking systems, physical distribution facilities/equipment, various types of cranes and conveyors
IHI INC. (Note 4)	16,175 thousand US dollar	100.00%	Sales and order procurement of land-based machinery, plant facilities, ships/vessels and offshore structures
IHI Charging Systems International GmbH	15,000 thousand euro	51.00%	Engineering and sales of vehicular turbocharger
IHI Turbo America Co.	7,700 thousand US dollar	100.00%	Manufacturing and sales of vehicular turbocharger
IHI Construction Machinery Ltd. (Note 5)	1,750 million yen	100.00%	Manufacture and sales of construction machinery

Company Name	Capital	Voting Interest of the Company	Main Business
Ishikawajima Construction Materials Co., Ltd. (Note 6)	1,665 million yen	53.50%	Manufacture and sales of segments, self-driving-type parking building and construction material products
IHI Shibaura Machinery Corporation	1,111 million yen	90.95%	Manufacture and sales of tractors agricultural machinery and engines
IHI Compressor and Machinery Co., Ltd.	1,033 million yen	100.00%	Manufacturing, maintenance and services for compressors and other rotating machinery
IHI Turbo Co., Ltd.	1,000 million yen	100.00%	Manufacturing of vehicular turbocharger
Niigata Transys Co., Ltd.	1,000 million yen	100.00%	Manufacture and sales of rolling stock, industrial vehicles and machines for snow removal etc.
IHI TURBO (THAILAND) CO., LTD. (Note 7)	260,000 thousand Thai baht	90.00%	Manufacturing and sales of vehicular turbocharger
IHI-Sullair Compression Technology (Suzhou) Co., Ltd. (Note 8)	55,465 thousand Chinese yuan	51.00%	Manufacturing and sales of compressors
IHI EUROPE Limited	2,500 thousand pound	100.00%	Procurement of land and marine machinery, collection of information
PC Bridge Co., Ltd. (Note 9)	504 million yen	94.95%	Design, manufacturing and sales of prestressed concrete products
IHI Plant Construction Co., Ltd.	500 million yen	100.00%	Design, manufacturing, installation and sales of various types of plant facilities and steel structures, etc.
IHI STAR Machinery Corporation (Note 10)	500 million yen	100.00%	Manufacturing and sales of agricultural machinery

(Notes)

1. On October 16, 2009, the Company made Matsuo Bridge Co., Ltd. a wholly-owned subsidiary, and, on November 1, 2009, the Company made Matsuo Bridge succeed the Company's bridge, water gate and other steel structure businesses and relevant maintenance business. As of November 1, 2009, Matsuo Bridge Co., Ltd. changed its trade name to IHI Infrastructure Systems Co., Ltd.
2. The Company's voting interest in JURONG ENGINEERING LIMITED includes

15.00% voting interest held by IHI Plant Construction Co., Ltd., a subsidiary of the Company.

3. IHI Transport Machinery Co., Ltd. changed its name from Ishikawajima Transport Machinery Co., Ltd. on October 1, 2009.

The Company's voting interest in IHI Transport Machinery Co., Ltd. includes 0.02% voting interest held by IHI Compressor and Machinery Co., Ltd., 0.01% voting interest held by Ishikawajima Construction Materials Co., Ltd., 0.03% voting interest held by IHI Shibaura Machinery Corporation, and 0.01% voting interest held by IHI Trading, Inc. All the aforementioned companies are subsidiaries of the Company.

4. IHI INC. is a regional headquarter in the Americas. The company increased the capital to maintain a capital level required to operate as such a company.
5. IHI Construction Machinery Ltd. increased the capital as part of the measures for restructuring.
6. The Company's voting interest in Ishikawajima Construction Materials Co., Ltd. includes 0.04% voting interest held by IHI Shibaura Machinery Corporation.
7. The Company's voting interest in IHI TURBO (THAILAND) CO., LTD. includes 10.00% voting interest held by IHI Turbo Co., Ltd., a subsidiary of the Company.
8. IHI-Sullair Compression Technology (Suzhou) Co., Ltd. was included in the scope of consolidation due to its increased materiality in the IHI Group. The Company's voting interest in the company includes 12.50% voting interest held by IHI Compressor and Machinery Co., Ltd., a subsidiary of the Company.
9. The Company's voting interest in PC Bridge Co., Ltd. includes 25.37% voting interest held by Ishikawajima Construction Materials Co., Ltd.
10. The Company's voting interest in IHI STAR Machinery Corporation includes 20.00% voting interest held by IHI Shibaura Machinery Corporation.
11. IHI Ship & Chemical Plant Co., Ltd. dissolved on January 1, 2010, due to the absorption-type merger by the Company.

(11) Main lenders of Corporate Group (As of March 31, 2010)

(Millions of yen)	
Lender	Amount
Mizuho Corporate Bank, Ltd.	68,735
Sumitomo Mitsui Banking Corporation	36,982
The Sumitomo Trust and Banking Co., Ltd.	35,317
The Chuo Mitsui Trust and Banking Company, Limited	31,238
Development Bank of Japan Inc.	28,170
THE HACHIJUNI BANK, LTD	17,417
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,211
The Yamaguchi Bank, Ltd.	10,400
Nippon Life Insurance Company	9,075
The Dai-ichi Mutual Life Insurance Company	9,065

(Note) The Dai-ichi Mutual Life Insurance Company changed the form of company to a stock company on April 1, 2010, and became The Dai-ichi Life Insurance Company, Limited.

(12) Other important matters regarding the current state of Group companies

On December 16, 2009, the Japanese government, announced that the government had decided not to proceed with and to cancel the GX rocket, a government and private-sector joint project, being developed by Galaxy Express Corporation, a joint venture between IHI and other 6 companies. Development of space rockets by nongovernmental enterprises was relinquished and Galaxy Express Corporation was dissolved on March 31, 2010.

2. Company Officers

(1) Directors and Corporate Auditors (as of March 31, 2010)

Title	Name	Responsibilities and significant concurrent position(s)
President & CEO	Kazuaki Kama	Vice President, The Materials Process Technology Center
Executive Vice President	Yasuyuki Watanabe	Assistant to the President In charge of Group Engineering Chairman, Japanese Aero Engines Corporation President, Engineering Research Association for Supersonic Transport Propulsion System
Executive Vice President	Yuji Hiruma	Assistant to the President In charge of Global Strategy
Director	Yasuhiro Inagawa	In charge of Information Systems, Defense Project Collaboration, and Business Relating to Superconductive Ship Propulsion System
Director	Yoshiaki Shimojo	General Manager of Monozukuri Innovation Initiative; in charge of Business Relating to Procurement
Director	Makoto Serizawa	In charge of Internal Control and Business Relating to Project Audit
Director	Ichiro Hashimoto	President of Energy and Plants Operations
Director	Kazuo Tsukahara	In charge of Corporate Planning, Human Resources and Business Relating to Public Relations and Investors Relations
Director	Tamotsu Saito	President of Aero-Engine & Space Operations
Director	Fusayoshi Nakamura	President of Vehicular Turbocharger Operations
Director	Sadao Degawa	General Manager of Corporate Research & Development
Director	Joji Sakamoto	In charge of Contracts and Legal, Business Relating to Administration, and Group Compliance
Director	Ichiro Terai	General Manager of Finance & Accounting Division
Director	Fumio Sato	Director, Mitsukoshi, Ltd.
Director	Tomokazu Hamaguchi	

Title	Name	Responsibilities and significant concurrent position(s)
Standing Corporate Auditor	Teruo Shimizu	Auditor, Sanki Engineering Co., Ltd. Corporate Auditor, Kikkoman Corporation
Standing Corporate Auditor	Masakazu Maruyama	
Corporate Auditor	Takeo Inokuchi	
Corporate Auditor	Nobuo Gohara	
Corporate Auditor	Hisatsugu Nonaka	

- (Notes)
1. Director: Mr. Fumio Sato and Mr. Tomokazu Hamaguchi are outside directors.
 2. Corporate Auditor: Messrs. Takeo Inokuchi, Nobuo Gohara, and Hisatsugu Nonaka are outside corporate auditors.
 3. Standing Corporate Auditor: Mr. Masakazu Maruyama possesses considerable knowledge of financial and accounting matters gained through his experience working in the Finance and Accounting Division of the Company and then as Director in charge of Corporate Planning & Accounting Department of IHI Transport Machinery Co., Ltd., one of the subsidiaries of the Company.

(2) Directors and Corporate Auditors who resigned during this fiscal year

Directors and corporate auditors who hold office during this fiscal year and whose terms expired during this fiscal year are as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Toshiro Takei	Assistant to the President	June 26, 2009
Director	Yukiya Nakagawa	In charge of Group Engineering, Project Audit and Group Compliance	June 26, 2009
Director	Kimiaki Gotoh	In charge of Business Relating to Administration	June 26, 2009
Standing Corporate Auditor	Teruo Naruoka		June 26, 2009
Corporate Auditor	Nobuo Ohashi	Chairman of the Board, Mitsui & Co., Ltd.	June 26, 2009

(3) Directors' responsibilities as of April 1, 2010

Directors' responsibilities as of April 1, 2010 are as follows:

Position	Name	Responsibilities
President & CEO	Kazuaki Kama	
Executive Vice President	Yasuyuki Watanabe	Assistant to the President In charge of Group Engineering
Executive Vice President	Yuji Hiruma	Assistant to the President In charge of Group Operations President of Global Marketing Headquarters
Executive Vice President	Ichiro Hashimoto	Assistant to the President President of Plant Engineering Operations
Director	Yasuhiro Inagawa	Assistant to the President
Director	Yoshiaki Shimojo	Assistant to the President
Director	Makoto Serizawa	In charge of Corporate Audit
Director	Kazuo Tsukahara	In charge of Corporate Planning, Human Resources and Business Relating to Public Relations and Investors Relations
Director	Tamotsu Saito	In charge of Corporate Business Development and Business Relating to Procurement and Monozukuri Innovation
Director	Fusayoshi Nakamura	President of Vehicular Turbocharger Operations
Director	Sadao Degawa	General Manager of Corporate Research & Development; in charge of Business Relating to Information Systems
Director	Joji Sakamoto	In charge of Legal; CSR, Business Relating to Administration, and Group Compliance
Director	Ichiro Terai	General Manager of Finance & Accounting Division

- (Notes)
1. Executive Vice President, Mr. Yasuyuki Watanabe supervises Rotating Machinery Operations, Agricultural Machinery Business Administration, Urban Development Operations, and Defense Project Collaboration Division.
 2. Executive Vice President, Mr. Yuji Hiruma supervises Logistics Systems, Infrastructure, Offshore Project & Steel Structures, and Industrial Machinery and Environmental Equipment Operations.

3. Executive Vice President, Mr. Ichiro Hashimoto supervises Energy Systems, Nuclear Power, and Power Systems Operations.
4. Director, Mr. Makoto Serizawa supervises Project Audit Division.
5. Director, Mr. Tamotsu Saito supervises Aero-Engine & Space Operations.
6. Director, Mr. Joji Sakamoto supervises Headquarters Representative's Offices.

The Company has adopted the executive officer system. The responsibilities of the executive officers as of April 1, 2010, are as follows:

Position	Name	Responsibilities
* Chief Executive Officer	Kazuaki Kama	
* Senior Executive Officer	Yuji Hiruma	In charge of Group Operations President of Global Marketing Headquarters
* Senior Executive Officer	Ichiro Hashimoto	President of Plant Engineering Operations
Managing Executive Officer	Mitsukatsu Asaoka	General Manager of Procurement Strategies
* Managing Executive Officer	Fusayoshi Nakamura	President of Vehicular Turbocharger Operations
Managing Executive Officer	Tatsumi Kawaratani	President of Industrial Machinery & Environmental Equipment Operations
Managing Executive Officer	Toshinori Sekido	President of Aero-Engine & Space Operations
Executive Officer	Hiroshi Iwamoto	President of IHI INC. (Regional Headquarter in the Americas); Vice President of Global Marketing Headquarters
Executive Officer	Izumi Imoto	President of Infrastructure Operations
* Executive Officer	Sadao Degawa	General Manager of Corporate Research & Development In charge of Business Relating to Information Systems
Executive Officer	Junichi Saikawa	President of Power Systems Operations
Executive Officer	Eiichi Yoshida	President of Logistics Systems Operations
Executive Officer	Naruto Takata	General Manager of Monozukuri Innovation Initiative
Executive Officer	Akira Inoue	President of Urban Development Operations
Executive Officer	Osamu Abiko	President of Nuclear Power Operations
Executive Officer	Ichiro Murai	Chief Regional Officer for Asia Region; Vice President of Global Marketing Headquarters
Executive Officer	Yutaka Yoshida	General Manager of Corporate Planning Division
* Executive Officer	Ichiro Terai	General Manager of Finance & Accounting Division
Executive Officer	Hiroshi Asakura	President of Rotating Machinery Operations
Executive Officer	Nobuo Aoki	General Manager of Human Resources Division
Executive Officer	Tsugio Mitsuoka	Vice President of Aero-Engine & Space Operations
Executive Officer	Hiromitsu Hamamura	President of Energy Systems Operations

(Note) *Executive Officers who are concurrently directors.

(4) Amount of remuneration for directors and corporate auditors

Position	Total	Amount paid
Director	18	497 million yen
Corporate Auditor	7	83 million yen
Total (Of which, number of outside officers)	25 (6)	581 million yen (45 million yen)

- (Notes)
1. Remuneration of directors does not include salaries of those who are also company employees.
 2. Remuneration of directors includes expenses recorded during this fiscal year (60 million yen) for subscription rights to shares granted as stock options.
 3. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year as determined at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007.
 4. Maximum total amount of corporate auditors' remuneration is set at 90 million yen or below per year by resolution of the 190th Ordinary General Meeting of Shareholders held on June 27, 2007.
 5. The numbers of directors and corporate auditors as of March 31, 2010 are respectively 15 (including 2 outside directors) and 5 (including 3 outside corporate auditors, respectively). The reason for the discrepancy from the above chart is that figures in the chart include 3 directors and 2 corporate auditors (including 1 outside corporate auditor) who resigned at the conclusion of the 192nd Ordinary General Meeting of Shareholders held on June 26, 2009.

(5) Information regarding outside directors and outside corporate auditors

- (i) Concurrent positions as executive directors or the like at other entities (if he/she is also acting as a person who executes business at other entities) and the relationship between the Company and those entities
Not applicable.
- (ii) Concurrent positions as outside director or outside corporate auditor at other entities and the relationship between the Company and those entities
 - Director, Mr. Fumio Sato is an outside director of Mitsukoshi, Ltd. There is no special relationship between Mitsukoshi, Ltd. and the Company.
 - Corporate Auditor, Mr. Takeo Inokuchi is an outside corporate auditor of Sanki Engineering Co., Ltd. and an outside corporate auditor of Kikkoman Corporation. There is no special relationship between the Company and either of Sanki Engineering Co., Ltd. and Kikkoman Corporation.

(iii) Attendance to directors/corporate auditors' meetings and activities during this fiscal year:

Position	Name	Attendance of meetings and activities
Director	Fumio Sato	Attended 19 out of 20 directors' meetings during this fiscal year. Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a manufacturing business, in order to ensure appropriate and correct decisions were taken at the meetings.
Director	Tomokazu Hamaguchi	Attended 17 out of 20 directors' meetings during this fiscal year. Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a leading-edge IT/telecommunication business, in order to ensure appropriate and correct decisions were taken at the meetings.
Corporate Auditor	Takeo Inokuchi	Attended 14 out of 20 directors' meetings and 9 out of 13 auditors' meetings during this fiscal year. Addressed questions and expressed opinions accordingly from the viewpoint of an experienced business manager of financial institutions.
Corporate Auditor	Nobuo Gohara	Attended 16 out of 20 directors' meetings and 10 out of 13 auditors' meetings during this fiscal year. Addressed questions and expressed opinions accordingly from the viewpoint of a leading expert on corporate compliance.
Corporate Auditor	Hisatsugu Nonaka	Attended all 13 directors meetings and all 10 corporate auditors' meetings that were held after he assumed the position of corporate auditor. Addressed questions and expressed opinions accordingly from the viewpoint of a globally experienced business manager in the manufacturing industry.

(iv) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Corporation Law, each outside director/corporate auditor has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same law. Amount of maximum liability of each director/corporate auditor under the agreement shall be subject to laws and regulations.

3. Corporate Share Information

(1) Corporate shares (as of March 31, 2010)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued (excluding 479,306 treasury stock shares): 1,466,579,176
- (iii) Total number of shareholders: 120,267
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)	55,422	3.77
The Dai-ichi Mutual Life Insurance Company	54,060	3.68
Japan Trustee Services Bank, Ltd. (Holder in Trust)	48,127	3.28
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	43,680	2.97
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	40,881	2.78
Nippon Life Insurance Company	34,095	2.32
IHI Customer Stock Ownership Association	24,355	1.66
Mitsui Sumitomo Insurance Co., Ltd	22,268	1.51
Sumitomo Life Insurance Company	21,624	1.47
Mizuho Corporate Bank, Ltd.	20,801	1.41

- (Notes)
1. Voting rights for 55,422,000 shares held by “Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)” are exercised in accordance with the instructions of TOSHIBA Corporation because TOSHIBA is a consigner of the shares.
 2. The Dai-ichi Mutual Life Insurance Company changed the form of company to a stock company on April 1, 2010, and became The Dai-ichi Life Insurance Company, Limited.
 3. Voting rights for 43,680,000 shares held by “Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” are exercised in accordance with the instructions of Mizuho Bank Limited because Mizuho Bank is a consigner of the shares.
 4. Shareholding ratios are calculated without including total number of treasury stock shares (479,306 shares).

(2) Subscription rights to shares

(i) Subscription rights to shares at the end of the fiscal year

- Subscription rights to shares granted to Company officers in compensation for the performance of their duties:

	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Amount to be paid in for subscription rights to shares	Value of property to be contributed upon exercising subscription rights to shares	Exercise period
1 st Subscription Rights to Shares (July 23, 2007)	104	Common stock 104,000 shares (1,000 shares per subscription right to shares)	462,000 yen	1,000 yen per subscription right to shares (1 yen per share)	From August 10, 2007 to August 9, 2037
2 nd Subscription Rights to Shares (July 22, 2008)	280	Common stock 280,000 shares (1,000 shares per subscription right to shares)	185,000 yen	1,000 yen per subscription right to shares (1 yen per share)	From August 19, 2008 to August 18, 2038
3 rd Subscription Rights to Shares (July 21, 2009)	369	Common stock 369,000 shares (1,000 shares per subscription right to shares)	165,000 yen	1,000 yen per subscription right to shares (1 yen per share)	From August 6, 2009 to August 5, 2039

(Notes) Terms and conditions for exercising subscription rights to shares are as follows.

1. Subscription rights to shares shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost both positions (in the event that such individual assumes the position of corporate auditor within one (1) year after he/she resigns the both positions, the date he/she lost its position as corporate auditor) (“Exercise Start Date”).
2. Notwithstanding the above 1, in the event of the following, subscription rights to shares shall be exercisable for the period stipulated below. (However, (2) does not apply to subscription rights to shares issued by a reorganized company.)
 - (1) 1st Subscription Rights to Shares:
In the event that Exercise Start Date does not become effective by August 9, 2036
From August 10, 2036 to August 9, 2037.
2nd Subscription Rights to Shares:
In the event that Exercise Start Date does not become effective by August 18, 2037
From August 19, 2037 to August 18, 2038.
3rd Subscription Rights to Shares:
In the event that Exercise Start Date does not become effective by August 5, 2038
From August 6, 2038 to August 5, 2039
 - (2) In the event that a merger agreement (under which the Company becomes a merging company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company

becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)

Fifteen (15) days from the following day of such decision.

3. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares, shall not be able to exercise such rights.

o Number of subscription rights to shares

Position	Director			Corporate Auditor		
	Number of subscription rights to shares	Number of underlying shares	Number of holders	Number of subscription rights to shares	Number of underlying shares	Number of holders
1 st Subscription Rights to Shares (July 23, 2007)	98	98,000 shares	9	6	6,000 shares	1
2 nd Subscription Rights to Shares (July 22, 2008)	280	280,000 shares	12	0	0 shares	0
3 rd Subscription Rights to Shares (July 21, 2009)	369	369,000 shares	13	0	0 shares	0

(Note) These subscription rights to shares are not granted to outside directors.

- (ii) Subscription rights to shares granted to the Company's executive officers in compensation for the performance of their duties during this fiscal year:

Date of decision	July 21, 2009
Number of subscription rights to shares	278
Class and number of shares underlying subscription rights to shares	Common stock: 278,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in for subscription rights to shares	165,000 yen
Value of property to be contributed upon exercising subscription rights to shares	1,000 yen per subscription right to shares (1 yen per share)
Exercise period	From August 6, 2009 to August 5, 2039
Status of granting	Number of subscription rights to shares: 278 Number of underlying shares: 278,000 Number of individuals to whom subscription rights to shares have been granted: 14

(Notes) Terms and conditions for exercising subscription rights to shares are as follows.

1. Subscription rights to shares shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost both positions (in the event that such individual assumes the position of corporate auditor within one (1) year after he/she resigns both positions, the date he/she lost its position as corporate auditor) ("Exercise Start Date").
2. Notwithstanding the above 1, in the event of the following, subscription rights to shares shall be exercisable for the period stipulated below. (However,

- (2) does not apply to subscription rights to shares issued by a reorganized company.)
- (1) In the event that Exercise Start Date does not become effective by August 5, 2038,
From August 6, 2038 to August 5, 2039
 - (2) In the event that a merger agreement (under which the Company becomes an expired corporation) or an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary), fifteen (15) days from the following day of such decision
3. A holder of subscription rights to shares who relinquishes her/his subscription rights to shares, he/she shall not be able to exercise such rights.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Compensation, etc.

	Amount of payment	
Compensation paid to the accounting auditor for the fiscal year under review	192	million yen
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	466	million yen

(Note) The audit agreement entered into by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Corporate Law and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount for the fiscal year under review above indicates the total of these two kinds of amounts. Among major subsidiaries of the Company, IHI Charging Systems International GmbH (Germany), IHI Turbo America Co. (United States), IHI-Sullair Compression Technology (Suzhou) Co., Ltd. (China) are audited by accounting auditors other than the accounting auditor of the Company.

(3) Details of non-audit services

The Company entrusts the accounting auditor with the services regarding “Conducting collective training programs for introduction of IFRS (International Financial Reporting Standards)” and “Guidance on accounting for subsidiaries and affiliates” other than services defined in Article 2, Paragraph 1 of the Certified Public Accountants Law of Japan (non-audit services).

(4) Policy for decisions on dismissal or non-reappointment of accounting auditors

In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Corporation Law, the Board of Corporate Auditors shall dismiss the accounting auditor based on the consent of all corporate auditors.

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, the Board of Directors, based on the consent or at the request of the Board of Auditors, shall propose the dismissal or non-reappointment of the accounting auditor as an agenda item at a general meeting of shareholders.

5. Systems to ensure compliance of directors with laws and regulations and articles of incorporation, and systems to ensure appropriateness of other operations.

The Company resolved at a meeting of the Board of Directors held on March 29, 2010 to partially amend the basic policy on the aforementioned systems in line with the organizational change as of April 1, 2010. The basic policy after amendment is as follows.

Chapter 1 Purpose

(1) Purpose

The purpose of this policy is to define the requirements of directors in accordance with the Corporation Law (Act No. 86 of 2005) regarding the establishment of “systems for ensuring that directors’ execution of duties conform to laws and regulations and articles of incorporation and systems to ensure the appropriateness of operation activities of other corporation” to improve the corporate governance of the IHI group companies and increase corporate value.

Chapter 2 Internal Control System to Supervise Directors and Employees

(2) System for ensuring compliance of directors and employees with laws and regulations and articles of incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each division, and at each affiliate company, and to audit such activities are properly pursued.

- (i) Preparation of rules and regulations

Directors shall prepare company-wide and departmental rules and regulations such as “IHI Corporation Basic Code of Conduct” that all directors and employees of the Company must follow to perform their duties. Divisions and sections in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of laws shall also be defined.

(ii) Compliance activities

With respect to compliance activities, the “Compliance Committee” chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Corporate Social Responsibility Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

(iii) A system to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each division to ensure the appropriateness of such activities. “Corporate Audit Division,” which is independent of all other divisions, shall be established. Corporate Audit Division shall report the results of audits to the Board of Directors as needed. To prevent noncompliance, a “Compliance Hotline” shall be established as an internal reporting system and CSR Promotion Division shall provide the necessary consultations.

(3) System for storing and managing information

Information related to Directors’ exercise of their duties shall be saved as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electromagnetic records, and shall manage information thereof.

Amendment of safekeeping policy for documents and digital records shall be subject to approval of the Board of Directors.

(4) System for managing risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies.

Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of duties of IHI group companies, and shall establish an appropriate system to manage such risks and as well as a system to apply and evaluate it.

(i) Contracts/agreements

Operational risks relating to contracts/agreements such as competition, alliance/M&A with other companies, business integration, overseas

operations, material procurement, and debt guarantee.

(ii) Design, manufacturing, and technologies

Risks that expectations from manufacturing sites, quality assurance, technology agreements, and research and development are below expectation.

(iii) Laws and regulations

Risks of losses through loss of credibility due to violation of law.

(iv) Information systems

Risks of leakage, theft, and loss of information assets, and damage thereto.

(v) Safety, health, and environment

Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.

(vi) Disaster and system failure

Risks of interruption of business activities due to disaster, accidents, and information system failures.

(vii) Financial activities

Risks regarding financial activities such as exchange rate and interest rate trends.

(viii) Financial reporting

Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

(5) System for assuring that Directors exercise their duties efficiently

Directors of the Company shall clearly separate the function of management supervision from that of performance to ensure efficient performance of duties, and shall delegate most rights to perform duties to executive officers for efficiency.

To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize a management committee as an advisory body to discuss important matters of IHI group companies.

Directors shall prepare profit plans including target profitability of each division at the beginning of every financial period and verify their results each month.

Chapter 3 Internal Audit System for Corporate Group

(6) Ensuring for assuring operational legitimacy within the corporate group

Directors of the Company shall establish a system to ensure IHI group-wide governance by setting rules to manage group companies and appointing responsible divisions to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and Management Committee. Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time corporate auditors or other employees to group companies. If necessary, responsible division or related division shall provide support to secure the appropriateness of business operations. Directors also establish a group business management section within the Corporate Planning Division to create a group-wide management mechanism and to supervise group company businesses.

Chapter 4 Internal Audit System to Ensure Corporate Auditors' Performance of Duties

(7) Employees to assist corporate auditors

Corporate auditors of the Company shall establish an audit office to assist them in the performance of their duties. The audit office shall consist of several employees of IHI with core competencies, and such employees shall be appointed based on discussions between corporate auditors and related directors. Corporate auditors shall ensure the independence of the employees of the audit office from executive officers.

(8) Audit by corporate auditors

Corporate auditors of the Company, in accordance with the audit policies defined at the Board of Corporate Auditors, shall attend important meetings including the Board of Directors meetings and management meetings, and audit the performance of directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each division and major subsidiaries.

(9) Reporting to corporate auditors

Directors and employees of the Company shall, without delay, report to corporate auditors and the Board of Corporate Auditors regarding related laws and regulations, results of internal audits, results of hotline system, and other important matters that have a company-wide impact.

Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets		Current liabilities	
941,742	758,164		
Cash and deposits	76,641	Notes and accounts payable–trade	241,185
Notes and accounts receivable–trade	320,227	Short-term loans payable	173,527
Short-term investment securities	30,894	Current portion of bonds payable	20,500
Finished goods	20,823	Accrued expenses	39,231
Work in process	277,797	Income taxes payable	11,250
Raw materials and supplies	105,835	Advances received	171,071
Deferred tax assets	42,384	Provision for bonuses	22,640
Other	75,686	Provision for construction warranties	18,703
Allowance for doubtful accounts	(8,545)	Provision for loss on construction contracts	17,074
		Other	42,983
		Noncurrent liabilities	427,192
Noncurrent assets	470,679	Bonds payable	40,000
Property, plant and equipment	290,909	Long-term loans payable	184,190
Buildings and structures	107,616	Deferred tax liabilities for land revaluation	6,661
Machinery, equipment and vehicles	59,375	Provision for retirement benefits	135,217
Land	91,212	Other	61,124
Construction in progress	7,277	Total liabilities	1,185,356
Other	25,429		
Intangible assets	23,116	Net Assets	
Software	14,772	Shareholders' equity	204,618
Goodwill	4,741	Capital stock	95,762
Royalties and other intangible assets	3,603	Capital surplus	43,028
		Retained earnings	65,933
Investments and other assets	156,654	Treasury stock	(105)
Investment securities	85,448	Valuation and translation adjustments	7,542
Deferred tax assets	42,254	Valuation difference on available-for-sale securities	9,462
Other	53,551	Deferred gains or losses on hedges	38
Allowance for doubtful accounts	(24,599)	Revaluation reserve for land	3,844
		Foreign currency translation adjustment	(5,802)
		Subscription rights to shares	302
		Minority interests	14,603
		Total net assets	227,065
Total assets	1,412,421	Total liabilities and net assets	1,412,421

Consolidated Statement of Income
(Year ended March 31, 2010)

(Millions of yen)

Account title	Amount
Net sales	1,242,700
Cost of sales	1,048,875
Gross profit	193,825
Selling, general and administrative expenses	146,680
Operating income	47,145
Non-operating income	
Interest and dividends income	4,242
Equity in earnings of affiliates	445
Other	10,832
Non-operating expenses	
Interest expenses	6,630
Other	23,007
Ordinary income	33,027
Extraordinary income	
Gain on sales of noncurrent assets	1,151
Gain on sales of investment securities	717
Extraordinary losses	
Loss on discontinuation of GX project	10,238
Loss on valuation of investment securities	1,594
Impairment loss	247
Income before income taxes and minority interests	22,816
Income taxes—current	14,071
Income taxes—deferred	(8,781)
Minority interests	148
Net income	17,378

Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2010)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	95,762	43,032	48,423	(155)	187,062
Changes of items during the period					
Dividends from surplus			(2,933)		(2,933)
Net income			17,378		17,378
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock		(4)		63	59
Net increase from newly consolidated subsidiaries			3,063		3,063
Reversal of revaluation reserve for land			2		2
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	(4)	17,510	50	17,556
Balance as of March 31, 2010	95,762	43,028	65,933	(105)	204,618

	Valuation and translation adjustments					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments			
Balance as of March 31, 2009	4,679	908	3,785	(4,391)	4,981	206	13,701	205,950
Changes of items during the period								
Dividends from surplus								(2,933)
Net income								17,378
Purchase of treasury stock								(13)
Disposal of treasury stock								59
Net increase from newly consolidated subsidiaries								3,063
Reversal of revaluation reserve for land								2
Net changes of items other than shareholders' equity	4,783	(870)	59	(1,411)	2,561	96	902	3,559
Total changes of items during the period	4,783	(870)	59	(1,411)	2,561	96	902	21,115
Balance as of March 31, 2010	9,462	38	3,844	(5,802)	7,542	302	14,603	227,065

Notes to the Consolidated Financial Statements

I. Basis of Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 92

Names of major consolidated subsidiaries:

IHI Marine United Inc., IHI AEROSPACE CO., LTD.,
IHI Infrastructure Systems Co., Ltd., Niigata Power Systems Co., Ltd.,
IHI Transport Machinery Co., Ltd., IHI Construction Machinery Ltd.,
Ishikawajima Construction Materials CO., LTD.,
IHI Shibaura Machinery Corporation,
IHI Compressor and Machinery Co., Ltd., IHI Turbo Co., Ltd.,
Niigata Transys Co., Ltd., PC Bridge Co., Ltd.,
IHI Plant Construction Co., Ltd., IHI STAR Machinery Corporation, JURONG
ENGINEERING LIMITED,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.,
IHI EUROPE Limited

Number of consolidated subsidiaries increased by 2 due to additional acquisition of shares, 4 due to new establishment of the companies and 2 due to increase in materiality, and decreased by 7 due to liquidation from merger.

(2) Number and names of major non-consolidated subsidiaries

Names of major non-consolidated subsidiaries:

Toyosu Energy Service Co., Ltd.,
San-Etsu Co., Ltd.

(Reason for excluding from the scope of consolidation)

Those non-consolidated subsidiaries are small in size and their total assets, revenue, the net income or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the financial statement.

(3) Special purpose company ("SPC") subject to disclosure

Outline of SPC, details of transactions through SPC subject to disclosure and the amount of transactions with SPC subject to disclosure are disclosed in "Special Purpose Company ("SPC") Subject to Disclosure".

2. Application of the Entity Method

(1) 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

One company was removed from the scope of the equity method due to the sale of shares for the fiscal year under review.

Also, in the JURONG ENGINEERING LIMITED Group, one company was included to the scope of equity method due to incorporation and one company was removed due to the sale of shares.

(2) Name of affiliated companies not accounted for by the equity method

Name of major company: Aioi Natural Resources Development Co., Ltd.

(Reason for excluding from the scope of equity method)

This company is small in size and their total assets, revenue, the net income or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the financial statement.

3. Significant Accounting Policies

(1) Valuation bases and methods of 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 cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Valuation bases and methods of derivatives

Derivatives are stated at fair market value.

(3) Valuation bases and methods of inventories

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Finished goods and Work in process is stated 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 of noncurrent assets*

Property, plant and equipment (except for lease assets)

These assets are depreciated by the declining-balance method. However, lend-lease properties and buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated 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 life 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 or before March 31, 2008.

(5) *Bases for significant allowances and provisions*

Allowance for doubtful accounts

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

Provision for bonuses

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

Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for the amount of estimated future expenditures based on historical experience.

Provision for loss on construction contracts

Provision for loss on construction contracts is provided for the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year.

Provision for retirement benefits

Provision for retirement benefits is provided for based on projected benefit obligations as of the balance sheet date. Past service costs are amortized using the straight-line method over a certain number of years within the average remaining service period of employees when the cost incurred 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.

There is no impact of this change on operating income, ordinary income and income before income taxes. Besides, the balance of unrecognized differences of retirement benefits arisen from the adoption of this accounting standard is immaterial.

Provision for bonuses for directors

To prepare for payment of bonuses for directors, the consolidated subsidiaries provided the provision for bonuses for the amount that is expected to be paid.

Provision for directors’ retirement benefits

The domestic consolidated subsidiaries provided the provision for directors’ retirement benefits for the amount required to be accrued at year end in accordance with the internal policy.

(6) *Other Significant Matters Concerning the Preparation of Consolidated Financial Statements*

Recognition of revenue and expenses

Basis of recording revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

Changes in accounting policies

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 yen 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.

This change resulted in increase of net sales by 55,702 million yen and increase of operating income, ordinary income and income before income taxes by 2,823 million yen, respectively.

Hedge accounting

Deferred hedge accounting is applied. Certain items denominated in foreign currencies, for which derivatives are used to hedge fluctuations in foreign currency exchange rates, are translated at the contracted rate if the derivatives qualify for designated hedge accounting. (*Furiate-shori*) Interest rate swaps which qualify for exceptional treatments are accounted for by the exceptional treatment. (*Tokurei-shori*)

Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(7) *Change in Presentation*

Consolidated Balance Sheet

“Inventories”, previously reported on the Consolidated Balance Sheet, is separately presented as “Finished goods”, “Work in process” and “Raw materials and supplies” from the current fiscal year.

4. Matters Concerning Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries acquired through business combinations are carried at fair value at the time of acquisition.

5. Matters concerning Appropriation of Surplus

Appropriation of profit for the year is made within the relevant year without obtaining a resolution at a general shareholder meeting (*Kuriage-method*).

II. Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

518,711 million yen

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Cash and deposits	91 million yen
Notes and accounts receivable - trade	48 million yen
Raw materials and supplies	5 million yen
Other Current assets	3,070 million yen
Buildings and structures	3,835 million yen
Machinery, equipment and vehicles	489 million yen
Land	27,205 million yen
Other Noncurrent assets	21 million yen
Other investment assets	10 million yen

Of above, the following assets are pledged as collateral of factory foundation.

Buildings and structures	935 million yen
Machinery, equipment and vehicles	196 million yen
Land	5,979 million yen
Other Noncurrent assets	21 million yen

(2) Secured liabilities

Short-term loans payable	12,131 million yen
Current portion of bonds payable	500 million yen
Other Current liabilities	533 million yen
Long-term loans payable	5,758 million yen
Other Noncurrent liabilities	5,394 million yen

Of above, the liabilities for which the collateral of factory foundation are pledged are as follows:

Short-term loans payable	8,475 million yen
Current portion of bonds payable	500 million yen

3. Contingent liabilities

(1) Liabilities on guarantee

(Millions of yen)

Guarantee Given to	Amount	Description
Japanese Aero Engines Corporation	22,248	Lease obligation and guarantee of asset value
Aioi Natural Resources Development Co., Ltd.	1,383	Loans from financial institutions
Giken Technology Co., Ltd.	393	Loans from financial institutions
IHI Group Health Insurance Association	1,278	Loans from financial institutions
Employees	107	Guarantee on mortgage and education loans, etc.
Shell Eastern Petroleum Pte. Ltd.	366	Stand-by Letter of Credits
Seki & Co.	16	Loans from financial institutions
NIIGATA POWER SYSTEMS PHILIPPINES, INC.	4	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,537	Loans from financial institutions
Takashima Giken Co., Ltd.	100	Loans from financial institutions
NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD.	67	Guarantee on repayment of advance receipts
Nisshin Co., Ltd.	25	Loans from financial institutions
Kinki Ishiko Co., Ltd.	15	Guarantee on bank overdraft
7 others	498	
Total	28,036	

(2) Quasi-guarantee

(Millions of yen)

Guarantee Given to	Amount	Description
Employees	14,439	Guarantee on mortgage and guarantee on bank loans
Aioi Natural Resources Development Co., Ltd.	670	Loans from financial institutions
IHI Group Health Insurance Association	1,291	Loans from financial institutions
Turbo Systems United Co., Ltd.	1,295	Loans from financial institutions
Total	17,695	

4. Notes receivables-trade discounted

596 million yen

III. Notes to the Consolidated Statement of Changes in Net Assets

1. Numbers of Shares Issued

(1) Class and number of shares issued

(unit: shares)

Class	Number of Shares at March 31, 2009	Increase	Decrease	Number of Shares at March 31, 2010
Common stock	1,467,058,482	—	—	1,467,058,482

(2) Class and numbers of treasury stock shares

(unit: shares)

Class	Number of Shares at March 31, 2009	Increase	Decrease	Number of Shares at March 31, 2010
Common stock	677,385	90,047	288,126	479,306

(Notes)

1. Increase is due to purchase of shares less than one unit. Of the decrease in shares, 27,624 shares are due to sale of shares less than one unit in response to the requests of holders of such shares and disposal associated with exercise of subscription rights to shares.
2. Of the decrease in shares, 250,502 shares are due to issuance of Treasury stock as compensation to Minority interests upon the merger of consolidated subsidiaries.
3. Of the decrease in shares, 10,000 shares are due to sale of shares by consolidated subsidiaries.

2. Matters Concerning Dividends

(1) Cash dividends

No applicable item.

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date falls in the following fiscal year is as follows:

Resolution	Class of Shares	Total Amount of Dividend (million yen)	Dividend per Share (yen)	Record Date	Effective Date
June 25, 2010 Ordinary General Meeting of Shareholders	Common stock	2,933	2	March 31, 2010	June 28, 2010

3. Class and Number of Shares underlying Subscription Rights to Shares

Common stock 1,377,000 shares

IV. Financial Instruments

1. Status of Financial Instruments

As a Group policy, the Company and consolidated subsidiaries restrict the investments only in short-term and highly safe financial instruments and obtain funds through bank borrowings and bond issuance.

The customer credit risks in connection with notes and accounts receivable are managed by monitoring the balances and the collectability status by customer and by order in accordance with the Company's policies and procedures. At the same time, the financial status of each counterparty is periodically monitored in order to early capture and mitigate collectability concern arisen from deterioration in financial conditions.

Foreign currency risks associated with monetary assets and liabilities denominated in foreign currencies are, as a principle, hedged by utilizing foreign exchange futures and currency option contracts.

As for securities and investment securities, their market prices, the financial status of issuers, and also the Company's holding status are continuously monitored. Loans and bond payables are made for the purpose of obtaining working capital and funds for capital expenditures. Of which, loans or bond payables with floating rate are exposed to fluctuation risk of interest rate, therefore, such risk is hedged by employing derivative contracts. Derivative contracts are utilized solely to avoid fluctuation risks of foreign exchange, interest and commodity prices, and the Company does not enter derivative contracts for speculative purpose.

2. Fair Values of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2010, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	76,641	76,641	-
(2) Notes and accounts receivable - trade (*1)	320,227		
(3) Short-term investment securities	(3,953)		
	316,274	315,770	(504)
Short-term investment securities and Investment securities	51,773	51,792	19
Securities to be held until maturity	4,101	4,120	19
Available-for-sale securities	47,672	47,672	-
Total assets	444,688	444,203	(485)
(4) Notes and accounts payable - trade	241,185	241,185	-
(5) Short-term loans payable	173,527	173,527	-
(6) Bonds payable	60,500	61,509	1,009
(7) Long-term loans payable	184,190	185,836	1,646
Total liabilities	659,402	662,057	2,655
(8) Derivatives (*2)			
(a) Derivatives to which hedge accounting is applied	(341)	(341)	-
(b) Derivatives to which hedge accounting is not applied	(140)	(140)	-
Derivatives, total	(481)	(481)	-

(*1) The amount of allowance for doubtful accounts, which is recorded individually for notes and accounts receivable, is excluded.

(*2) Derivatives are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

(Notes)

1. Fair value measurement of fair value of financial instruments, including securities and derivatives
 - (1) Cash and deposits

The fair value of cash and deposits approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

- (2) Notes and accounts receivable-trade
The fair values are measured based on the present values calculated by discounting receivable amounts classified by certain period at a rate with time to maturity and credit risk taken into account
 - (3) Short-term investment securities and Investment securities
The fair values of equity securities are based on the market prices at the exchange.
 - (4) Notes and accounts payables-trade, and (5) Short-term loans payable
The fair value of these accounts approximates their book value because of their short-term nature. Thus, the book value is used as fair value.
 - (6) Bonds payable
The fair value of bonds issued by the Company is measured based on the present value calculated by discounting the total amount of principles and interests at a rate with time to maturity and credit risk taken into account.
 - (7) Long-term loans payable
The fair value of long-term loans payable is measured by discounting the total amount (*3) of principles and interests at an assumed interest rate for similar new borrowings.

(*3) Long-term loans payable associated with interest rate swaps, which qualify for the exceptional treatment, is measured by discounting the total amount of principles and interests, which are accounted for together with associated interest rate swaps.
 - (8) Derivatives
The fair value of foreign exchange contracts is based on the market value at the exchange. Forward exchange contracts, which qualify for the designated hedge accounting, are accounted for together with notes and accounts receivable-trade or notes and accounts payable-trade designated as a hedged item, therefore, their fair values are included in the fair value of either of these items (please refer to the above “Assets (2) and (4)”).

Also, interest rate swaps, which qualify for the exceptional treatment , is accounted for together with long-term loans payable and short-term loans payable designated as a hedged item, therefore, their fair values are included in the fair value of long-term loans payable and short-term loans payable (please refer to the above (7))
2. Unlisted equity securities are not included in the above “ (3)Short-term investment securities and investment securities, Available-for-sale securities,” since their market price is not available and the assessment of their fair values is deemed extremely difficult.

V. Investment and Rental Properties

1. Status of Investment and Rental Properties

The Company and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas. Income from rental properties are 3,612 million yen for the fiscal year under review.

Major income from rental properties are included in Net sales, where major rental expenses are included in Cost of sales.

2. Fair Values of Investment and Rental Properties

(Millions of yen)

Consolidated Balance Sheet Amount	Fair Value
50,847	233,280

(Notes)

1. Consolidated balance sheet amount is calculated by subtracting accumulated depreciation from acquisition cost.
2. Fair values as of March 31, 2010 are measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VI. Special Purpose Company (“SPC”) Subject to Disclosure

1. Outline of SPC Subject to Disclosure and Details of Transactions Through SPC Subject to Disclosure

The Company executed the securitization of real estate properties on March 2004 and March 2005, in order to obtain stable funding. In connection with these securitization, the Company uses 2 SPCs which are special limited liability companies. The SPC business includes the acquisition, the possession, the management and the sale of beneficiary rights of real estate in trust. Besides, the Company provides the SPC with property management contract services.

For these securitization, the Company enters into the anonymous association contract with SPC and makes investments in capital in accordance with the contract. The Company plans to collect all investments in capital under the anonymous association contract, and considers no future loss to be assumed as of the end of fiscal year under review. Total assets and total liabilities (simple summation) of these SPC, as at their most current closing date, are 30,275 million yen and 29,788 million yen, respectively.

The Company has neither capital with voting rights nor dispatching of executives and employees to these SPC.

2. Amounts of Transactions with SPC

(Millions of yen)

Description of transaction	Balance as at March 31, 2010	Major income or loss	
		Account name	Amount
Investment in capital (Note 1)	1,794	Non-operating income (Note 2)	1,083
Property management contract services	-	Non-operating income	3
Rent	-	Operating income	180

(Notes)

1. Investment in capital is deemed to be investment securities, and included in Available-for-sale securities.
2. Income distribution from investment in capital is recorded as non-operating income.

VII. Per Share Information

(1) Net assets per share	144.66 yen
(2) Net income per share	11.85 yen
(3) Number of shares for the basis of calculation of Net income per share	1,466,412,787 shares

VIII. Significant Subsequent Events

No applicable item to report.

Non-Consolidated Balance Sheet
(As of March 31, 2010)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	483,995	Current liabilities	379,828
Cash and deposits	22,130	Notes payable-trade	6,075
Notes receivable-trade	4,771	Accounts payable-trade	120,806
Accounts receivable-trade	134,457	Short-term loans payable	88,320
Accounts receivable-other	14,325	Current portion of bonds payable	20,000
Short-term investment securities	9,601	Accounts payable-other	16,922
Finished goods	54	Accrued expenses	26,316
Work in Process	140,651	Income taxes payable	4,339
Raw materials and supplies	83,099	Advances received	63,209
Advance payments-other	12,213	Deposits received	728
Prepaid expenses	6,419	Provision for bonuses	8,214
Deferred tax assets	29,216	Provision for construction warranties	12,772
Short-term loans receivable	30,456	Provision for loss on construction contracts	7,583
Advances paid	1,111	Lease obligations	420
Other	2,664	Other	4,120
Allowance for doubtful accounts	(7,176)	Noncurrent liabilities	312,786
Noncurrent assets	371,178	Bonds payable	40,000
Property, plant and equipment	142,717	Long-term loans payable	138,463
Buildings	53,297	Provision for retirement benefits	93,711
Structures	6,117	Long-term lease and guarantee deposited	6,789
Docks and building berths, net	735	Provision for loss on business of subsidiaries	3,175
Machinery and equipment, net	25,385	Lease obligations	2,462
Vessels, net	6	Other	28,185
Vehicles, net	264	Total liabilities	692,615
Tools, furniture and fixtures, net	6,520	Net Assets	
Land	44,095	Shareholders' equity	156,005
Lease assets, net	2,565	Capital stock	95,762
Construction in progress	3,730	Capital surplus	43,124
Intangible assets	11,350	Legal capital surplus	43,133
Software	9,194	Other capital surplus	(8)
Royalties and other intangible assets	2,022	Retained earnings	17,223
Leasehold right	7	Legal retained earnings	6,083
Right of using facilities	54	Other retained earnings	11,139
Lease assets	34	Reserve for advanced depreciation of noncurrent assets	11,454
Other	37	Retained earnings brought forward	(314)
Investments and other assets	217,109	Treasury stock	(105)
Investment securities	65,469	Valuation and translation adjustments	6,250
Stocks of subsidiaries and affiliates	98,480	Valuation difference on available-for-sale securities	6,266
Investments in capital	1,167	Deferred gains or losses on hedges	(15)
Investments in capital of subsidiaries and affiliates	5,743	Subscription rights to shares	302
Long-term loans receivable	3,390	Total net assets	162,558
Deferred tax assets	30,345	Total liabilities and net assets	855,173
Other	33,988		
Allowance for doubtful accounts	(21,475)		
Total assets	855,173		

Non-Consolidated Statement of Income
(Year ended March 31, 2010)

(Millions of yen)

Account title	Amount
Net sales	596,756
Cost of sales	510,906
Gross profit	85,849
Selling, general and administrative expenses	65,151
Operating income	20,698
Non-operating income	
Interest and dividends income	11,719
Other	2,605
Non-operating expenses	
Interest expenses	4,528
Other	18,001
Ordinary income	12,492
Extraordinary income	
Gain on extinguishment of tie-in shares	8,364
Gain on sales of investment securities	2,951
Gain on sales of noncurrent assets	2,146
Gain on sales of subsidiaries and affiliates' stocks	294
Extraordinary losses	
Loss on discontinuation of GX project	8,562
Loss on valuation of shares in subsidiaries and affiliates	5,309
Loss on valuation of investment securities	1,560
Provision for loss on business of subsidiaries	1,161
Impairment loss	206
Income before income taxes	9,448
Income taxes—current	4,308
Income taxes—deferred	(9,985)
Net income	15,125

Non-Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2010)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward			
Balance as of March 31, 2009	95,762	43,133	(1)	43,131	6,083	12,028	(16,014)	2,098	(153)	140,838
Changes of items during the period										
Net income							15,125	15,125		15,125
Reversal of reserve for advanced depreciation of noncurrent assets						(574)	574	—		—
Purchase of treasury stock									(13)	(13)
Disposal of treasury stock			(6)	(6)					62	55
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	(6)	(6)	—	(574)	15,700	15,125	48	15,167
Balance as of March 31, 2010	95,762	43,133	(8)	43,124	6,083	11,454	(314)	17,223	(105)	156,005

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of March 31, 2009	3,475	2,230	5,706	205	146,750
Changes of items during the period					
Net income					15,125
Reversal of reserve for advanced depreciation of noncurrent assets					—
Purchase of treasury stock					(13)
Disposal of treasury stock					55
Net changes of items other than shareholders' equity	2,790	(2,246)	544	96	640
Total changes of items during the period	2,790	(2,246)	544	96	15,808
Balance as of March 31, 2010	6,266	(15)	6,250	302	162,558

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation Bases and Methods of Assets

(1) Securities

Securities to be held until maturity are stated at amortized cost (by the straight-line method). Stocks of subsidiaries and affiliates are stated at moving-average cost.

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 cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Inventories held for the purpose of sales in the normal course of business

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Work in process is stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Finished goods are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

2. Depreciation and Amortization of Noncurrent Assets

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

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

(2) 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 as estimated by the company (within five years).

(3) 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 or before March 31, 2008.

3. Allowances and Provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

(4) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year.

(5) Provision for retirement benefits

Provision for retirement benefits is provided for based on projected benefit obligations as of the balance sheet date.

Past service costs are amortized using the straight-line method over a certain number of years within the average remaining service period of employees when the cost incurred 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.

There is no impact of this change on operating income, ordinary income and income before income taxes.

(6) Provision for loss on business of subsidiaries

To prepare for losses on the businesses of subsidiaries, estimated loss amount to be borne by the Company is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

4. Basis of Recognizing Revenues and Expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

Changes in accounting policies

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 yen 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.

The impact of this change on net sales, operating income, ordinary income and income before income taxes is immaterial.

5. Other Significant Matters Concerning Preparation of the Non-Consolidated Financial Statements

(1) Hedge accounting

Deferred hedge accounting is applied. Transactions under foreign exchange forward contracts are booked in yen by translation at the foreign exchange rate stipulated in the contract if requirements for such treatment is satisfied. Interest rate swaps that satisfy requirements for exceptional treatments are accounted for by the exceptional treatment.

(2) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(3) Change in presentation

Balance sheet

“Partly-finished work” shown on the Non-Consolidated Balance Sheet as of the last fiscal year was previously used as an account in accordance with the accounting practices of the construction business. In connection with the abolition of “Rules on Financial Statements of Manufacturers (Ministry of Transport Public Notice No. 254 of 1951)”, it is shown as “Work in process” effective from the fiscal year under review.

II. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Stocks of subsidiaries and affiliates 144 million yen

(2) Secured liabilities

Short-term loans payable 44 million yen

Long-term loans payable (in connection with borrowings of subsidiaries and affiliates)

241 million yen

2. Accumulated Depreciation of Property, Plant and Equipment

264,320 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Marine United Inc.	39,551	Guarantee for repayment of advances received 23,401 Borrowings from financial institutions 16,150
Japanese Aero Engines Corporation	22,247	Guarantee for lease obligations and asset value (US\$239,117 thousand)
IHI Construction Machinery Ltd.	6,000	Borrowings from financial institutions
IHI Charging Systems International GmbH	4,871	Borrowings from financial institutions
Niigata Power Systems Co., Ltd.	2,118	Borrowings from financial institutions
ALPHA Automotive Technologies LLC	1,537	Borrowings from financial institutions
Aioi Natural Resources Development Co., Ltd.	1,382	Borrowings from financial institutions
IHI Group Health Insurance Association	1,277	Borrowings from financial institutions
Giken Technology Co., Ltd.	392	Borrowings from financial institutions
Employees of the Company	23	Lending for education
Total	79,402	

(2) *Quasi-guarantee*

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Employees of the Company	12,544	House loans and others
Niigata Power Systems Co., Ltd.	1,544	Borrowings from financial institutions
IHI AEROSPACE CO., LTD.	1,500	Borrowings from financial institutions
Turbo Systems United Co., Ltd.	1,295	Borrowings from financial institutions
IHI Group Health Insurance Association	1,291	Borrowings from financial institutions
Aioi Natural Resources Development Co., Ltd.	958	Borrowings from financial institutions 669 Lease obligation, etc. 289
IHI Machinery and Furnace Co., Ltd.	515	Borrowings from financial institutions
Total	19,649	

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	51,119 million yen
Short-term monetary liabilities	73,168 million yen
Long-term monetary claims	245 million yen
Long-term monetary liabilities	765 million yen

III. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Affiliates

(1) *Operating transactions*

Sales to subsidiaries and affiliates	69,541 million yen
Purchases from subsidiaries and affiliates	153,802 million yen

(2) *Non-operating transactions*

14,165 million yen

IV. Notes to the Non-Consolidated Statements of Changes in Net Assets

Class and Number of Treasury Stock Shares at the End of the Fiscal Year

Common stock	479,306 shares
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V. Tax Effect Accounting

Deferred tax assets are mainly in association with provision for retirement benefits, and deferred tax liabilities are mainly in association with reserve for advanced depreciation of noncurrent assets.

VI. Noncurrent Assets Used Through Leases

In addition to the noncurrent assets on the non-consolidated balance sheets, aero-engines and a part of facilities to manufacture them, and computers and peripheral devices are used through leases.

VII. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business	Voting Rights Holding or Held	Relation with the Party
Subsidiary	IHI Marine United Inc.	Minato-ku, Tokyo	11,099	Manufacture	Holding directly 100%	Business successor company
Subsidiary	IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Manufacture	Holding directly 100%	Manufacturing subsidiary
Subsidiary	IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Construction	Holding directly 100%	Company sharing business function
Subsidiary	IHI Finance Support Corporation	Chuo-ku, Tokyo	200	Lease	Holding directly 100%	Financial activities within the Group
Subsidiary	IHI Business Support Corporation	Chuo-ku, Tokyo	480	Management of real estate property, wage calculation, etc.	Holding directly 100%	Company sharing business function
Subsidiary	IHI Infrastructure Systems Co., Ltd.	Sakai, Osaka	4,903	Manufacture	Holding directly 100%	Business successor company
Subsidiary	Galaxy Express Corporation	Koto-ku, Tokyo	472	Manufacture	Holding directly 100%	Company sharing business function

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2010 (Note 1)
IHI Marine United Inc.	-Guarantee of repayment of advances received and borrowings	(Guarantee amount) (Note 2) 39,551	Guarantee obligations	-
	-Sales of securities	(Note 3) 3,006	-	-
	Sales payment Sales revenue	3,006		
IHI Turbo Co., Ltd.	-Purchase of vehicular turbochargers etc.	(Note 4) 24,272	Accounts payable-trade	9,669
IHI Plant Construction Co., Ltd.	-Construction payment	(Note 4) 34,156	Accounts payable-trade	10,201
IHI Finance Support Corp.	-Factoring	(Note 5) 62,886	Accounts payable-trade	13,719
	-Borrowing of working capital	(Note 6) 8,000	Short-term loans payable	-
	-Repayment of working capital	16,000		
IHI Business Support Corporation	-Sales of land Sales payment Sales revenue	(Note 7) 1,469 995	Accounts receivable-other	293
IHI Infrastructure Systems Co., Ltd.	-Company split (absorption-type) Assets succeeded Liabilities assumed Net assets of above	(Note 8) 14,581 14,545 36	-	-
Galaxy Express Corporation	-Fulfillment of guarantee obligation		Claims provable in bankruptcy, rehabilitation and other	13,426
	Provision of allowance for doubtful accounts	(Note 9) 13,426	Allowance for doubtful accounts	(13,426)

2. Directors/Corporate Auditors and Major Individual Shareholders

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business or Occupation	Voting Rights Holding or Held	Relation with the Party
Director/corporate auditor	Yasuyuki Watanabe	-	-	Japanese Aero Engines Corporation (Chairman)	Held directly 0%	Representative director and executive vice president of the Company

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2010 (Note 1)
Yasuyuki Watanabe	Operating transactions with Japanese Aero Engines Corporation (JAEC)			
	-Subcontract of work from JAEC related to R&D of jet engines	3,153	-	-
	-Payment of a portion of funding related to the above	1,392	-	-
	-Repayment of subsidies related to the above	1,264	Accounts payable-other	4,095
			Long-term accounts payable-other	24,368
	-Guarantee of JAEC's borrowings and lease obligations	(Guarantee amount) 22,247	Guarantee obligations	-
	-Manufacture of jet engine components and delivery thereof to JAEC	77,554	Accounts receivable-trade Advances received	8,128 2,864
	-Payment of a portion of expenses related to the above	34,357	-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2010 do.
2. The Company receives 0.075% p.a. guarantee commission for liabilities on guarantee.
3. Sales price of securities are determined based on the average closing price at the exchange for three weeks immediately before the transaction. As the payment condition, a lump-sum payment is to be made.
4. Amounts of transactions and trading prices are determined in consideration of market prices and based on conditions for general transactions.
5. With regard to factorings, the Company, any customer and IHI Finance Support Corp. enter into a basic agreement concerning the Company's liabilities and settle the amount.
6. Borrowing rates for the borrowings of the funds are reasonably determined in consideration of market interest rates.
7. The amount is determined based upon the appraisal report by real estate appraiser. Under the payment condition, the 80% payment is to be made when the ownership is transferred and the remaining is to be paid in the following month.

8. The corporate split (absorption type) was made to split and succeed bridge, water gate and other steel structure businesses at the proper carrying value on the day before the date of split.
9. Based upon the special winding-up resolution of the subsidiary, the Company classified the whole receivable amount as Claim probable in bankruptcy and recorded the allowance for bad debts.
10. The Company conducted these transactions as a representative of third parties, and amounts of transactions and trading prices were based on conditions for general transactions.

VIII. Per Share Information

(1) Net assets per share	110.64 yen
(2) Net income per share	10.31 yen

(Note) In preparing the business report, consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, non-consolidated balance sheets, non-consolidated statements of income, and non-consolidated statements of changes in net assets, any fractional amount less than one unit of monetary values, numbers of shares and ownership rates are discarded; provided, however, that any fractional amount less than one unit is rounded off in the case where one unit is million yen in the business report, consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets.

Audit Report of Accounting Auditor on Consolidated Financial Statements

<Translation>

Report of Independent Auditors

May 20, 2010

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hidetoshi Watanabe (Seal)
Certified Public Accountant
Designated and Engagement Partner

Kiyokazu Tashiro (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Corporation Law, we have audited the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets and the notes to the consolidated financial statements of IHI Corporation (the "Company") applicable to the fiscal year from April 1, 2009 through March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the IHI Corporation, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

(Supplemental Information)

As described in changes to significant matters concerning the preparation of the consolidated financial statements, IHI Corporation applied the "Accounting Standard for Construction Contracts", beginning from the current fiscal year.

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Law of Japan.

Audit Report of Accounting Auditor

<Translation>

Report of Independent Auditors

May 20, 2010

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hidetoshi Watanabe (Seal)
Certified Public Accountant
Designated and Engagement Partner

Kiyokazu Tashiro (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of IHI Corporation (the "Company") applicable to the 193rd fiscal year from April 1, 2009 through March 31, 2010. These financial statements and the related supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the related supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of IHI Corporation applicable to the 193rd fiscal year ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

(Supplemental Information)

As described in changes to significant matters concerning the preparation of the consolidated financial statements, IHI Corporation applied the "Accounting Standard for Construction Contracts", beginning from the current fiscal year.

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Law of Japan.

Audit Report of the Board of Corporate Auditors

<Translation>

Audit Report

We at the Board of Corporate Auditors, having discussed the Directors' performance of duties during the 193rd fiscal year, from April 1, 2009 through March 31, 2010, based on audit reports from each Corporate Auditor, prepared this Audit Report. Our audit opinion is as follows.

I. Methods and Contents of the Audit Implemented by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established its audit policy, assigned responsibilities to each Corporate Auditor in carrying out the policy, and received reports from each Corporate Auditor on audit implementation and results. In addition, the Board of Corporate Auditors, when necessary, requested reports and received explanations from Directors, other executives and accounting auditors concerning the execution of their duties.

Each corporate auditor, in accordance with the Corporate Auditors standard of audit, established by the Board of Corporate Auditors, as well as the audit policy and assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment. At the same time, each Corporate Auditor attended meetings of the Board of Directors and other important meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, perused important documents, including those subject to executive approval, and examined the conditions of assets and business at the head office and other major business office. In addition, each Corporate Auditor has reviewed the contents of the Board of Directors' resolutions on a system which assures that the execution of Directors' duties comply with laws and regulations and the Articles of Incorporation, and monitored improvements to the system for assuring the propriety of operations of a corporation, as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Law of Japan. Each Corporate Auditor also verified that improvements had been made to the internal control system, in accordance with the Board of Directors' resolutions.

With regard to the Company's subsidiaries, each Corporate Auditor communicated and exchanged information with Directors, Corporate Auditors, and other personnel of the subsidiaries, requested reports from them when necessary, and visited significant subsidiaries to examine the conditions of assets and business. Based on the methods described above, the Board of Corporate Auditors reviewed the business report and its supplementary schedules for the fiscal year.

Further, each Corporate Auditor has monitored the accounting auditor to verify their independence and the propriety of their audit implementation, and has received reports and requested explanations from them when necessary. In addition, each Corporate Auditor received a notice from the accounting auditor that "the system for securing appropriate execution of duties" (in each item listed in Article 131 of the Corporate Accounting Rules) has been developed in accordance with "the Standard on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005), and requested explanations from them when necessary. Based on the methods described above, the Board of Corporate Auditors reviewed non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and

notes to non-consolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the fiscal year.

II. Results of Audit

1. Results of the audit of the business report and other documents

- (1) The business report and its supplementary schedules present fairly the condition of the Company in accordance with applicable laws and regulations, as well as the Articles of Incorporation.
- (2) With regard to the execution of Directors' duties, we have found no misconduct or material matters in violation of laws and regulations, or the Articles of Incorporation.
- (3) We find the content of the Board of Directors' resolution on the internal control system sufficient. Also, with regard to the internal control system itself, nothing unusual is to be pointed out.

2. Results of the audit of non-consolidated financial statements and their supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company's accounting auditor, are recognized as fair and proper.

3. Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company's accounting auditor, are recognized as fair and proper.

May 21, 2010

The Board of Corporate Auditors IHI Corporation

Teruo Shimizu (Seal)
Standing Corporate Auditor

Masakazu Maruyama (Seal)
Standing Corporate Auditor

Takeo Inokuchi (Seal)
Outside Corporate Auditor

Nobuo Gohara (Seal)
Outside Corporate Auditor

Hisatsugu Nonaka (Seal)
Outside Corporate Auditor

Reference Material for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Appropriation of surplus

IHI sets as its basic policy for profit distribution that it is important to provide stable dividend and to increase retained earnings necessary for strengthening the business base for enabling stable dividend payment.

The business environment where IHI operates is expected to remain harsh, however in light of the results for this fiscal year, business forecast and other factors on the whole, the 193rd year-end dividends will be as follows:

- (i) Type of dividend assets
Cash
- (ii) Matters concerning the allotment of dividend assets and the total amount
2 yen per share of the Company's common stock
In this case, the total amount of dividends will be 2,933,158,352 yen.
- (iii) Effective date of dividends
June 28, 2010

Agenda Item No. 2: Election of fifteen (15) directors

Approval is hereby requested for the election of fifteen (15) directors in total, as follows, since the term of office of all fifteen (15) current directors will expire at the conclusion of this General Meeting of Shareholders.

The candidates for the offices of directors are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
1	Kazuaki Kama (December 26, 1948)	Jul. 1971: Joined the Company Jun. 2004: Executive Officer; General Manager of Finance & Accounting Division, the Company Apr. 2005: Managing Executive Officer; General Manager of Finance & Accounting Division, the Company Jun. 2005: Director; Managing Executive Officer, General Manager of Finance & Accounting Division, the Company Apr. 2006: Director; Managing Executive Officer, the Company Apr. 2007: President; Chief Executive Officer, the Company (incumbent) (Position and Areas of Responsibility at the Company) President; Chief Executive Officer (Significant Concurrent Position) Vice President, The Materials Process Technology Center	86,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
2	Yasuyuki Watanabe (March 6, 1947)	<p>Apr. 1971: Joined the Company</p> <p>Jun. 2003: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2005: Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Jun. 2005: Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2008: Executive Vice President; Senior Executive Officer, the Company</p> <p>Dec. 2008: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President and in charge of Group Engineering</p> <p>(Significant Concurrent Positions)</p> <p>Chairman, Japanese Aero Engines Corporation, President, Engineering Research Association for Supersonic Transport Propulsion System</p>	85,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
3	Yuji Hiruma (September 4, 1947)	<p>Apr. 1973: Joined the Company</p> <p>Apr. 2005: Executive Officer; General Manager of Corporate Planning Division; Concurrently Vice President of Industrial Machinery Operations, the Company</p> <p>Apr. 2006: Managing Executive Officer; President of Logistics Systems & Structures Operations, the Company</p> <p>Jun. 2006: Director; Managing Executive Officer, President of Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2009: Executive Vice President, the Company</p> <p>Apr. 2010: Executive Vice President; Senior Executive Officer, President of Global Marketing Headquarters, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Senior Executive Officer; Assistant to the President; in charge of Group Operations and President of Global Marketing Headquarters</p>	24,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
4	Ichiro Hashimoto (October 23,1947)	<p>Apr. 1970: Joined the Company</p> <p>Jul. 1998: General Superintendent of Soma Aero-Engine Works, Aero-Engine & Space Operations, the Company</p> <p>Feb. 2003: Managing Director, Niigata Power Systems Co., Ltd.</p> <p>Apr. 2005: President, Niigata Power Systems Co., Ltd.</p> <p>Apr. 2007: Executive Officer; President of Power Systems Operations, the Company</p> <p>Dec. 2007: Chairman, Niigata Power Systems Co., Ltd. (incumbent)</p> <p>Jan. 2008: Managing Executive Officer; President of Energy and Plants Operations, the Company</p> <p>Apr. 2008: Director; Managing Executive Officer, President of Energy and Plants Operations, the Company</p> <p>Apr. 2010: Executive Vice President; Senior Executive Officer, President of Plant Engineering Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Senior Executive Officer; Assistant to the President; President of Plant Engineering Operations</p>	27,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
5	Makoto Serizawa (March 17, 1954)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2001: Manager of General Accountant Group, Finance & Accounting Division, the Company</p> <p>Jul. 2004: General Manager of Accounting & Budgeting Group, Finance & Accounting Division, the Company</p> <p>Apr. 2005: Deputy General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2006: Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2007: Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, the Company</p> <p>Jun. 2007: Director; Executive Officer, General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, the Company</p> <p>Apr. 2008: Director; Executive Officer, General Manager of Finance & Accounting Division, General Manager of Internal Control Assessment Division, the Company</p> <p>Dec. 2008: Director; Executive Officer, General Manager of Finance & Accounting Division, the Company</p> <p>Jun. 2009: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Business Relating to Internal Audit</p>	31,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
6	Kazuo Tsukahara (April 17, 1950)	<p>Apr. 1974: Joined the Company</p> <p>Jul. 2002: Manger of Human Resources Division, the Company</p> <p>Apr. 2005: General Manager of Planning Group, Corporate Planning Division, the Company</p> <p>Apr. 2006: Executive Officer; General Manager of Corporate Planning Division, the Company</p> <p>Apr. 2008: Director; Managing Executive Officer; General Manager of Corporate Planning Division, the Company</p> <p>Apr. 2009: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Business relating to Corporate Planning, Public Relations, Investors Relations and Human Resources</p>	32,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
7	Tamotsu Saito (July 13, 1952)	<p>Apr. 1975: Joined the Company</p> <p>Jul. 2004: General Manager of Planning & Control Department, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2006: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Jun. 2006: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Jan. 2008: Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2008: Director; Executive Officer, President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2009: Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Business relating to Corporate Business Development and, Procurement and Monozukuri Innovation</p>	41,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
8	Fusayoshi Nakamura (March 11, 1952)	<p>Apr. 1974: Joined the Company</p> <p>Jul. 2002: Manager of Engineering Department, Vehicular Turbocharger Division, Industrial Machinery Operations, the Company</p> <p>Apr. 2003: Division Director, Vehicular Turbocharger Division, Industrial Machinery Operations, the Company</p> <p>Oct. 2003: President, IHI Turbo America Co. (incumbent)</p> <p>Apr. 2007: Executive Officer; Vice President of Vehicular Turbocharger Operations, the Company</p> <p>Jul. 2007: President, IHI Turbo Co., Ltd.</p> <p>Apr. 2008: Director; Executive Officer, President of Vehicular Turbocharger Operations, the Company</p> <p>Apr. 2010: Director; Managing Executive Officer, President of Vehicular Turbocharger Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Vehicular Turbocharger Operations</p>	20,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
9	Sadao Degawa (July 20, 1951)	<p>Apr. 1977: Joined the Company</p> <p>Jul. 1998: General Manager of Control Engineering & System Development Department, Mechatronics Development Center, Technical Development, the Company</p> <p>Jul. 2003: General Manager of R&D Project Center, Research & Development, the Company</p> <p>Jul. 2004: Deputy General Manager of Corporate Research & Development, the Company</p> <p>Apr. 2008: Executive Officer; General Manager of Corporate Research & Development, the Company</p> <p>Jun. 2009: Director; Executive Officer, General Manager of Corporate Research & Development, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Director; Executive Officer; General Manager of Corporate Research & Development and in charge of Business Relating to Information Systems</p>	27,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
10	Joji Sakamoto (November 23, 1952)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2001: Manager of General Affairs Department, Yokohama District, the Company</p> <p>Jul. 2002: Manager of Administration Division, the Company</p> <p>Jul. 2005: General Manager of Public Relations & Advertising Division, the Company</p> <p>Apr. 2007: General Manager of Compliance Control Division and General Manager of Contracts & Legal Division, the Company</p> <p>Apr. 2008: Executive Officer; General Manager of Compliance Control Division, General Manager of Contracts & Legal Division, General Manager of Reform the Internal Control System Project Division, the Company</p> <p>Jun. 2009: Director; the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Legal, CSR, Business Relating to Administration, Group Compliance and Risk management</p>	31,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
11	Ichiro Terai (January 12, 1954)	<p>Apr. 1976: Joined the Company</p> <p>Feb. 1993: Loaned to IHI INC.</p> <p>Jul. 2002: Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Apr. 2009: Executive Officer; Deputy General Manager of Finance & Accounting Division, Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Jun. 2009: Director; Executive Officer, General Manager of Finance & Accounting Division, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Executive Officer; General Manager of Finance & Accounting Division</p>	4,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
12	Tomokazu Hamaguchi (April 20, 1944)	<p>Apr. 1967: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Apr. 1985: Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>Jul. 1988: Senior Manager, Corporate Strategy Planning Department, NTT DATA CORPORATION</p> <p>Jun. 1995: Senior Vice President, NTT DATA CORPORATION</p> <p>Jun. 1997: Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2001: Senior Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2003: President and Chief Executive Officer, NTT DATA CORPORATION</p> <p>Jun. 2007: Counselor and Director, NTT DATA CORPORATION</p> <p>Apr. 2008: Director, the Company</p> <p>Jun. 2009: Senior Corporate Adviser, NTT DATA CORPORATION (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p>	16,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
13	* Tatsumi Kawaratani (August 2, 1952)	<p>Aug. 1987: Joined the Company</p> <p>Jul. 2001: Technical Planning & Management Group, Administration Department, Corporate Research & Development, the Company</p> <p>Apr. 2002: General Manager of Administration Department, Corporate Research & Development, the Company</p> <p>Oct. 2004: General Manager of Planning & Control Department, Industrial Machinery Operations, the Company</p> <p>Apr. 2006: Vice President of Industrial Machinery Operations, the Company</p> <p>Apr. 2007: Executive Officer; Vice President of Industrial Machinery Operations, the Company</p> <p>Apr. 2009: Executive Officer; President of Industrial Machinery Operations, the Company</p> <p>Apr. 2010: Managing Executive Officer; President of Industrial Machinery & Environmental Equipment Operations, the Company (incumbent)</p>	20,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
14	* Izumi Imoto (February 12, 1953)	<p>Apr. 1978: Joined the Company</p> <p>Jul. 1999: Manager of Planning & Engineering Department, Bridge and Road Construction Division, Machinery & Structures, the Company</p> <p>Feb. 2002: Manager of Production Control Department, Aichi Works, Machinery & Structures, the Company</p> <p>Jul. 2003: Manager of No.1 Manufacturing Production Department, Aichi Works, Logistics Systems & Structures Operations, the Company</p> <p>Jul. 2004: Deputy Division Director of Bridge & Road Construction Division, Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2005: Division Director of Bridge & Road Construction Division, Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2006: Vice President of Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2008: Executive Officer; Vice President of Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2009: Executive Officer; President of Infrastructure Operations, the Company (incumbent)</p>	31,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
15	* Tadashi Okamura (July 26, 1938)	<p>Apr. 1962: Joined Tokyo Shibaura Electric Co., Ltd. (now TOSHIBA Corporation)</p> <p>Oct. 1993: Group Executive, Information Processing & Control Systems Group, TOSHIBA Corporation</p> <p>Jun. 1994: Director, TOSHIBA Corporation</p> <p>Jun. 1996: Vice President and Director, TOSHIBA Corporation</p> <p>Jun. 1998: Senior Vice President and Director, TOSHIBA Corporation</p> <p>Apr. 1999: President and CEO, Information and Industrial Systems & Services Company, TOSHIBA Corporation</p> <p>Jun. 2000: Director, President and Chief Executive Officer, TOSHIBA Corporation</p> <p>Jun. 2003: Director, Representative Executive Officer, President and Chief Executive Officer, TOSHIBA Corporation</p> <p>Jun. 2005: Director, Chairman of the Board, TOSHIBA Corporation</p> <p>Nov. 2007: Chairman, The Tokyo Chamber of Commerce and Industry (incumbent)</p> <p>Nov. 2007: Chairman, The Japan Chamber of Commerce and Industry (incumbent)</p> <p>Jun. 2009: Adviser to the Board, TOSHIBA Corporation (incumbent)</p> <p>(Significant Concurrent Positions) Chairman, The Japan Chamber of Commerce and Industry; Chairman, The Tokyo Chamber of Commerce and Industry, Director, Japan Post Holdings Co., Ltd.; Auditor, Japan Nuclear Fuel Ltd.</p>	10,000 shares

(Notes)

1. *Marked are candidates for new directors.
2. Director Candidate Mr. Kazuaki Kama is serving concurrently as Vice President of The Materials Process Technology Center (Sokeizai Center). There is no special interest between the Company and Sokeizai Center.
3. Director Candidate Mr. Yasuyuki Watanabe is serving concurrently as Chairman of the Japanese Aero Engines Corporation (JAEC), which is involved in the following transactions with the Company.
 - (1) The Company is subcontracted work from JAEC related to the research and development of civil aircraft jet engines and pays the private sector portion of its funding.
 - (2) The Company guarantees a portion of JAEC's loan obligations and debt guarantees.
 - (3) The Company receives subsidies from JAEC for developing civil aircraft jet engines.
 - (4) The Company manufactures and delivers civil aircraft jet engine components, etc. to JAEC.
 - (5) The Company pays a portion of expenses required for the profit-making activities of JAEC.
4. Director Candidate Mr. Yasuyuki Watanabe is serving concurrently as President of the Engineering Research Association for Supersonic Transport Propulsion System, from which the Company is subcontracted research and development tasks related to technology for improving the environmental friendliness of supersonic aircraft engines.
5. Mr. Tomokazu Hamaguchi and Mr. Tadashi Okamura are candidates for outside directors.
6. The matters to be noted in relation to the candidates for outside directors are as follows:
 - (1) Mr. Tomokazu Hamaguchi was selected as a candidate for an outside director in the expectation of reflecting on the management of the Company his broad insight from the perspective of a business manager with a track record supporting customer transformations and working to transform his own organization while at the helm of a state-of-the-art IT and telecommunications company as well as to improve management oversight and monitoring functions and enhance corporate governance through the addition of a highly independent Outside Director. Mr. Tadashi Okamura was selected as a candidate for an outside director in the expectation of fulfilling management oversight and monitoring functions based on his abundant experience and broad insight as a business manager cultivated over many years managing TOSHIBA Corporation.
 - (2) While Mr. Tadashi Okamura served as director at TOSHIBA Corporation ("that company"), that company was involved in an incident of hindering competitive bidding with respect to substation equipment ordered by the former New Tokyo International Airport Authority. As a result, one employee of that company received a summary order in December 2005 and, in March 2006, that company received a suspension of business order in accordance with the Construction Business Act (concerning electrical work relating to public projects effected in nine prefectures, including Tokyo; 30-day suspension period). In addition, that company, along with eight other heavy electric service providers, was involved in bid-rigging for electrical facilities for sewerage systems ordered by the City of Sapporo up to 2005. The eight other companies received cease and desist orders in accordance with the Antimonopoly Act and the involvement of that company therein was recognized. As a result, that company received a partial

business suspension order in accordance with the Construction Business Act in April 2009. That company has since implemented legal compliance measures such as the establishment of sales compliance departments and the formulation of behavioral standards when conducting business with governmental agencies all in an effort to eradicate illegal orders and regain trust. Moreover, it has been found that that company made inappropriate modifications to flow meter testing data at nuclear and thermal power generation plants and, as a result, received a reprimand from the Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry in April 2006. To prevent reoccurrences, that company has since established a compliance promotion organization, strengthened its quality control section, established a quality audit section as well as other measures to fortify its overall quality management system.

- (3) At the conclusion of this meeting, the candidate, Mr. Tomokazu Hamaguchi will have served 2 years as outside director of the Company.
- (4) The Company has concluded a contract with Mr. Tomokazu Hamaguchi to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the same Law. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If the reelection of the candidate for an outside director is approved, the Company shall continue the aforementioned contract to limit liability with same.

If Mr. Tadashi Okamura is elected as outside director as originally proposed by the Company, the Company intends to conclude a contract with Mr. Okamura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the same Law. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations.

[Exercise of Voting Rights by Electronic Measures]

ⓄShould you exercise your voting rights by electronic measures such as the Internet, please read and follow the following rules and instructions:

■ Electronic voting

1. You can exercise your voting rights only through a designated special website specifically for such purpose (<http://www.web54.net>) (“Voting Right Exercising Website”). You cannot use this website from a mobile phone.
2. Institutional investors can use this platform to exercise voting rights (Tosho Platform) as a method to vote at the General Meeting of Shareholders via the Internet.
3. Votes for which rights are exercised by 5:30 P.M. on the day prior to the General Meeting of Shareholders (Thursday, June 24, 2010) shall be effective. Please vote as early as possible to allow us sufficient time to tabulate votes.
4. If you exercise a right multiple times through the Internet, **the last right exercised shall be effective.**
5. If you exercise a right by both written format and the Internet, **the vote received last by The Company shall take precedence.** If both votes are received on the same day, **the Internet vote shall take precedence.**
6. Provider fees and communication fees (telephone charges) to access the Voting Right Exercising Website shall be borne by the shareholder.

■ Password

1. A password is required to verify a shareholder’s identity. **Please take appropriate measures to ensure the security of your password.**
2. **Passwords will not be provided by phone** because we cannot verify the identity of the caller.
3. Passwords supplied by us and those created by you will only apply to matters related to this General Meeting of Shareholders. (New passwords will be issued for the next General Meeting of Shareholders.)
4. Your password will become invalid if you enter the wrong password multiple times. Should you need a password to be reissued, please follow the directions on the screen.

■ **System requirement**

1. Internet access
2. A monitor with screen resolution of 800 x 600 pixels (SVGA) or higher
3. Microsoft® Internet Explorer Version 5.01 Service Pack 2 or later must be installed.
4. Adobe® Acrobat® Reader™ Version 4.0 or later or Adobe Reader Version 6.0 or later must be installed.

(Microsoft® and Internet Explorer and Adobe® Acrobat® Reader™ and Adobe® Reader® are trademarks, registered trademarks, or product names of Microsoft Corporation and Adobe Systems Incorporated, respectively, used in the United States and/or other countries. This software is distributed through their websites at no charge.)

- * In case of accessing the Internet from companies, etc., communications over the Internet are sometimes restricted due to Firewall settings, etc., so please confirm with the systems manager of your company.

Should you have any questions regarding the Voting Right Exercising Website, please contact:

<p style="text-align: center;">Chuo Mitsui Securities Agency Web Support [Toll Free] 0120 (65) 2031 (Weekdays: 9:00 – 21:00)</p>
