

(Translation)

Securities Code: 7013
June 2, 2011

To: Shareholders

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

**NOTICE OF CONVOCATION
OF THE 194TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We express our heartfelt sympathy to all persons affected by the Great East Japan Earthquake, and sincerely hope for the earliest possible recovery of the affected areas.

You are cordially invited to attend the 194th 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 23, 2011 (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 90 and 91 by using the Internet etc. through the website designated by the Company (<http://www.web54.net>) by 5:30 p.m. on June 23, 2011 (Thursday) (JST).

- 1. Date and Time:** June 24, 2011 (Friday), 10:00 a.m.
(The reception of the attendees to the meeting at the reception desk shall start at 8:45 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 194th fiscal year (from April 1, 2010 to March 31, 2011), 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 non-consolidated financial statements for the 194th fiscal year (from April 1, 2010 to March 31, 2011).

Matters to be resolved:

- Agenda Item No. 1:** Appropriation of surplus
Agenda Item No. 2: Election of fifteen (15) directors
Agenda Item No. 3: Election of one (1) corporate auditor

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.

5. Matters regarding the Attachment to the Notice of Convocation and the Reference Material for the General Meeting of Shareholders

- (1) The business report, the consolidated financial statements, the non-consolidated financial statements, the audit reports, and the Reference Material for the General Meeting of Shareholders to be attached to this Notice of Convocation are presented from page 4 through page 89. The following matters, however, are posted on our website in accordance with applicable laws and regulations and the provision of Article 17 of our Articles of Incorporation, and are not included in the Attachment to this Notice of Convocation:
 - (a) Notes to the Consolidated Financial Statements
 - (b) Notes to the Non-consolidated Financial Statements
- (2) Please note that we will post any amendments to the business report, the consolidated financial statements, the non-consolidated

financial statements, or the Reference Material for the General Meeting of Shareholders on our website, if any such amendment is made.

Our website: <http://www.ihl.co.jp>

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1. You are kindly requested to present the enclosed voting form to the receptionist when you attend the meeting. Also, please be sure to bring this Notice of Convocation to the meeting.
 2. The air conditioning in the building will be set slightly conservatively. We appreciate your understanding.

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, 2010 to March 31, 2011)

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, improved steadily until the summer supported by an expansion in exports amid a recovery in the overseas economy and by benefits from the government's economic stimulus measures for consumer durables. While, the economy stalled for a time mainly due to a slowdown in the overseas economy and the ongoing strong yen in early autumn, exports returned to a growth trend, and the economy showed signs of a modest recovery in early 2011. In the overseas economy, two distinctly different trends became more pronounced: the emerging countries and resource-rich countries continued to experience high growth while the developed countries remained in a gradual recovery phase.

Despite these areas of concern, the economy generally remained on a recovery track, but close to the end of the fiscal year under review on March 11, 2011 the Great East Japan Earthquake occurred. As a result, manufacturing activity across the Japanese economy contracted sharply over a short period of time. Amid considerable uncertainty about the path to recovery of exports and domestic private-sector demand, the fiscal year under review came to a close.

In response to these conditions, the IHI Group harnessed the combined strengths of the Group to work toward achieving the concrete management benchmarks of the Group's new three-year medium-term management plan effective from the 2010 fiscal year, "Group Management Policies 2010", consolidated net sales of 1,400 billion yen, consolidated ordinary income of 60 billion yen, and interest-bearing debt of no more than 400 billion yen. As a result, orders received in the fiscal year under review improved in all business segments, rising 230.5 billion yen from the previous fiscal year to 1,200.9 billion yen. Although sales from Rotating & Industrial Machinery Operations rose sharply, overall net sales declined slightly, falling 55.4 billion yen from the previous fiscal year to 1,187.2 billion yen, due mainly to lower sales from Energy & Resources Operations. Also, the order backlog at the end of the fiscal year under review rose 29.2 billion yen from the previous fiscal year-end and stood at 1,298.6 billion yen.

Profits were weak in Energy & Resources Operations and Aero Engine & Space Operations, but profitability improved in Ships & Offshore Facilities Operations and business expansion in Rotating & Industrial Machinery Operations contributed to profit growth. As a result, total operating income rose 14.2 billion yen from the previous fiscal year to 61.3 billion yen and ordinary income increased 18.4 billion yen from the previous fiscal year to 51.4 billion yen, achieving a sharp increase in profits in both accounts. Net income increased 12.3 billion yen from the previous fiscal year to 29.7 billion yen. This reflected the booking of extraordinary income of 19.8 billion yen for distribution from undisclosed association related to the repurchase of trust beneficiary rights for the Toyosu Center Building, and extraordinary losses of 10.5 billion yen for loss on disaster related to the Great East Japan Earthquake, and 9.2 billion yen

for loss on project taken over from the consortium partner in liquidation related to a boiler construction project for electric power generation in Germany. Also, IHI achieved one of its targets in “Group Management Policies 2010” ahead of schedule, with interest-bearing debt at the end of the fiscal year under review totaling 373.3 billion yen.

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 uncertainty towards the business environment going forward.

Business operations by sector are summarized as follows:

Note, due to the adoption of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008), during the fiscal year under review, the number of business segments changed from the previous seven segments to the following six segments: “Energy & Resources” , “Ships & Offshore Facilities” , “Physical Distribution Systems & Social Infrastructure” , “Rotating & Industrial Machinery” , “Aero Engine & Space” , and “Others” .

○ **Energy & Resources**

Despite a decline in orders for storage facilities and other plant-related projects, orders received increased 42.1 billion yen from the previous fiscal year to 332.8 billion yen owing to solid overseas orders for boilers.

Sales declined 76.3 billion yen from the previous fiscal year to 306.4 billion yen due to a decline in boiler and plant-related sales.

Operating income dropped 4.7 billion yen from the previous fiscal year to 22.4 billion yen.

○ **Ships & Offshore Facilities**

Orders received increased substantially, rising 95.8 billion yen from the previous fiscal year to 160.8 billion yen on new orders for 11 naval vessels and coast guard ships.

Despite an increase in sales from ship repairs, sales declined by 24.0 billion yen to 189.9 billion yen, owing to a drop in sales from shipbuilding.

Although the strong yen weighed on profits, operating income rose 9.6 billion yen from the previous fiscal year to 10.9 billion yen owing to an improvement in margins on shipbuilding and higher sales from ship repairs.

○ **Physical Distribution Systems & Social Infrastructure**

Despite a decline in orders received for traffic systems, total orders received in the segment increased 14.9 billion yen from the previous fiscal year to 202.1 billion yen owing to solid orders for physical distribution and factory automation system and parking systems.

Sales increased 5.7 billion yen from the previous fiscal year to 212.5 billion yen, reflecting benefits from the integration of the bridge and water gate businesses with those of former Matsuo Bridge Co., Ltd. and Kurimoto Ltd.

The rise in sales and improved margins for steel bridges contributed to

operating income increasing 2.4 billion yen from the previous fiscal year to 11.8 billion yen.

○ **Rotating & Industrial Machinery**

Orders received increased 50.2 billion yen from the previous fiscal year to 187.9 billion yen owing to a substantial increase in orders received for vehicular turbochargers on the back of a recovery in the global automobile market.

Although sales of steel-manufacturing equipment were weak, overall sales in the segment increased 24.1 billion yen from the previous fiscal year to 192.1 billion yen, owing to a large increase in sales of vehicular turbochargers.

Operating income rose 8.0 billion yen from the previous fiscal year to 12.4 billion yen.

○ **Aero Engine & Space**

Orders received rose 17.7 billion yen from the previous fiscal year to 311.0 billion yen, owing to firm orders for jet engines from the Ministry of Defense.

Sales declined 16.3 billion yen from the previous fiscal year to 273.7 billion yen, reflecting the erosion of sales of civil jet engines due to the negative impact of the strong yen.

Operating income declined 3.1 billion yen from the previous fiscal year to 5.8 billion yen.

○ **Others**

Orders received increased 19.8 billion yen from the previous fiscal year to 109.5 billion yen, owing to an upturn in orders for construction machinery and agricultural machinery.

Although the downtrend in sales of construction machinery and agricultural machinery was halted, overall sales in the segment declined 8.1 billion yen from the previous fiscal year to 114.3 billion yen.

Operating income increased 0.7 billion yen from the previous fiscal year to 2.1 billion yen owing to a recovery in margins on agricultural machinery.

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

(Millions of yen)

Business Segment	Sales		Orders Received		Order Backlog	
	Amount	%	Amount	%	Amount	%
Energy & Resources	306,434	26	332,895	28	363,548	28
Ships & Offshore Facilities	189,910	16	160,861	13	287,569	22
Physical Distribution Systems & Social Infrastructure	212,566	18	202,179	17	178,317	14
Rotating & Industrial Machinery	192,156	16	187,901	16	89,344	7
Aero Engine & Space	273,756	23	311,032	26	354,375	27
Others	114,378	10	109,567	9	25,520	2
Adjustment	(101,908)	(9)	(103,436)	(9)	—	—
Total	1,187,292	100	1,200,999	100	1,298,673	100
Of which, overseas	512,041	43	419,590	35	545,063	42

(2) Financing

The balance of loans payable at the end of the current fiscal year was 297.0 billion yen. This is a 60.6 billion yen decrease from the previous year and was a result of reduced external borrowings due to effective use of internal group financing.

With regard to bonds payable, the ending balance of bonds payable at the end of the fiscal year was 63.5 billion yen because the Company redeemed the 29th unsecured bonds (5 billion yen) in October 2010 and the 31st unsecured bonds (15 billion yen) in November 2010. In March 2011, Euro-Yen convertible bonds due 2016 with new share subscription rights (23 billion yen) were also issued.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 86.3 billion yen (including 40.7 billion yen in spending related to the repurchase of trust beneficiary rights for the Toyosu Center Building) as a result of the Company having made progress centering on primary businesses as well as growing and noteworthy businesses stipulated by “Group Management Policies 2010”, such as additional factory constructions for civil aircraft jet parts in the Aero-Engine & Space Operations business, an experiment and research facility in the Energy & Resources Operations business, and a manufacturing facility for our vehicular turbocharger manufacturing subsidiary in the Rotating & Industrial Machinery Operations business.

(4) Status of important business reorganizations etc.

- (a) As of July 1, 2010, the Company sold shares of one of its consolidated subsidiaries, IHI Finance Support Corporation, to Century Tokyo Leasing Corporation. The move was made to enhance the level of financial services of the subsidiary through its association with the assignee. As a result, the subsidiary became an equity-method affiliate of the Company.
- (b) As of January 17, 2011, Toshiba Corporation and the Company jointly established Toshiba IHI Power Systems Corporation, a manufacturer of equipment for nuclear turbines.

(5) Issues to be addressed

In the current fiscal year, the first year of “Group Management Policies 2010”, we achieved record-setting performance both for consolidated ordinary income and consolidated net income. The Company considers the setting up of a thorough risk management and monitoring system for large-scale projects, based on reflections of the past experience to be one of the reasons for this success. Meanwhile, taking an overhead view of the economic environment going forward, there is the possibility of a dramatic economic paradigm shift after the Great East Japan Earthquake and there may be an expansion of risk associated with fluctuation of prices of equipment and materials, and in currency exchanges. In order to swiftly respond to such a radically changing economic environment, the IHI Group considers the resolution and courage to make reforms to adapt to such a reality to be most important. To maintain our stable growth and ensure achievement of the goals set in “Group Management Policies 2010”, we will focus on implementing the following measures:

- Following the success of the vehicular turbocharger business, the Company will develop a detailed plan for global expansion in other business areas. A business location was established in Brazil during the current fiscal year and the IHI Group’s global presence will continue to be expanded.
- The Company will expedite intense approaches to growing markets such as the energy business in emerging countries and build models for expanding lifecycle businesses, focusing especially on approaching after-markets.
- The Company will appropriately respond to changes in the environment surrounding Energy Operations and conduct reviews of business strategies. “Group Management Policies 2010” forecasts Energy Operations including a business for components for nuclear power plants to be among important growing businesses.

Through implementing these measures, the IHI Group will persevere to further improve its corporate value and continue its evolution into a global group of companies delivering safety and security for the benefit of both the environment and humanity.

[Regarding the Great East Japan Earthquake]

The IHI Group received considerable damage due to the Great East Japan Earthquake, which occurred on March 11, 2011, including at the Company's, Soma No. 1 and No. 2 Aero-Engine Works (Soma-city, Fukushima), which are manufacturing facilities for jet engine parts. The above facilities were shut down after the immediate earthquake, but resumed partial operation from March 29, 2011 and were restored to full operation in May 2011. Presently, the Company is concentrating all its efforts to make up for the delay in production.

Meanwhile, the IHI Group is utilizing all of the Group's resources to their maximum in recovery and reconstruction activities and doing everything in its power to fulfill its mission as a corporate group that plays a role in the social infrastructure construction. This includes placing the greatest priority on efforts such as the recovery of thermal power generation facilities damaged by the earthquake amid fears of electricity shortages centered on the Tokyo metropolitan area.

We would like to ask for your continued understanding and support.

(6) Changes in assets and profit/loss

(Millions of yen)

Item	191st Fiscal Year	192nd Fiscal Year	193rd Fiscal Year	194th Fiscal Year
Orders Received	1,556,545	1,176,749	970,422	1,200,999
Net Sales	1,350,567	1,388,042	1,242,700	1,187,292
Ordinary Income	(30,812)	13,521	33,027	51,482
Net Income	25,195	(7,407)	17,378	29,764
Net Income per Share (Yen)	17.18	(5.05)	11.85	20.29
Total Assets	1,542,295	1,489,342	1,412,421	1,361,441
Net Assets	234,406	205,950	227,065	253,640

(7) Main business (As of March 31, 2011)

Business Segment	Main Business
Energy & Resources	Design, manufacture, sale, installation, repair, overhaul and maintenance of boilers, gas turbines, components for nuclear power plants, pressure vessels, storage facilities, floating LNG storage facilities, petroleum/gas plants, low-temperature liquid gas plants, diesel/gas engines, power systems, etc.
Ships & Offshore Facilities	Design, manufacture, sale, installation, repair, 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.
Physical Distribution Systems & Social Infrastructure	Design, manufacture, sale, installation, repair, overhaul and maintenance of material handling systems including cranes etc., physical distribution and factory automation systems, parking systems, bridges, water gate, construction material products, transportation system, etc.; and sales, purchase, lease, brokerage, management, maintenance and preservation of real-estate, and land development
Rotating & Industrial Machinery	Design, manufacture, sale, installation, repair, overhaul and maintenance of compressors, vehicular turbochargers, superchargers for ships, iron and steel manufacturing equipment, heat treatment facilities, paper making machines, environmental control systems, etc.
Aero Engine & Space	Design, manufacture, sale, installation, repair, overhaul and maintenance of jet engines, space-related equipment, defense machinery and systems
Others	Design, manufacture, sale, installation, repair, overhaul and maintenance of diesel engines, agricultural machinery, construction machinery, etc.; and services

(8) Main sales offices and works (As of March 31, 2011)

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)	
	Metropolitan 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)		

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

(9) Employees of Corporate Group (As of March 31, 2011)

Business Segment	Number of Employees
Energy & Resources	6,082
Ships & Offshore Facilities	2,850
Physical Distribution Systems & Social Infrastructure	3,914
Rotating & Industrial Machinery	4,319
Aero Engine & Space	5,655
Others	2,491
Corporate (company-wide)	724
Total	26,035

(1,145 increase compared with March 31, 2010)

(10) Material subsidiaries

Company Name	Capital	Voting Interest of the Company	Main Business
IHI Marine United Inc.	11,099 million yen	100.00%	Design, manufacture, sale, installation, repair, and maintenance of ships/vessels, boats, and offshore structures
IHI AEROSPACE CO., LTD.	5,000 million yen	100.00%	Manufacture, sale, and repair of space development equipment and rocket vehicles
IHI Infrastructure Systems Co., Ltd.	4,903 million yen	100.00%	Design, manufacture, installation, maintenance, and repair of bridges and water gates
JURONG ENGINEERING LIMITED (Note 1)	51,788 thousand Singapore dollars	95.55%	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants
Niigata Power Systems Co., Ltd.	3,000 million yen	100.00%	Manufacture and sales of internal combustion engines, gas turbine engines and marine equipment
IHI Transport Machinery Co., Ltd. (Note 2)	2,647 million yen	67.06%	Design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants
IHI INC. (Note 3)	16,375 thousand US dollars	100.00%	Sales and order procurement of various plant, machinery and jet engine maintenance, etc.
IHI Charging Systems International GmbH	15,000 thousand euro	51.00%	Design, manufacture, and sale of vehicular turbochargers
IHI Turbo America Co.	7,700 thousand US dollars	100.00%	Manufacture and sale of vehicular turbochargers
IHI Construction Machinery Ltd.	1,750 million yen	100.00%	Manufacture, sale and repair of construction machinery and materials handling equipment

Company Name	Capital	Voting Interest of the Company	Main Business
Ishikawajima Construction Materials Co., Ltd. (Note 4)	1,665 million yen	53.50%	Design, manufacture, sale, installation and repair of concrete products, self-driving-type parking buildings and civil engineering and construction material products
IHI Shibaura Machinery Corporation	1,111 million yen	90.95%	Design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment
IHI Compressor and Machinery Co., Ltd.	1,033 million yen	100.00%	Design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships
IHI Turbo Co., Ltd.	1,000 million yen	100.00%	Manufacture and sale of vehicular turbochargers
Niigata Transys Co., Ltd.	1,000 million yen	100.00%	Manufacture and sale of rolling stock, industrial vehicles and machines for snow removal
IHI TURBO (THAILAND) CO., LTD. (Note 5)	260,000 thousand Thai baht	90.00%	Manufacture and sale of vehicular turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd. (Note 6)	55,465 thousand Chinese yuan	51.00%	Manufacture, sale and service of general-purpose turbo compressors
IHI EUROPE Limited	2,500 thousand pound	100.00%	Sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines
PC Bridge Co., Ltd. (Note 7)	504 million yen	98.38%	Design, manufacture and sale of pre-stressed concrete architectural construction

Company Name	Capital	Voting Interest of the Company	Main Business
IHI Plant Construction Co., Ltd.	500 million yen	100.00%	Design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities
IHI STAR Machinery Corporation (Note 8)	500 million yen	100.00%	Design, manufacture, sale, maintenance and repair of agricultural machinery

(Notes)

1. 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.
2. 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.
3. IHI INC. is a regional headquarter in the Americas. The company increased its capital to maintain a capital level required to operate as such a company.
4. The Company's voting interest in Ishikawajima Construction Materials Co., Ltd. includes 0.04% voting interest held by IHI Shibaura Machinery Corporation.
5. 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.
6. The Company's voting interest in IHI-Sullair Compression Technology (Suzhou) Co., Ltd. includes 12.50% voting interest held by IHI Compressor and Machinery Co., Ltd., a subsidiary of the Company.
7. The Company's voting interest in PC Bridge Co., Ltd. includes 25.37% voting interest held by Ishikawajima Construction Materials Co., Ltd., a subsidiary of the Company.
8. The Company's voting interest in IHI STAR Machinery Corporation includes 20.00% voting interest held by IHI Shibaura Machinery Corporation, a subsidiary of the Company.

(11) Main lenders of Corporate Group (As of March 31, 2011)

(Millions of yen)	
Lender	Amount
Mizuho Corporate Bank, Ltd.	55,970
Sumitomo Mitsui Banking Corporation	37,799
The Sumitomo Trust and Banking Co., Ltd.	29,222
The Chuo Mitsui Trust and Banking Company, Limited	27,230
Development Bank of Japan Inc.	23,532
THE HACHIJUNI BANK, LTD	14,529
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,825
The Yamaguchi Bank, Ltd.	8,700
Nippon Life Insurance Company	8,580
The Dai-ichi Life Insurance Company, Limited	8,520

2. Company Officers

(1) Directors and Corporate Auditors (as of March 31, 2011)

Title	Name	Responsibilities	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 Chairman, Gas Turbine Society of Japan President, Engineering Research Association for Supersonic Transport Propulsion System
Executive Vice President	Yuji Hiruma	Assistant to the President In charge of Group Operations General Manager of Global Marketing Headquarters	
Executive Vice President	Ichiro Hashimoto	Assistant to the President President of Plant Engineering Operations	
Director	Makoto Serizawa	In charge of Business Relating to Corporate Audit	
Director	Kazuo Tsukahara	In charge of Business relating to Corporate Planning, Public Relations, Investors Relations and Human Resources	
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	

Title	Name	Responsibilities	Significant concurrent position(s)
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, Group Compliance, and Risk Management	
Director	Ichiro Terai	General Manager of Finance & Accounting Division	
Director	Tatsumi Kawaratani	President of Industrial Machinery and Environmental Equipment Operations	
Director	Izumi Imoto	President of Infrastructure Operations	
Director	Tomokazu Hamaguchi		Director, East Japan Railway Company
Director	Tadashi Okamura		Chairman, The Japan Chamber of Commerce and Industry; Chairman, The Tokyo Chamber of Commerce and Industry; Director, Japan Post Holdings Co., Ltd.
Standing Corporate Auditor	Teruo Shimizu		
Standing Corporate Auditor	Masakazu Maruyama		

Title	Name	Responsibilities	Significant concurrent position(s)
Corporate Auditor	Takeo Inokuchi		Auditor, Sanki Engineering Co., Ltd.; Corporate Auditor, Kikkoman Corporation
Corporate Auditor	Nobuo Gohara		
Corporate Auditor	Hisatsugu Nonaka		

- (Notes)
1. Director: Messrs. Tomokazu Hamaguchi and Tadashi Okamura 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 years of experience working in the Finance and Accounting Division of the Company, as well as at one of the subsidiaries (IHI Transport Machinery Co., Ltd.)
 4. Corporate Auditor: Mr. Nobuo Gohara is registered with domestic financial instrument exchanges (where the Company is listed) as an independent officer.

(2) Directors 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 at time of resignation	Significant concurrent positions at time of resignation	Date of resignation
Director	Yasuhiro Inagawa	Assistant to the President		June 25, 2010
Director	Yoshiaki Shimojo	Assistant to the President		June 25, 2010
Director	Fumio Sato		Director, Mitsukoshi, Ltd.	June 25, 2010

(3) Directors' responsibilities as of April 1, 2011

Directors' responsibilities as of April 1, 2011 are as follows:

Position	Name	Responsibilities
President & CEO	Kazuaki Kama	
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
Executive Vice President	Tamotsu Saito	Assistant to the President In charge of Corporate Business Development and Business Relating to Procurement and Monozukuri Innovation
Executive Vice President	Fusayoshi Nakamura	Assistant to the President President of Vehicular Turbocharger Operations
Director	Yasuyuki Watanabe	Assistant to the President
Director	Makoto Serizawa	In charge of Business Relating to Corporate Audit
Director	Kazuo Tsukahara	In charge of Business relating to Corporate Planning, Public Relations, Investors Relations and Human Resources
Director	Sadao Degawa	In charge of Group Engineering 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, Group Compliance and Risk Management
Director	Ichiro Terai	General Manager of Finance & Accounting Division
Director	Tatsumi Kawaratani	President of Machinery, Environmental & Logistics Systems Operations
Director	Izumi Imoto	President of Infrastructure Operations

- (Notes)
1. Executive Vice President, Mr. Yuji Hiruma supervises Offshore Project & Steel Structures and Urban Development Operations.
 2. Executive Vice President, Mr. Ichiro Hashimoto supervises Energy Systems, Nuclear Power, Plant Engineering and Power Systems Operations.
 3. Executive Vice President, Mr. Tamotsu Saito supervises Aero-Engine & Space Operations, Agricultural Machinery Business Administration and Defense Project Collaboration Division.
 4. Executive Vice President, Mr. Fusayoshi Nakamura supervises Rotating Machinery Operations.
 5. Director, Mr. Makoto Serizawa supervises Project Audit Division.
 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, 2011, 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	Fusayoshi Nakamura	President of Vehicular Turbocharger Operations
Managing Executive Officer	Mitsukatsu Asaoka	General Manager of Procurement Strategics
* Managing Executive Officer	Tatsumi Kawaratani	President of Machinery, Environmental & Logistics Systems Operations
Managing Executive Officer	Toshinori Sekido	President of Aero-Engine & Space Operations
Managing Executive Officer	Hiroshi Iwamoto	Vice President of Global Marketing Headquarters; Chief Regional Officer in China
* Managing Executive Officer	Izumi Imoto	President of Infrastructure Operations
* Managing Executive Officer	Sadao Degawa	In charge of Group Engineering General Manager of Corporate Research & Development In charge of Business Relating to Information Systems
Executive Officer	Eiichi Yoshida	Vice President of Industrial Machinery, Environmental Equipment and Logistics 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 in 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
Executive Officer	Hiroyuki Otani	President of Power Systems Operations
Executive Officer	Mikio Mochizuki	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Kazuyoshi Matsui	President of Plant Engineering Operations

(Note) *Executive Officers who are concurrently directors.

(4) Remuneration of directors and corporate auditors

(i) Number of amount and recipients

(Millions of yen)

Position	Number of recipients	Breakdown			Total Amount Paid
		Base amount	Share-based compensation	Performance-based bonus	
Director	18	429	69	131	630
Corporate Auditor	5	84	—	—	84
Total (Of which, number of outside officers)	23 (6)	513 (46)	69 (—)	131 (—)	713 (46)

- (Notes)
1. Remuneration of directors does not include salaries of those who are also company employees.
 2. 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.
 3. Outside of the remuneration listed above, during the fiscal year under review 15 directors (excluding outside directors) were paid 57 million yen in performance-based bonuses for the fiscal year ended March 31, 2009.
 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, 2011 are respectively 15 (including 2 outside directors) and 5 (including 3 outside corporate auditors). The reason for the discrepancy from the above chart is that figures in the chart include 3 directors (including 1 outside director) who resigned at the conclusion of the 193rd Ordinary General Meeting of Shareholders held on June 25, 2010.

(ii) Policy on Determination of Remuneration

Maximum total remuneration of directors and corporate auditors is determined at an Ordinary General Meeting of Shareholders. Directors' remuneration is a reward system that considers the standard necessary to secure superior human resources, more strongly aspires towards improvements of the Group's business results and corporate value, and emphasizes sharing the risk and return of stock price fluctuations with shareholders. Directors' remuneration consists of a base amount, stock compensation-type stock options and performance-based bonuses. (Outside directors receive only a base amount.) The amounts and eligible recipients are determined at a meeting of the Board of Directors based upon recommendation reports from the Compensation Advisory Committee. Remuneration for corporate auditors is paid under a fixed-rate system as corporate auditors have responsibility for auditing operations throughout the Group. The amount is determined through discussions among corporate auditors. The Remuneration Council was established to ensure the adequacy of remuneration and the transparency of payment procedures. The council consists of 4 members, which are an outside director, an outside auditor, the director in charge of human resource, and the director in charge of finance. The outside director takes the chair and finalizes the council's recommendations.

(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, Tomokazu Hamaguchi is an outside director of East Japan Railway Company. There is no special relationship between the Company and the entity.
 - Director, Tadashi Okamura is Chairman of the Japan Chamber of Commerce and Industry, Chairman of the Tokyo Chamber of Commerce and Industry and an outside director of Japan Post Holdings Co., Ltd. There is no special relationship between the Company and such organizations and those entities.
 - 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 those entities.

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

Position	Name	Attendance of meetings and activities
Director	Tomokazu Hamaguchi	Attended 16 out of 19 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.
Director	Tadashi Okamura	Attended 10 out of 14 directors meetings held after he assumed the position of director. Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a manufacturing business, in order to ensure that appropriate and correct decisions were taken at the meetings.
Corporate Auditor	Takeo Inokuchi	Attended 16 out of 19 directors' meetings and 13 out of 15 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 19 directors' meetings and 14 out of 15 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 19 directors' meetings and all 15 auditors' meetings during the fiscal year. Addressed questions and expressed opinions accordingly from the viewpoint of a business manager with global experience of manufacturing industries.

(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, 2011)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued (excluding 408,509 treasury stock shares): 1,466,649,973
- (iii) Total number of shareholders: 112,228
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Holder in Trust)	60,537	4.12
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 Life Insurance Company, Limited	54,060	3.68
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)	39,844	2.71
IHI Customer Stock Ownership Association	25,804	1.75
Japan Trustee Services Bank, Ltd. (Holder in Trust No.9)	24,524	1.67
Nippon Life Insurance Company	23,867	1.62
Mitsui Sumitomo Insurance Co., Ltd	22,268	1.51
Sumitomo Life Insurance Company	21,624	1.47

- (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. 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.
 3. Shareholding ratios are calculated without including total number of treasury stock shares (408,509 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:

	Board of Directors Resolution Date	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	90	Common stock 90,000 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	266	Common stock 266,000 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	353	Common stock 353,000 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
4 th Subscription Rights to Shares	July 23, 2010	448	Common stock 448,000 shares (1,000 shares per subscription right to shares)	154,000 yen	1,000 yen per subscription right to shares (1 yen per share)	From August 10, 2010 to August 9, 2040

(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

4th Subscription Rights to Shares:

In the event that Exercise Start Date does not become effective by August 9, 2039

From August 10, 2039 to August 9, 2040

- (2) In the event that a merger agreement (under which the Company becomes an absorbed 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)	84	84,000 shares	8	6	6,000 shares	1
2 nd Subscription Rights to Shares (July 22, 2008)	266	266,000 shares	12	0	0 shares	0
3 rd Subscription Rights to Shares (July 21, 2009)	353	353,000 shares	13	0	0 shares	0
4 th Subscription Rights to Shares (July 23, 2010)	448	448,000 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 23, 2010
Number of subscription rights to shares	311
Class and number of shares underlying subscription rights to shares	Common stock: 311,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in for subscription rights to shares	154,000 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 10, 2010 to August 9, 2040
Status of granting	Number of subscription rights to shares: 311 Number of underlying shares: 311,000 Number of individuals to whom subscription rights to shares have been granted: 13

- (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 9, 2039,
From August 10, 2039 to August 9, 2040
 - (2) In the event that a merger agreement (under which the Company becomes an absorbed company) 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, shall not be able to exercise such rights.

- (iii) Other important matters regarding subscription rights to shares
 Subscription rights attached to Euro-Yen convertible bonds due 2016
 based on a resolution at the Board of Directors meeting held on March 10,
 2011.

Date of Issue	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	Outstanding amount of bonds with subscription rights to shares
March 28, 2011	2,300	Common stock The number of shares of common stock of the Company to be delivered upon the exercise of subscription rights to shares shall be the total face value on the bonds for which a request for exercise was made divided by the conversion price. Any fractions of less than one (1) share shall be rounded down and no adjustment in cash shall be made.	Without contribution	23,000,000,000 yen

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	186	million yen
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	473	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 “Assessments of consequences and reviews of issues arising from implementation of IFRS” 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.

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 “Basic Code of Conduct for the IHI Group” 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, 2011)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	853,405	Current liabilities	691,131
Cash and deposits	116,422	Notes and accounts payable–trade	269,445
Notes and accounts receivable–trade	291,033	Short-term loans payable	134,885
Short-term investment securities	1,183	Current portion of bonds payable	10,000
Finished goods	20,733	Accrued expenses	35,959
Work in process	231,560	Income taxes payable	10,273
Raw materials and supplies	110,806	Advances received	123,603
Deferred tax assets	35,177	Provision for bonuses	25,073
Other	54,921	Provision for construction warranties	16,037
Allowance for doubtful accounts	(8,430)	Provision for loss on construction contracts	31,240
		Provision for loss on disaster	4,864
		Other provision	540
Noncurrent assets	508,036	Other	29,212
Property, plant and equipment	328,739	Noncurrent liabilities	416,670
Buildings and structures	154,851	Bonds payable	53,565
Machinery, equipment and vehicles	52,900	Long-term loans payable	162,151
Land	88,275	Deferred tax liabilities for land revaluation	6,660
Construction in progress	8,945	Provision for retirement benefits	132,347
Other	23,768	Other provision	4,469
Intangible assets	21,056	Other	57,478
Software	14,237	Total liabilities	1,107,801
Goodwill	3,933	Net Assets	
Royalties and other intangible assets	2,886	Shareholders' equity	234,684
Investments and other assets	158,241	Capital stock	95,762
Investment securities	84,519	Capital surplus	43,037
Deferred tax assets	46,073	Retained earnings	95,973
Other	38,067	Treasury stock	(88)
Allowance for doubtful accounts	(10,418)	Accumulated other comprehensive income	3,402
		Valuation difference on available-for-sale securities	6,508
		Deferred gains or losses on hedges	(75)
		Revaluation reserve for land	3,872
		Foreign currency translation adjustment	(6,903)
		Subscription rights to shares	388
		Minority interests	15,166
		Total net assets	253,640
Total assets	1,361,441	Total liabilities and net assets	1,361,441

Consolidated Statement of Income
(Year ended March 31, 2011)

(Millions of yen)

Account title	Amount
Net sales	1,187,292
Cost of sales	976,846
Gross profit	210,446
Selling, general and administrative expenses	149,056
Operating income	61,390
Non-operating income	
Interest and dividends income	3,995
Equity in earnings of affiliates	389
Other	8,063
Non-operating expenses	
Interest expenses	6,013
Foreign exchange losses	4,285
Other	12,057
Ordinary income	51,482
Extraordinary income	
Distribution from undisclosed association	19,842
Gain on sale of subsidiary stock	898
Extraordinary losses	
Loss on disaster	10,590
Loss on project taken over from the consortium partner in liquidation	9,270
Provision for loss on business of subsidiaries and affiliates	2,180
Impairment loss	1,782
Restructuring loss	395
Loss on adjustment for changes of accounting standard for asset retirement obligations	295
Loss on valuation of investment securities	247
Income before income taxes and minority interests	47,463
Income taxes—current	12,716
Income taxes—deferred	4,156
Income before minority interests	30,591
Minority interests	827
Net income	29,764

Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	95,762	43,028	65,933	(105)	204,618
Changes of items during the period					
Dividends from surplus					-
Net income			29,764		29,764
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		9		22	31
Net increase from newly consolidated subsidiaries			304		304
Reversal of revaluation reserve for land			(28)		(28)
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	9	30,040	17	30,066
Balance as of March 31, 2011	95,762	43,037	95,973	(88)	234,684

	Accumulated other comprehensive income					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 Accumulated other comprehensive income			
Balance as of March 31, 2010	9,462	38	3,844	(5,802)	7,542	302	14,603	227,065
Changes of items during the period								
Dividends from surplus					—			—
Net income					—			29,764
Purchase of treasury stock					—			(5)
Disposal of treasury stock					—			31
Net increase from newly consolidated subsidiaries					—			304
Reversal of revaluation reserve for land					—			(28)
Net changes of items other than shareholders' equity	(2,954)	(113)	28	(1,101)	(4,140)	86	563	(3,491)
Total changes of items during the period	(2,954)	(113)	28	(1,101)	(4,140)	86	563	26,575
Balance as of March 31, 2011	6,508	(75)	3,872	(6,903)	3,402	388	15,166	253,640

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: 95

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 1 due to additional acquisition of shares, 3 due to new establishment of the companies and 2 due to increase in materiality, and decreased by 1 as it was reclassified as an affiliated company accounted for by the equity method owing to the sale of shares, 1 due to liquidation and 1 due to a 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: 17

Names of major equity method affiliates:

Turbo Systems United Co., Ltd. and others

In the fiscal year under review, one consolidated subsidiary was reclassified as an affiliated company accounted for by the equity method owing to the sale of shares.

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

Name of major company: Ishiko Building Services 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 ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

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 directors' bonuses

To prepare for payment of bonuses for directors, the provision for bonuses is provided for the amount that is expected to be paid for the fiscal year under review.

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 loss on disaster

Provision for loss on disaster is provided for based on projected expenses for the disposal of assets damaged by disaster and expenses for related recovery work.

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.

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.

Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates is provided for in the amount of estimated loss to be borne by the Company by taking into consideration the contents of assets of subsidiaries and affiliates.

(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.

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) *Changes to significant matters concerning the preparation of the consolidated financial statements*

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

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

2) *Adoption of the “Accounting Standard for Asset Retirement Obligations”*
Effective from the fiscal year under review, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) are adopted.

As a result of this change, in the fiscal year under review, operating income and ordinary income decreased by ¥137 million, while income before income taxes and minority interests decreased by ¥432 million.

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

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

As a result of this change, in the fiscal year under review, net sales and operating income increased by 4,508 million yen and 61 million yen respectively, while ordinary income and income before income taxes and minority interests increased by 220 million yen.

(8) Changes in Presentation

(Consolidated statements of income)

“Foreign exchange losses,” which was included under “Other” in non-operating expenses in the previous fiscal year, increased in materiality, and has therefore been separately presented in non-operating expenses in the fiscal year under review. “Foreign exchange losses” included under “Other” in non-operating expenses totaled 272 million yen in the previous fiscal year.

With the adoption of the “Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, the Corporate Accounting Rules, etc.” (Ordinance of the Ministry of Justice No. 7 of March 27, 2009), which is based on “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), “Income before minority interests” was included in account items from the fiscal year under review.

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 determined in accordance with a resolution by a general meeting of shareholders.

Changes in accounting policies

Kuriage-method (by which distribution of surplus for the relevant year is recorded without a resolution at a general meeting of shareholders) was previously adopted. Effective from the fiscal year under review, we have adopted the Kakutei-method (by which distribution of surplus is recorded based on a resolution passed at a general meeting of shareholders for the relevant year). As a result of this change, retained earnings have increased 4,403 million yen compared to the previous year figures using the same standard.

II. Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

521,492 million yen

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Cash and deposits	123 million yen
Notes and accounts receivable - trade	88 million yen
Raw materials and supplies	5 million yen
Other Current assets	3,252 million yen
Buildings and structures	5,161 million yen
Machinery, equipment and vehicles	402 million yen
Land	26,822 million yen
Other property, plant, and equipment	18 million yen
Other investments and other assets	10 million yen

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

Buildings and structures	1,494 million yen
Machinery, equipment and vehicles	151 million yen
Land	5,979 million yen
Other property, plant, and equipment	18 million yen

(2) Secured liabilities

Short-term loans payable	7,548 million yen
Other Current liabilities	690 million yen
Long-term loans payable	5,058 million yen
Other Noncurrent liabilities	4,704 million yen

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

Short-term loans payable	3,935 million yen
Long-term loans payable	500 million yen

3. Contingent liabilities

(1) Liabilities on guarantee (*)

(Millions of yen)

Guarantee Given to	Amount	Description
Japanese Aero Engines Corporation	5,080	Lease obligation and guarantee of asset value
ALPHA Automotive Technologies LLC	1,353	Loans from financial institutions
IHI Group Health Insurance Association	1,180	Loans from financial institutions
Construction machinery customers	334	Guarantee for lease obligations
Giken Technology Co., Ltd.	305	Loans from financial institutions
Employees	152	Guarantee on mortgage and education loans, etc.
Takashima Giken Co., Ltd.	28	Loans from financial institutions
Seki & Co.	7	Loans from financial institutions
Total	8,439	

(2) Quasi-guarantee (*)

(Millions of yen)

Guarantee Given to	Amount	Description
Employees	13,111	Guarantee on mortgage and guarantee on bank loans
IHI Group Health Insurance Association	1,204	Loans from financial institutions
Turbo Systems United Co., Ltd.	150	Loans from financial institutions
Total	14,465	

* Amount(s) shown above is the amount paid by the Company to the creditor if the agreement is a guarantee agreement (such as joint guarantee) and if the Company's responsibility is clearly expressed and specified irrespective of the another guarantor's ability to guarantee.

4. Notes receivable-trade discounted

1,317 million yen

5. Notes receivable endorsed

158 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, 2010	Increase	Decrease	Number of Shares at March 31, 2011
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, 2010	Increase	Decrease	Number of Shares at March 31, 2011
Common stock	479,306	31,424	102,221	408,509

(Notes)

1. The increase is the result of the purchase of shares less than one unit.
2. Of the decrease in shares, 1,221 shares are due to the sale of fractional shares at the request of shareholders and 101,000 shares are due to disposal of shares associated with the exercise of new share subscription rights.

2. Matters Concerning Dividends

(1) Cash dividends

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

(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 24, 2011 Ordinary General Meeting of Shareholders	Common stock	4,400	3	March 31, 2011	June 27, 2011

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

Common stock 2,035,000 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, 2011, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	116,422	116,422	-
(2) Notes and accounts receivable - trade	291,033		
Allowance for doubtful accounts(*1)	(4,744)		
	286,289	285,835	(454)
(3) Short-term investment securities and investment securities	49,356	49,361	5
Securities to be held until maturity	2,801	2,806	5
Available-for-sale securities	46,555	46,555	-
Total assets	452,067	451,618	(449)
(4) Notes and accounts payable - trade	269,445	269,445	-
(5) Short-term loans payable	134,885	134,885	-
(6) Bonds payable	63,565	65,135	1,570
(7) Long-term loans payable	162,151	163,939	1,788
Total liabilities	630,046	633,404	3,358
(8) Derivatives (*2)			
(a) Derivatives to which hedge accounting is applied	20	20	-
(b) Derivatives to which hedge accounting is not applied	(99)	(99)	-
Derivatives, total	(79)	(79)	-

(*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 payable-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 based on market price. If there is no market price, the price is computed by the present value method by which the total amount of principal and interest is discounted for the remaining period of the bond and taking into account credit risk.
 - (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, are 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 (consolidated balance sheet amount of 26,054 million yen) 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 is 4,486 million yen for the fiscal year under review.

Major income from rental properties is 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
99,757	264,066

(Notes)

1. Consolidated balance sheet amount is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. Fair values as of March 31, 2011 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 this 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 this 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 29,933 million yen and 29,459 million yen, respectively.

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

In March 2011, the Company also repurchased real estate trust beneficiary rights from one of the above two special-purpose companies (SPCs). As a result, the Company received gain on sale of real estate trust beneficiary rights recorded by the SPC as distribution from undisclosed association.

2. Amounts of Transactions with SPC

(Millions of yen)

Description of transaction	Balance as at March 31, 2011	Major income or loss	
		Account name	Amount
Investment in capital (Note 1)	1,794	Non-operating income (Note 2)	1,379
Property management contract services	-	Operating income	3
Rent	-	Operating income	198
Acquisition of real-estate trust beneficiary rights (Note 3)	40,773	Extraordinary income (Note 4)	19,842

(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.
3. The real estate trust beneficiary rights the Company acquired are recorded in the building and structures account on the consolidated balance sheet for which trust assets must be recorded.
4. Profit sharing based on gain on sale of the real estate trust beneficiary rights recorded by the SPC is recorded in the extraordinary income account.

VII. Per Share Information

1. Net assets per share	162.33 yen
2. Net income per share	20.29 yen
3. Number of shares for the basis of calculation of Net income per share	1,466,635,184 shares

VIII. Significant Subsequent Events

(Transfer of Significant Assets)

For the steady progress of the Toyosu redevelopment business and to raise the value of the entire Toyosu area, and in connection with striving for the effective utilization of the IHI Group's portfolio assets, at Management Committee held on May 16, 2011, a policy was determined in which the Company would transfer land equity to the real-estate development company, Mitsubishi Estate Co., Ltd., or a Special Purpose Company (SPC) established by Mitsubishi Estate Co., Ltd.

1. Transferee

Mitsubishi Estate Co., Ltd. or an SPC established by Mitsubishi Estate Co., Ltd.

Non-Consolidated Balance Sheet
(As of March 31, 2011)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	490,674	Current liabilities	422,001
Cash and deposits	68,407	Notes payable-trade	3,868
Notes receivable-trade	4,747	Accounts payable-trade	117,713
Accounts receivable-trade	130,020	Short-term loans payable	161,452
Short-term investment securities	1	Current portion of bonds payable	10,000
Finished goods	37	Lease obligations	859
Work in Process	121,650	Accounts payable-other	12,303
Raw materials and supplies	87,570	Accrued expenses	22,719
Advance payments-other	10,908	Income taxes payable	1,708
Prepaid expenses	5,614	Advances received	47,970
Deferred tax assets	19,836	Deposits received	832
Accounts receivable-other	22,771	Provision for bonuses	8,980
Short-term loans receivable	22,224	Provision for directors' bonuses	273
Other	4,130	Provision for construction warranties	9,436
Allowance for doubtful accounts	(7,247)	Provision for loss on construction contracts	17,783
Noncurrent assets	413,207	Provision for loss on disaster	3,899
Property, plant and equipment	187,739	Other	2,198
Buildings	101,222	Noncurrent liabilities	314,615
Structures	5,662	Bonds payable	53,565
Docks and building berths, net	700	Long-term loans payable	126,592
Machinery and equipment, net	21,839	Lease obligations	4,313
Vessels, net	4	Long-term lease and guarantee deposited	8,298
Vehicles, net	187	Provision for retirement benefits	90,574
Tools, furniture and fixtures, net	6,022	Provision for loss on business of subsidiaries	5,575
Land	42,840	Asset retirement obligations	138
Lease assets, net	4,763	Other	25,556
Construction in progress	4,495	Total liabilities	736,616
Intangible assets	10,182	Net Assets	
Royalties and other intangible assets	1,475	Shareholders' equity	163,600
Leasehold right	7	Capital stock	95,762
Right of using facilities	52	Capital surplus	43,134
Software	8,551	Legal capital surplus	43,133
Lease assets	57	Other capital surplus	1
Other	37	Retained earnings	24,791
Investments and other assets	215,284	Legal retained earnings	6,083
Investment securities	62,578	Other retained earnings	18,707
Stocks of subsidiaries and affiliates	97,853	Reserve for advanced depreciation of noncurrent assets	11,039
Investments in capital	1,070	Retained earnings brought forward	7,668
Investments in capital of subsidiaries and affiliates	6,292	Treasury stock	(88)
Long-term loans receivable	3,322	Valuation and translation adjustments	3,277
Deferred tax assets	33,317	Valuation difference on available-for-sale securities	3,296
Other	18,916	Deferred gains or losses on hedges	(18)
Allowance for doubtful accounts	(8,066)	Subscription rights to shares	387
Total assets	903,881	Total net assets	167,265
		Total liabilities and net assets	903,881

Non-Consolidated Statement of Income
(Year ended March 31, 2011)

(Millions of yen)

Account title	Amount
Net sales	513,560
Cost of sales	426,877
Gross profit	86,682
Selling, general and administrative expenses	66,026
Operating income	20,656
Non-operating income	
Interest and dividends income	12,509
Other	4,697
Non-operating expenses	
Interest expenses	4,206
Other	12,095
Ordinary income	21,562
Extraordinary income	
Gain on sales of subsidiaries and affiliates' stocks	1,074
Distribution from undisclosed association	19,842
Extraordinary losses	
Loss on project taken over from the consortium partner in liquidation	9,270
Loss on disaster	9,072
Provision for loss on business of subsidiaries	2,256
Impairment loss	1,403
Loss on valuation of shares in subsidiaries and affiliates	1,389
Loss on adjustment for changes of accounting standard for asset retirement obligations	94
Income before income taxes	18,991
Income taxes—current	1,326
Income taxes—deferred	7,164
Net income	10,501

Non-Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2011)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Reserve for advanced depreciation of noncurrent assets			
Balance as of March 31, 2010	95,762	43,133	(8)	43,124	6,083	11,454	(314)	17,223	(105)	156,005
Changes of items during the period										
Dividends from surplus							(2,933)	(2,933)		(2,933)
Net income							10,501	10,501		10,501
Provision of reserve for advanced depreciation of noncurrent assets						359	(359)	—		—
Reversal of reserve for advanced depreciation of noncurrent assets						(774)	774	—		—
Purchase of treasury stock									(5)	(5)
Disposal of treasury stock			9	9					22	32
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	9	9	—	(414)	7,982	7,568	16	7,594
Balance as of March 31, 2011	95,762	43,133	1	43,134	6,083	11,039	7,668	24,791	(88)	163,600

	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, 2010	6,266	(15)	6,250	302	162,558
Changes of items during the period					
Dividends from surplus					(2,933)
Net income					10,501
Provision of reserve for advanced depreciation of noncurrent assets					—
Reversal of reserve for advanced depreciation of noncurrent assets					—
Purchase of treasury stock					(5)
Disposal of treasury stock					32
Net changes of items other than shareholders' equity	(2,969)	(3)	(2,972)	85	(2,887)
Total changes of items during the period	(2,969)	(3)	(2,972)	85	4,706
Balance as of March 31, 2011	3,296	(18)	3,277	387	167,265

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 ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

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 directors' bonuses

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

(4) 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.

(5) 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.

(6) Provision for loss on disaster

Provision for loss on disaster is provided for based on projected expenses for the disposal of assets damaged by disaster and expenses for related recovery work.

(7) 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.

(8) 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

(1) 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.

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.

6. Significant Change in Accounting Policies

(1) Adoption of the "Accounting Standard for Asset Retirement Obligations"

Effective from the fiscal year under review, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) are adopted.

The impact of this change on net operating profits and ordinary profits was minimal. Income before income taxes for the current year decreased 120 million yen.

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
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(2) Secured liabilities

Short-term loans payable	44 million yen
Long-term loans payable (in connection with borrowings of subsidiaries and affiliates)	197 million yen

2. Accumulated Depreciation of Property, Plant and Equipment

271,695 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (*)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Marine United Inc.	13,203	Guarantee for repayment of advances received SGD 9,305 thousand Loans from financial institutions JPY 12,590 million
IHI Construction Machinery Ltd.	8,000	Loans from financial institutions
Japanese Aero Engines Corporation	5,080	Guarantee for lease obligations and asset value (US\$ 61,099 thousand)
IHI Charging Systems International GmbH	4,937	Loans from financial institutions (EUR 42,000 thousand)
Niigata Power Systems Co., Ltd.	2,115	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,352	Guarantee for lease obligations
IHI Group Health Insurance Association	1,179	Loans from financial institutions
Giken Technology Co., Ltd.	304	Loans from financial institutions
Employees of the Company	2	Lending for education
Total	36,175	

(2) Quasi-guarantee (*)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Employees of the Company	11,390	Housing loans and others
Niigata Power Systems Co., Ltd.	1,326	Loans from financial institutions
IHI Group Health Insurance Association	1,204	Loans from financial institutions
IHI Machinery and Furnace Co., Ltd.	329	Loans from financial institutions
Turbo Systems United Co., Ltd.	150	Loans from financial institutions
Total	14,400	

* Amount(s) shown above is the amount paid by the Company to the creditor if the agreement is a guarantee agreement (such as joint guarantee) and if the Company's responsibility is clearly expressed and specified irrespective of the another guarantor's ability to guarantee.

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	50,646 million yen
Short-term monetary liabilities	151,853 million yen
Long-term monetary claims	160 million yen
Long-term monetary liabilities	706 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	44,750 million yen
Purchases from subsidiaries and affiliates	142,058 million yen

(2) Non-operating transactions

10,047 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	408,509 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 Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647	Manufacture	Holding directly 67.4%	Company sharing business function
Subsidiary	Galaxy Express Corporation	Koto-ku, Tokyo	-	Manufacture	-	Company sharing business function
Affiliate	IHI Finance Support Corporation	Chuo-ku, Tokyo	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2011 (Note 1)
IHI Marine United Inc.	-Guarantee of repayment of advances received and loans	(Guarantee amount) (Note 2) 13,203	Guarantee obligations	-
	-Borrowing of working capital by in-group financing	(Note 3) 9,500	Short-term loans payable	41,000
IHI Turbo Co., Ltd.	-Purchase of vehicular turbochargers etc.	(Note 4) 31,589	Accounts payable-trade	10,610
IHI Transport Machinery Co., Ltd.	-Borrowing of working capital by in-group financing	(Note 3) 6,954	Short-term loans payable	12,073
Galaxy Express Corporation	-Debt waiver	(Note 5) 13,426	-	-
	-Allowance for bad debt usage	(Note 5) (13,426)	-	-
IHI Finance Support Corp.	-Factoring	(Note 6) 59,058	Accounts payable-trade	17,767
	-Business assumption Assets succeeded Liabilities assumed	(Note 7) 63,673 63,673	-	-

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, 2011 (Note 1)
Yasuyuki Watanabe	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 8)			
	-Subcontract of work from JAEC related to R&D of jet engines	2,659	-	-
	-Payment of a portion of funding related to the above	697	-	-
	-Repayment of subsidies related to the above	1,779	Accounts payable-other	2,818
			Long-term accounts payable-other	23,220
	-Manufacture of jet engine components and delivery thereof to JAEC	76,500	Accounts receivable-trade	10,567
	-Payment of a portion of expenses related to the above	34,772	Advances received	2,864
			-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2011 do.
2. The Company receives 0.075% p.a. guarantee commission for liabilities on guarantee.
3. Fund borrowings are debt-credit transactions within the Company Group and transaction amounts shown above are net increases and decreases.
Since the Company assumed the business of IHI Finance Support Corporation during this fiscal year under review, the amount is the difference between the balance at the time of assumption and at the end of the period. Loan interest is based on market interest rate.
4. Amounts of transactions and trading prices are determined in consideration of market prices and based on conditions for general transactions.
5. Debt was waived as of completion of liquidation of the subsidiary in question. The entire amount waived has been recorded as allowances for bad debt.
6. 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.
7. In-Group financing business was transferred at the appropriate book value as of the day prior to business assumption.

8. 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	113.78 yen
(2) Net income per share	7.16 yen

IX. Significant Subsequent Events

(Transfer of Significant Assets)

For the steady progress of the Toyosu redevelopment business and to raise the value of the entire Toyosu area, and in connection with striving for the effective utilization of the IHI Group's portfolio assets, at the Company's Management Committee meeting held on May 16, 2011, a policy was determined in which the Company would transfer land equity to the real-estate development company, Mitsubishi Estate Co., Ltd., or a Special Purpose Company (SPC) established by Mitsubishi Estate Co., Ltd.

1. Transferee

Mitsubishi Estate Co., Ltd. or an SPC established by Mitsubishi Estate Co., Ltd.

2. Details of the assets to be transferred

(1) Type	Land
(2) Location	A portion of 1-54, Toyosu 3-chome, Koto-ku, Tokyo
(3) Area	Approx. 10,880 sq. meters
(4) Present Use	Land for real-estate business

3. Schedule of the transfer

(1) Period for conclusion of the agreement	First half of fiscal year 2012 (planned)
(2) Period for the transfer of equity	First half of fiscal year 2012 (planned)

4. Planned value of the transfer Approx. 14,100 million yen

5. Book value Approx. 600 million yen

(Note) When preparing the balance sheets, statements of income, and statements of changes in net assets, any fractional amount less than one unit of monetary value is discarded.

Audit Report of Accounting Auditor on Consolidated Financial Statements

Report of Independent Auditors

May 19, 2011

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, 2010 through March 31, 2011. 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, 2011 in conformity with accounting principles generally accepted in Japan.

(Supplemental Information)

As described in significant subsequent events, at the Company's Management Committee meeting held on May 16, 2011, the Company determined a policy regarding transfer of a portion of land at Toyosu 3-chome, Koto-ku, Tokyo.

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 19, 2011

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 194th fiscal year from April 1, 2010 through March 31, 2011. 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 194th fiscal year ended March 31, 2011 in conformity with accounting principles generally accepted in Japan.

(Supplemental Information)

As described in significant subsequent events, at the Company's Management Committee meeting held on May 16, 2011, the Company determined a policy regarding transfer of a portion of land at Toyosu 3-chome, Koto-ku, Tokyo.

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 194th fiscal year, from April 1, 2010 through March 31, 2011, 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 described in the business report 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, and examined the conditions of assets and business when necessary. 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 description of the internal control system in the business report and execution of Director’s duties, 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 20, 2011

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)

Consolidated Statements of Cash Flows (Summary)
(Year ended March 31, 2011)

(Millions of yen)

Account title	Amount
Net cash provided by (used in) operating activities	95,565
Net cash provided by (used in) investing activities	(77,798)
Net cash provided by (used in) financing activities	(25,907)
Effect of exchange rate change on cash and cash equivalents	(2,025)
Net increase (decrease) in cash and cash equivalents	(10,165)
Cash and cash equivalents at end of period	115,025

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.

In consideration of the above policy, the results for this fiscal year and internal revenue fund requirement, the 194th 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
3 yen per share of the Company's common stock
In this case, the total amount of dividends will be 4,399,949,919 yen.
- (iii) Effective date of dividends
June 27, 2011

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	111,000 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	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) Executive Vice President; Senior Executive Officer; Assistant to the President; in charge of Group Operations and President of Global Marketing Headquarters</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
3	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</p> <p>Apr. 2011: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Assistant to the President</p>	34,000 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	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</p> <p>Apr. 2011: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Assistant to the President; in charge of Corporate Business Development and Business Relating to Procurement and Monozukuri Innovation</p>	51,000 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	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>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</p> <p>Apr. 2011: Executive Vice President; Senior Executive Officer, President of Vehicular Turbocharger Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Senior Executive Officer; Assistant to the President; President of Vehicular Turbocharger Operations</p>	23,000 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	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>	38,000 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	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>	39,000 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	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</p> <p>Apr. 2011: Director; Managing Executive Officer; General Manager of Corporate Research & Development, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Group Engineering, General Manager of Corporate Research & Development and in charge of Business Relating to Information Systems</p>	37,000 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	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)</p> <p>Director; in charge of Legal, CSR, Business Relating to Administration, Group Compliance and Risk management</p>	38,000 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	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)</p> <p>Director; Executive Officer; General Manager of Finance & Accounting Division</p>	8,000 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	Tatsumi Kawaratani (August 2, 1952)	<p>Aug. 1987: Joined 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</p> <p>Jun. 2010: Director; Managing Executive Officer; President of Industrial Machinery & Environmental Equipment Operations, the Company</p> <p>Apr. 2011: Director; Managing Executive Officer; President of Machinery, Environmental & Logistics Systems Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Machinery, Environmental & Logistics Systems Operations</p>	23,000 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	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</p> <p>Jun. 2010: Director; Executive Officer; President of Infrastructure Operations, the Company</p> <p>Apr. 2011: Director; Managing Executive Officer; President of Infrastructure Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Infrastructure Operations</p>	34,000 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	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 (Significant Concurrent Positions) Director, East Japan Railway Company</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	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>Jun. 2010: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director (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.;</p>	10,000 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	* Toshinori Sekido (July 6, 1953)	Apr. 1978: Joined the Company Jul. 1998: Manager of Small Engine Development Department, Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company Jul. 2001: Manager of Engineering Department, Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company Jul 2002: Manager of Maintenance Department, Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company Jul. 2003: Deputy Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company Jul. 2004: Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company Apr. 2007: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company Apr. 2010: Managing Executive Officer; President of Aero-Engine & Space Operations, the Company (incumbent)	28,000 shares

(Notes)

1. *Marked are candidates for new directors.
2. 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. Mr. Tomokazu Hamaguchi and Mr. Tadashi Okamura are candidates for outside directors.
4. 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, Mr. Tomokazu Hamaguchi will have served 3 years as outside director of the Company. At the conclusion of this meeting, Mr. Tadashi Okamura will have served 1 year as outside director of the Company.
- (4) The Company has concluded contracts with Mr. Tomokazu Hamaguchi and Mr. Tadashi Okamura to limit their 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 their liability for damages under the said contracts shall be the amount stipulated by laws and regulations. If reappointment of these directors is approved, the Company shall continue the aforementioned contract to limit liability with same, respectively.

Agenda Item No. 3: Election of one (1) corporate auditor

Approval is hereby requested for the election of one (1) corporate auditor, as follows, since out of the five (5) current corporate auditors, the term of office of Mr. Takeo Inokuchi will expire at the conclusion of this General Meeting of Shareholders. Consent to submission of this agenda has already been obtained from the Board of Corporate Auditors.

The candidate for the office of corporate auditor is as follows:

Name (Date of Birth)	Brief Personal History, Position at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
Takeo Inokuchi (Apr. 9, 1942)	Apr. 1965: Joined Mitsui Sumitomo Insurance Co., Ltd. (former Taisho Marine and Fire Insurance Co., Ltd.) Apr. 1996: President, Mitsui Sumitomo Insurance Co., Ltd. (former Mitsui Marine and Fire Insurance Co., Ltd.) Jun. 2000: Chief Executive Officer, Chairman, President, Mitsui Sumitomo Insurance Co., Ltd. (former Mitsui Marine and Fire Insurance Co., Ltd.) Oct. 2001: Chairman & CEO, Mitsui Sumitomo Insurance Co., Ltd. Jun. 2003: Corporate Auditor, the Company (incumbent) Apr. 2006: Chairman and Executive Officer, Mitsui Sumitomo Insurance Co., Ltd. Jul. 2007: Senior Advisor, Mitsui Sumitomo Insurance Co., Ltd. (incumbent) (Position at the Company) Corporate Auditor (Significant Concurrent Position) Corporate Auditor, Sanki Engineering Co., Ltd. Corporate Auditor, Kikkoman Corporation	0 shares

(Notes)

1. There is no special interest between the Company and Mr. Takeo Inokuchi.
2. Mr. Takeo Inokuchi is to be appointed as a director of Kaneka Corporation at its ordinary general meeting of shareholders to be held on June 29, 2011.
3. Mr. Takeo Inokuchi is a candidate for outside corporate auditor.
4. The matters to be noted in relation to the candidate for outside corporate auditor are as follows:
 - (1) Mr. Takeo Inokuchi was selected as a candidate for outside corporate auditor in expectation of his management audit skills based on his extensive experience and broad insights as a business manager over many years managing financial institutions.
 - (2) While Mr. Takeo Inokuchi was serving as an outside corporate auditor of the Company, the Company received cease and desist orders in accordance with the Antimonopoly Act for steel bridge superstructure work, tunnel ventilation work, and floodgate construction work conducted between 2005 and 2007. The

Company was indicted by the Tokyo High Court for the crime regarding the steel bridge superstructure work and was required to pay a fine. As a corporate auditor, Mr. Inokuchi has been making efforts prevent such scandals including participation in Board of Directors' compliance review meetings, in order to ensure that all business is conducted in adherence with applicable laws and regulations. He has also been engaged in the investigation into the misconduct and overseeing policies related to other products and services to prevent a reoccurrence of such scandals.

- (3) While Mr. Takeo Inokuchi was serving as an outside corporate auditor of the Company, the Company made corrections to the Annual Securities Report for the fiscal year ended March 31, 2007 and the Semi-annual Report for the six-month period ended September 30, 2006. With respect to making these corrections, the Company received a surcharge payment order from the Financial Services Agency dated July 9, 2008. Mr. Inokuchi has been carrying out his responsibilities as a corporate auditor and made efforts on a daily basis to establish a compliance system. Since this incident occurred, he has been actively participating in meetings of the Board of Directors and the Board of Corporate Auditors to prevent reoccurrence of such incidents and to ensure that an appropriate accounting system has been implemented in Finance & Accounting Division.
- (4) While Mr. Takeo Inokuchi was serving as a director of Mitsui Sumitomo Insurance Co., Ltd. ("that company"), that company was involved in incidents that included improper nonpayment for category-3 insurance (such as lifetime healthcare insurance) and payment defaults for supplemental insurance (such as an extra expense coverage). As a result, that company was issued with a business improvement order and a partial business-suspension order from the Financial Services Agency dated June 21, 2006. In addition, some mistakes in calculations of fire insurance fee were also discovered.
- (5) At the conclusion of this meeting, Mr. Takeo Inokuchi will have served 8 years as an outside corporate auditor of the Company.
- (6) The Company has concluded a contract with Mr. Takeo Inokuchi 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 reappointment of the corporate auditor is approved, the Company shall continue the aforementioned contract to limit liability with same.

[Exercise of Voting Rights by Electronic Measures]

You can exercise your voting rights only through a designated special website specifically for such purpose (<http://www.web54.net>). There is no site tailored for access by mobile phone. When you use it, please read and follow the following rules and instructions:

■ Electronic voting

1. Votes for which rights are exercised by 5:30 P.M. on the day prior to the General Meeting of Shareholders (Thursday, June 23, 2011) shall be effective. Please vote as early as possible to allow us sufficient time to tabulate votes.
2. If any voting rights are exercised multiple times through the Internet etc., the last right exercised shall be considered to be valid.
3. 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.
4. 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 supplied by us and those created by you will only apply to matters related to this General Meeting of Shareholders.
3. 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. Display with screen resolution of 800 x 600 pixels (SVGA) or higher
2. The following applications must be installed:
 - (1) Web browser Microsoft® Internet Explorer Version 5.01 Service Pack 2 or later
 - (2) PDF reader Adobe® Acrobat® Reader™ Version 4.0 or later or Adobe Reader Version 6.0 or later

*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.
- (3) If you use a web browser, add-in tool, or other software with a pop-up blocking function, please disable said function when accessing the website.
- (4) If you have trouble accessing the website, Internet communications may be being limited due to the settings of your firewall, proxy server, security software, etc. Please check their respective settings.

■ **If you are unclear about the operation**

Please contact as below if you are unclear about the operation of Exercise of Voting Rights by Electronic Measures:

<p style="text-align: center;">Chuo Mitsui Securities Agency Web Support [Toll Free] 0120 (65) 2031 (9:00 – 21:00 except Saturday, Sunday and holidays)</p>
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For other inquiries please refer to the following:

- (a) Shareholders with an account at a brokerage firm

Please contact the brokerage firm that you trade with

- (b) Shareholders without an account at a brokerage firm (shareholders with a special account)

Chuo Mitsui Securities Administration Center

Tel: 0120 (78) 2031

Hours: 9:00 – 17:00 (except Saturday, Sunday and holidays)

To Institutional investors

You can exercise your voting rights by electronic measures as above and also can use the electronic platform to exercise voting rights which is operated by ICJ Inc.