

(Translation)

Securities Code: 7013
May 31, 2012

To: Shareholders

IHI Corporation
Tamotsu Saito, President & CEO
1-1, Toyosu 3-chome, Koto-ku, Tokyo

**NOTICE OF CONVOCATION
OF THE 195TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 195th 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. as described in "4. Outline of Exercising Voting Rights by Voting Form or via the Internet, etc." on the following page. Please exercise your voting rights after reviewing the Reference Material for the General Meeting of Shareholders contained herein.

- 1. Date and Time:** June 22, 2012 (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 195th fiscal year (from April 1, 2011 to March 31, 2012), 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 195th fiscal year (from April 1, 2011 to March 31, 2012).

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 two (2) corporate auditors

4. Outline of Exercising Voting Rights by Voting Form or via the Internet, etc.

- (1) 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 21, 2012 (Thursday). 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.
- (2) 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 101 and 102 by using the Internet etc. through the website designated by the Company (<http://www.web54.net>) by 5:30 p.m. on June 21, 2012 (Thursday) (JST).
- (3) Treatment if you exercise your voting rights in duplicate on one agenda item
 - (a) 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.
 - (b) If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.

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 100.
- (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 meeting hall 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, 2011 to March 31, 2012)

1. Matters on Current Status of Company Group

(1) Progress of business operations and their results

In Japan's economy during the fiscal year under review, although supply constrictions due to the effects of the Great East Japan Earthquake mainly contributed to a decline of economy growth at the start of the period, these factors receded faster than initially expected. Together with special demand related to power saving products and digital terrestrial broadcasting, this led to signs of a temporary restoration in domestic consumption. However, the financial crisis in the euro area contributed to the strength of the yen becoming firmly established from the latter half of the fiscal year, leading to a lack of growth in exports, and the economy was flat because of the slow pace of demand for restoration from the Great East Japan Earthquake. Furthermore, the overseas economy as a whole trended towards a slowdown because of monetary restraint in emerging countries such as China and India, as well as rising crude oil prices triggered by the financial crisis in the euro area and the situation in Iran, among other factors.

Under these conditions, the IHI Group worked to strengthen its internal control system, such as by managing the various risks involved in large-scale construction projects and carrying out steadfast monitoring, and made progress on its three-year medium-term management plan, "Group Management Policies 2010", which started in the 2010 fiscal year. In the second year covered by the plan, the Group proactively tackled such objectives as the creation of a business model for the globalization of its businesses and the expansion of the lifecycle business. It also harnessed the collective strength of the Group to achieve the management benchmarks in the plan, which includes 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.

The IHI Group's Soma Works (Soma-city, Fukushima) was damaged by the Great East Japan Earthquake, and there was a temporary impact from this unavoidable stoppage to operations. However, the Group harnessed its Group-wide strengths to restore the plant, and Soma Works was fully restored in May 2011, minimizing the impact of the stoppage on the IHI Group's business performance. In addition, the IHI Group is keenly aware of its mission as a group of companies that plays a part in the development of social infrastructure. Through various efforts such as restoring infrastructure damaged by the disaster, the Group made optimum use of its resources and devoted its full energies towards recovery from the earthquake.

As a result of the above, orders received in the fiscal year under review increased 68.6 billion yen from the previous fiscal year to 1,269.6 billion yen because of a significant increase in Social Infrastructure Operations, despite decreases in businesses including Ships & Offshore Facilities Operations. Although sales from Ships & Offshore Facilities Operations declined, there were increases in Aero Engine & Space Operations and Rotating Equipment & Mass-Production Machinery Operations, among others, and as a result overall sales

increased 34.5 billion yen from the previous fiscal year to 1,221.8 billion yen. Also, the order backlog at the end of the fiscal year under review stood at 1,318.6 billion yen, an increase of 19.9 billion yen from the previous fiscal year-end.

In terms of profits, operating income declined 18.0 billion yen from the previous fiscal year to stay at 43.3 billion yen, and ordinary income also decreased, down 9.7 billion yen from the previous fiscal year to stall at 41.7 billion yen. The decreases reflected declines in profitability in Energy & Resources Operations, Social Infrastructure Operations and Ships & Offshore Facilities Operations, among other factors. Net income decreased 5.9 billion yen from the previous fiscal year to 23.8 billion yen, due mainly to reversal of deferred tax assets as a result of tax reform, despite the recording of a 14.1 billion yen gain on sale of shares, mainly of Tachihi Enterprise Co., Ltd. and New Tachikawa Aircraft Co., Ltd. under extraordinary income. In addition, the Group achieved its target in its "Group Management Policies 2010" for interest-bearing debt of no more than 400 billion yen for two consecutive years, with interest-bearing debt at the end of the fiscal year under review totaling 345.2 billion yen.

The Company sincerely regrets to inform you that it has decided to withhold payment of interim dividends at the end of the first half of the fiscal year under review due to uncertainty in the business environment going forward.

Business operations by sector are summarized as follows.

Note that in the fiscal year under review, in accordance with an entity conversion by the Company, two of its business segments, Physical Distribution Systems & Social Infrastructure, and Rotating & Industrial Machinery, were changed to three business segments: Social Infrastructure, Logistics Systems & Industrial Machinery, and Rotating Equipment & Mass-Production Machinery.

○ **Energy & Resources**

Despite an increase in orders for power systems, boilers and process plants, orders received decreased 19.9 billion yen from the previous fiscal year to 312.8 billion yen owing to declines in orders for storage facilities and components for nuclear power plants.

Sales increased 5.9 billion yen from the previous fiscal year to 312.3 billion yen because of increased sales for storage facilities, boilers and power systems, despite decreases in process plants and components for nuclear power plants.

Operating income declined 11.5 billion yen from the previous fiscal year to 10.9 billion yen because of decreases in sales of process plants and components for nuclear power plants and worsening in profitability in the businesses of boilers.

○ **Ships & Offshore Facilities**

Orders received decreased by 84.1 billion yen from the previous fiscal year to 76.7 billion yen. This was because shipbuilding orders stalled at nine units against the background of the firm establishment of the yen's strength and a decline in ship prices.

Sales declined 13.6 billion yen from the previous fiscal year to 176.2 billion yen because shipbuilding and ship repairs both decreased.

Regarding operating income, owing to the above-mentioned decrease in

sales and the strength of the yen, there was a 3.0 billion yen decline from the previous fiscal year to 7.9 billion yen.

○ **Social Infrastructure**

Orders received increased 96.2 billion yen from the previous fiscal year to 199.5 billion yen because of a substantial increase in bridge orders reflecting the order for construction of the Izmit Bay Bridge in Turkey.

Sales decreased 7.6 billion yen from the previous fiscal year to 114.7 billion yen because of decreases in bridges and water gates, despite an increase in real estate rental.

Operating income declined 3.6 billion yen from the previous fiscal year to 8.2 billion yen primarily because of the decreases in sales of bridges and water gates.

○ **Logistics Systems & Industrial Machinery**

As a result of increases in orders pertaining to the businesses of steel manufacturing equipment and traffic systems in Japan and overseas, orders received increased 20.7 billion yen from the previous fiscal year to 165.5 billion yen.

Sales increased 11.0 billion yen from the previous fiscal year to 152.9 billion yen because of increases in steel manufacturing equipment and material handling systems.

Owing to the sales increase for material handling systems and the contribution from improved profitability in physical distribution and factory automation systems, operating income increased 2.7 billion yen from the previous fiscal year to 5.6 billion yen.

○ **Rotating Equipment & Mass-Production Machinery**

Both orders received and sales increased in the vehicular turbocharger business because of the recovery in the automobile market. As a result, orders received in this business increased 19.6 billion yen from the previous fiscal year to 161.5 billion yen, and sales grew 25.4 billion yen from the previous fiscal year to 165.8 billion yen.

Operating income increased 0.9 billion yen from the previous fiscal year to 10.4 billion yen, reflecting the increase in sales, despite an increase in fixed costs due to capital investment.

○ **Aero Engine & Space**

Orders received increased 20.0 billion yen from the previous fiscal year to 331.1 billion yen mainly because of increased orders for jet engines from the Ministry of Defense.

Sales increased 25.7 billion yen from the previous fiscal year to 299.4 billion yen, reflecting increases in both Ministry of Defense and civil jet engine sales.

Operating income increased 0.2 billion yen from the previous fiscal year to 6.0 billion yen, because of the increase in sales and an improvement in profitability, despite the impact of yen appreciation.

○ **Others**

Orders received declined 4.3 billion yen from the previous fiscal year to 105.2 billion yen because of a decrease in orders for agricultural machinery and construction machinery.

Sales declined 7.0 billion yen from the previous fiscal year to 107.3 billion yen, mainly because of decreases in sales of diesel engines for ships and agricultural machinery.

Operating income declined 0.9 billion yen from the previous fiscal year to 1.1 billion yen.

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

(Millions of yen)

Business Segment	Sales		Orders Received		Order Backlog	
	Amount	%	Amount	%	Amount	%
Energy & Resources	312,356	26	312,897	25	368,459	28
Ships & Offshore Facilities	176,252	14	76,757	6	188,854	14
Social Infrastructure	114,763	9	199,594	16	190,193	14
Logistics Systems & Industrial Machinery	152,937	13	165,543	13	158,393	12
Rotating Equipment & Mass-Production Machinery	165,828	14	161,536	13	17,869	1
Aero Engine & Space	299,462	24	331,110	26	368,864	28
Others	107,310	9	105,227	8	25,984	3
Adjustment	(107,039)	(9)	(82,988)	(7)	—	—
Total	1,221,869	100	1,269,676	100	1,318,616	100
Of which, overseas	521,010	43	562,777	44	570,797	43

(2) Financing

The balance of loans payable at the end of the current fiscal year was 266.1 billion yen. This is a 30.8 billion yen decrease from the end of the previous fiscal year and was the result of reduced external borrowings due to the promotion of effective financing through internal group financing.

With regards to bonds payable, the ending balance of bonds payable at the end of the fiscal year was 63.4 billion yen because the Company redeemed the 32nd unsecured bonds (10.0 billion yen) in February 2012 but also issued the 36th unsecured bonds (10.0 billion yen) in March 2012.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 53.5 billion yen as a result of the Company having made progress centering on flagship businesses as well as growth and focal businesses stipulated by “Group Management Policies 2010”, such as additional factory constructions for jet engines in the Aero Engine & Space Operations, a manufacturing facility in the Energy & Resources Operations, and a manufacturing facility for our vehicular turbocharger manufacturing subsidiary in the Rotating Equipment & Mass-Production Machinery Operations.

(4) Issues to be addressed

During the fiscal year under review, which is the second year of “Group Management Policies 2010”, a variety of factors had a negative impact on profits, including supply chain fragmentation caused by the Great East Japan Earthquake and the major flooding in Thailand, electric power restrictions, unprecedented strength in the yen, and reversal of deferred tax assets in line with a change in corporate tax rates. Even so, the Group secured profits roughly in line with initial plans and all of its business segments recorded operating profits for three consecutive years thanks to the effects of measures for stability in the business base. The Group believes that it has achieved certain positive results in the construction of its internal control system, which it has been working on over the past few years.

The Group is also taking the following measures and pushing ahead with business structure reforms in order to ensure its survival as a group of companies in the face of global competition, which is expected to intensify even more in future.

Preparations are underway for the management integration of IHI Marine United Inc. and Universal Shipbuilding Corporation, for which a Memorandum of Understanding was concluded in January 2012, with the current aim of launching the new company for integration on October 1, 2012. The name of the new company is to be Japan Marine United Corporation. It is expected that this business integration will result in the enhancement of the product lineup, acceleration of product development, and better capability to procure material and equipment. The objective of the new company will be to come out on top when competing against the fierce competition from overseas shipyards, particularly in South Korea and China, and realize strategies for further growth as an established industry leader with cross-industry capabilities.

Regarding the tender offers for common stock of IHI Transport Machinery

Co., Ltd. and Ishikawajima Construction Materials Co., Ltd. conducted in February and March 2012, IHI has acquired over 90% of the issued shares of each of the companies and is moving ahead with measures to make the companies wholly-owned subsidiaries. With this move, IHI believes it will be ready to meet future intensification of the competitive environment in the companies' respective industry segments, and handle uncertain economic conditions, by being in a better position to boost synergies from sharing management resources such as design, sales and procurement capabilities and generating innovation by strengthening tie-ups with R&D functions.

It is thought that the economic environment will continue to change substantially in future, mainly because of soaring prices of material and equipment and an increase in foreign exchange fluctuation risk. In addition, the Group's prospects for achieving its target of consolidated ordinary income of 60.0 billion yen, established upon the formulation of the "Group Management Policies 2010," have been severely diminished for the 2012 fiscal year. Even so, the Group has maintained its numerical targets and will continue to work for its realization. It also recognizes the importance of taking the present changing environment as an opportunity for corporate reform and responding to future changes even more speedily. Based on this recognition, the Group will implement the following series of measures in the 2012 fiscal year in addition to the measures already taken.

- Furthermore promote comprehensive operating activity in such areas as earthquake reconstruction with a number of divisions. Additionally, work to win more orders by such means as strengthening capabilities to handle large-scale projects by carrying out organizational restructuring in order to handle design, procurement and construction in a unified manner.
- Carefully observe energy policy trends, and examine and formulate a growth strategy in the energy and resources field in light of marketability and the IHI Group's strengths.
- Establish a Regional Headquarter for Asia Pacific, and it accelerates globalization of operations further by such means as business expansion in Southeast Asia and increasing global procurement by countering strength in the yen. .

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

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

(5) Changes in assets and profit/loss

(Millions of yen)

Item	192 nd Fiscal Year	193 rd Fiscal Year	194 th Fiscal Year	195 th Fiscal Year
Orders Received	1,176,749	970,422	1,200,999	1,269,676
Net Sales	1,388,042	1,242,700	1,187,292	1,221,869
Ordinary Income	13,521	33,027	51,482	41,715
Net Income	(7,407)	17,378	29,764	23,823
Net Income per Share (Yen)	(5.05)	11.85	20.29	16.26
Total Assets	1,489,342	1,412,421	1,361,441	1,338,131
Net Assets	205,950	227,065	253,640	258,475

(6) Main business (As of March 31, 2012)

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 liquefied 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 vessels, coast guard ships, work vessels, offshore structures, etc.
Social Infrastructure	Design, manufacture, sale, installation, repair, overhaul and maintenance of bridges, water gate, construction materials, etc.; and sales, purchase, lease, brokerage, management, maintenance and preservation of real-estate, and land development
Logistics Systems & Industrial Machinery	Design, manufacture, sale, installation, repair, overhaul and maintenance of material handling systems including cranes, physical distribution and factory automation systems, parking, transportation system, iron and steel manufacturing equipment, heat treatment facilities, paper production machines, environmental control systems, etc.
Rotating Equipment & Mass-Production Machinery	Design, manufacture, sale, installation, repair, overhaul and maintenance of compressors, vehicular turbochargers, superchargers for ships, etc.
Aero Engine & Space	Design, manufacture, sale, installation, repair, overhaul and maintenance of jet engines, space-related equipment, defense machinery, etc.
Others	Design, manufacture, sale, installation, repair, overhaul and maintenance of diesel engines, agricultural machinery, construction machinery, etc.; and services

(7) Main sales offices and works (As of March 31, 2012)

1) The Company

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

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

(8) Employees of Corporate Group (As of March 31, 2012)

Business Segment	Number of Employees
Energy & Resources	6,187
Ships & Offshore Facilities	2,795
Social Infrastructure	1,547
Logistics Systems & Industrial Machinery	3,667
Rotating Equipment & Mass-Production Machinery	3,605
Aero Engine & Space	5,750
Others	2,601
Corporate (company-wide)	763
Total	26,915

(880 increase compared with March 31, 2011)

(9) 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, 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
Niigata Power Systems Co., Ltd.	3,000 million yen	100.00%	Manufacture and sale of internal combustion engines, gas turbine engines and marine equipment
IHI Transport Machinery Co., Ltd. (Note 1)	2,647 million yen	97.27%	Design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants
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 1)	1,665 million yen	93.23%	Design, manufacture, sale, installation and repair of concrete products 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 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

Company Name	Capital	Voting Interest of the Company	Main Business
IHI STAR Machinery Corporation (Note 2)	500 million yen	100.00%	Design, manufacture, sale, maintenance and repair of agricultural machinery
JURONG ENGINEERING LIMITED (Note 3)	51,788 thousand Singapore dollars	95.56%	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants
IHI INC. (Note 4)	19, 975 thousand US dollars	100.00%	Sale, order procurement and maintenance of various plant, machinery and jet engine , etc.
Changchun FAWER-IHI Turbo Co., Ltd. (Note 5)	158,300 thousand Chinese yuan	57.16%	Manufacture and sale of vehicular turbochargers
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 TURBO (THAILAND) CO., LTD. (Note 6)	260,000 thousand Thai baht	90.00%	Manufacture and sale of vehicular turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd. (Note 7)	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

(Notes)

1. The Company conducted tender offers for common stock of IHI Transport Machinery Co., Ltd. and Ishikawajima Construction Materials Co., Ltd. during the fiscal year under review. As a result, the Company's voting interests in the two companies increased.
2. 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.
3. 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.
4. 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.

5. Due to the increased materiality of Changchun FAWER-IHI Turbo Co., Ltd. in the IHI Group, it was added to the scope of consolidation. The Company's voting interest in Changchun FAWER-IHI Turbo Co., Ltd. includes 7.79% voting interest held by IHI Turbo Co., Ltd., a subsidiary of the Company.
6. 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.
7. 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.
8. On October 1, 2011, the entire business of PC Bridge Co., Ltd. was transferred to ISMIC Co., Ltd. (now IHI Construction Service Co., Ltd.), a subsidiary of IHI Infrastructure Systems Co., Ltd.

(10) Main lenders of Corporate Group (As of March 31, 2012)

(Millions of yen)	
Lender	Amount
Mizuho Corporate Bank, Ltd.	50,086
Sumitomo Mitsui Banking Corporation	38,633
Development Bank of Japan Inc.	26,144
The Chuo Mitsui Trust and Banking Company, Limited	20,760
The Sumitomo Trust and Banking Co., Ltd.	19,625
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,619
THE HACHIJUNI BANK, LTD	12,972
Nippon Life Insurance Company	8,960
The Dai-ichi Life Insurance Company, Limited	8,500
The Yamaguchi Bank, Ltd.	7,150

(Note) The Sumitomo Trust and Banking Co., Ltd. and The Chuo Mitsui Trust and Banking Company, Limited merged on April 1, 2012 in a three-company merger that included Chuo Mitsui Asset Trust and Banking Company, Limited and formed Sumitomo Mitsui Trust Bank, Limited.

2. Company Officers

(1) Directors and Corporate Auditors (as of March 31, 2012)

Title	Name	Responsibilities and significant concurrent position(s)
President & CEO	Kazuaki Kama	Vice President, The Materials Process Technology Center Chairman, Coastal Development Institute of Technology Chairman, The Shipbuilders' Association of Japan Chairman, Japanese Aero Engines Corporation
Executive Vice President	Yuji Hiruma	Assistant to the President In charge of Group Operations President of Global Marketing Headquarters Chairman, Japan Bridge Association
Executive Vice President	Ichiro Hashimoto	Assistant to the President
Executive Vice President	Tamotsu Saito	Assistant to the President In charge of Business Relating to Corporate Business Development, and Procurement and Monozukuri Innovation
Executive Vice President	Fusayoshi Nakamura	Assistant to the President President of Vehicular Turbocharger 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 and 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 Business Relating to Legal, CSR and Administration In charge of Group Compliance and Risk Management
Director	Ichiro Terai	General Manager of Finance & Accounting Division
Director	Tatsumi Kawatani	President of Machinery, Environmental & Logistics Systems Operations

Title	Name	Responsibilities and significant concurrent position(s)
Director	Izumi Imoto	President of Infrastructure Operations
Director	Toshinori Sekido	President of Aero-Engine & Space Operations
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company
Director	Tadashi Okamura	Chairman, The Japan Chamber of Commerce and Industry Chairman, The Tokyo Chamber of Commerce and Industry Outside Director, Japan Post Holdings Co., Ltd. External Director, The Shoko Chukin Bank, Ltd.
Standing Corporate Auditor	Teruo Shimizu	
Standing Corporate Auditor	Masakazu Maruyama	
Corporate Auditor	Takeo Inokuchi	Outside Corporate Auditor, Sanki Engineering Co., Ltd. Outside Corporate Auditor, Kikkoman Corporation Independent Member of the Board, Kaneka Corporation
Corporate Auditor	Nobuo Gohara	Attorney at Law
Corporate Auditor	Hisatsugu Nonaka	Outside Director, Miraca Holdings Inc.

- (Notes)
1. Effective April 1, 2012, incorporated foundations and incorporated associations that are stated in responsibilities and significant concurrent position(s) have changed to general incorporated foundations and general incorporated associations.
 2. Director: Messrs. Tomokazu Hamaguchi and Tadashi Okamura are outside directors.
 3. Corporate Auditor: Messrs. Takeo Inokuchi, Nobuo Gohara, and Hisatsugu Nonaka are outside corporate auditors.
 4. 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.).
 5. The Company has registered Corporate Auditor Mr. Nobuo Gohara with domestic financial instrument exchanges (where the Company is listed) as an independent officer.

(2) Directors who resigned during this fiscal year

A director who held office during this fiscal year and whose terms expired during this fiscal year is as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Yasuyuki Watanabe	Assistant to the President Chairman, Japanese Aero Engines Corporation	June 24, 2011

(3) Directors' responsibilities as of April 1, 2012

Directors' responsibilities as of April 1, 2012 are as follows:

Position	Name	Responsibilities
Chairman of the Board	Kazuaki Kama	
President	Tamotsu Saito	
Executive Vice President	Fusayoshi Nakamura	Assistant to the President
Executive Vice President	Kazuo Tsukahara	Assistant to the President In charge of Business Relating to Procurement and Human Resources
Executive Vice President	Sadao Degawa	Assistant to the President In charge of Group Engineering In charge of Business Relating to Information Systems and Corporate Business Development
Director	Yuji Hiruma	Assistant to the President
Director	Ichiro Hashimoto	Assistant to the President
Director	Makoto Serizawa	In charge of Business Relating to Corporate Audit
Director	Joji Sakamoto	In charge of Business Relating to Public Relations and Investor Relations, Legal, CSR and Administration In charge of 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; General Manager of Monozukuri Innovation Initiative
Director	Toshinori Sekido	President of Aero-Engine & Space Operations In charge of Business Relating to Defense

- (Notes)
1. Executive Vice President, Mr. Fusayoshi Nakamura supervises Rotating Machinery Operations, Vehicular Turbocharger Operations and Agricultural Machinery Business Administration.
 2. Executive Vice President, Mr. Kazuo Tsukahara supervises Urban Development Operations.
 3. Executive Vice President, Mr. Sadao Degawa supervises Nuclear Power Operations and Lithium-Ion Battery Business Development.
 4. Director, Mr. Makoto Serizawa supervises Project Audit Division.
 5. 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, 2012, are as follows:

Position	Name	Responsibilities
* Chief Executive Officer	Tamotsu Saito	
* 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	President of Global Marketing Headquarters
* Managing Executive Officer	Izumi Imoto	President of Infrastructure Operations; General Manager of Monozukuri Innovation Initiative
Managing Executive Officer	Eiichi Yoshida	Vice President of Global Marketing Headquarters; Chief Regional Officer in China
Managing Executive Officer	Naruto Takata	General Manager of Procurement Strategies
Managing Executive Officer	Osamu Abiko	President of Nuclear Power Operations
* Managing Executive Officer	Ichiro Terai	General Manager of Finance & Accounting Division
Executive Officer	Akira Inoue	President of Urban Development Operations
Executive Officer	Ichiro Murai	Vice President of Machinery, Environmental & Logistics Systems Operations
Executive Officer	Yutaka Yoshida	General Manager of Corporate Planning Division
Executive Officer	Hiroshi Asakura	General Manager of Corporate Research & Development
Executive Officer	Tsugio Mitsuoka	Vice President of Aero-Engine & Space Operations
Executive Officer	Hiromitsu Hamamura	President of Energy Operations
Executive Officer	Hiroyuki Otani	Vice President of Energy Operations
Executive Officer	Mikio Mochizuki	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Kazuyoshi Matsui	President of Plant Engineering Operations
Executive Officer	Junichi Sakaki	President of Rotating Machinery Operations
Executive Officer	Akira Tateno	Vice President of Aero-Engine & Space Operations
Executive Officer	Naoya Domoto	Vice President of Energy Operations
Executive Officer	Hiromu Furukawa	President of Vehicular Turbocharger Operations
Executive Officer	Akinori Abe	President of Offshore Project & Steel Structures 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	16	550	61	81	693
Corporate Auditor	5	87	—	—	87
Total (Of which, number of outside officers)	21 (5)	637 (45)	61 (—)	81 (—)	781 (45)

- (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. During the fiscal year under review, 13 directors (excluding outside directors) were paid 144 million yen in performance-based bonuses for the fiscal year ended March 31, 2011.
 4. Maximum total amount of corporate auditors' remuneration is set at 90 million yen or below per year as determined at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007.
 5. The numbers of directors and corporate auditors as of March 31, 2012 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 1 director who resigned at the conclusion of the 194th Ordinary General Meeting of Shareholders held on June 24, 2011.

(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 corporate 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) Significant concurrent positions at other entities and the relationship between the Company and those entities

Significant concurrent positions at other entities are as follows. There is no special relationship between the Company and these entities.

Position	Name	Significant concurrent positions at other entities
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company
Director	Tadashi Okamura	Chairman, The Japan Chamber of Commerce and Industry Chairman, The Tokyo Chamber of Commerce and Industry Outside Director, Japan Post Holdings Co., Ltd. External Director, The Shoko Chukin Bank, Ltd.
Corporate Auditor	Takeo Inokuchi	Outside Corporate Auditor, Sanki Engineering Co., Ltd. Outside Corporate Auditor, Kikkoman Corporation

Position	Name	Significant concurrent positions at other entities
		Independent member of the board, Kaneka Corporation
Corporate Auditor	Nobuo Gohara	Attorney at Law
Corporate Auditor	Hisatsugu Nonaka	Outside Director, Miraca Holdings Inc.

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

Position	Name	Attendance of meetings		Activities
		Directors' meetings	Auditors' meetings	
Director	Tomokazu Hamaguchi	17 of 19 (89%)	-	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	14 of 19 (74%)	-	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	16 of 19 (84%)	11 of 13 (85%)	Addressed questions and expressed opinions accordingly from the viewpoint of an experienced business manager of financial institutions.
Corporate Auditor	Nobuo Gohara	18 of 19 (95%)	13 of 13 (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a leading expert on corporate compliance.
Corporate Auditor	Hisatsugu Nonaka	18 of 19 (95%)	12 of 13 (92%)	Addressed questions and expressed opinions accordingly from the viewpoint of a business manager with global experience of manufacturing industries.

(iii) 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, 2012)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued (excluding 2,853,236 treasury stock shares): 1,464,205,246
- (iii) Total number of shareholders: 104,699
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Holder in Trust)	70,649	4.82
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)	55,422	3.78
The Dai-ichi Life Insurance Company, Limited	54,060	3.69
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	48,516	3.31
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	2.98
IHI Customer Stock Ownership Association	26,939	1.83
Nippon Life Insurance Company	23,867	1.63
Mitsui Sumitomo Insurance Co., Ltd	22,268	1.52
Sumitomo Life Insurance Company	21,624	1.47
Mizuho Corporate Bank, Ltd.	20,801	1.42

- (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 (2,853,236 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:

Name (Date of decision)	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Amount to be paid in (per subscription right to shares)	Value of property to be contributed upon exercise (per subscription right to shares)	Exercise period
1 st Subscription Rights to Shares (July 23, 2007)	87	Common stock 87,000 shares	462,000 yen	1,000 yen	From August 10, 2007 to August 9, 2037
2 nd Subscription Rights to Shares (July 22, 2008)	251	Common stock 251,000 shares	185,000 yen	1,000 yen	From August 19, 2008 to August 18, 2038
3 rd Subscription Rights to Shares (July 21, 2009)	336	Common stock 336,000 shares	165,000 yen	1,000 yen	From August 6, 2009 to August 5, 2039
4 th Subscription Rights to Shares (July 23, 2010)	435	Common stock 435,000 shares	154,000 yen	1,000 yen	From August 10, 2010 to August 9, 2040
5 th Subscription Rights to Shares (July 25, 2011)	347	Common stock 347,000 shares	178,000 yen	1,000 yen	From August 18, 2011 to August 17, 2041

(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 its position (in the event that such individual assumes the position of corporate auditor within one (1) year after he/she resigns a director or an executive officer, 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 the Exercise Start Date does not become effective by the dates indicated below for each of the subscription rights to shares (the “due date”):

Name	Due date	Exercise period of subscription rights to shares
1 st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Subscription Rights to Shares	August 9 2039	From August 10, 2039 to August 9, 2040
5 th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041

- (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

Name (Date of decision)	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)	81	81,000 shares	8	6	6,000 shares	1
2 nd Subscription Rights to Shares (July 22, 2008)	251	251,000 shares	12	-	- shares	-
3 rd Subscription Rights to Shares (July 21, 2009)	336	336,000 shares	13	-	- shares	-
4 th Subscription Rights to Shares (July 23, 2010)	435	435,000 shares	13	-	- shares	-
5 th Subscription Rights to Shares (July 25, 2011)	347	347,000 shares	13	-	- shares	-

(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 25, 2011
Number of subscription rights to shares	246
Class and number of underlying shares	Common stock: 246,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in	178,000 yen per subscription right to shares
Value of property to be contributed upon exercising	1,000 yen per subscription right to shares (1 yen per share)
Exercise period	From August 18, 2011 to August 17, 2041
Status of granting	Number of subscription rights to shares: 246 Number of underlying shares: 246,000 Number of individuals to whom subscription rights to shares have been granted: 14

- (Notes) Terms and conditions for exercising subscription rights to shares are as follows.
1. Subscription rights to shares shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of corporate auditor within one (1) year after he/she resigns a director or an executive officer, 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 17, 2040
From August 18, 2040 to August 17, 2041
 - (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. (As of March 31, 2012)

Date of Issue	Number of subscription rights to shares	Class and number of underlying shares	Amount to be paid in	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	187	million yen
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	540	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 Corporation 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 compensation paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts. Overseas subsidiaries of the Company are audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of non-audit services

The Company entrusts the accounting auditor with the services regarding "Advice and support for 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.

Directors 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, 2012)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	844,364	Current liabilities	689,693
Cash and deposits	63,914	Notes and accounts payable–trade	293,493
Notes and accounts receivable–trade	348,671	Short-term loans payable	124,194
Short-term investment securities	2,736	Current portion of bonds payable	10,000
Finished goods	23,320	Accrued expenses	40,737
Work in process	218,224	Income taxes payable	13,208
Raw materials and supplies	109,500	Advances received	104,393
Deferred tax assets	29,597	Provision for bonuses	24,700
Other	54,684	Provision for construction warranties	15,526
Allowance for doubtful accounts	(6,282)	Provision for loss on construction contracts	29,189
		Provision for loss on disaster	386
		Other provision	482
Noncurrent assets	493,767	Other	33,385
Property, plant and equipment	334,745	Noncurrent liabilities	389,963
Buildings and structures	153,596	Bonds payable	53,450
Machinery, equipment and vehicles	59,214	Long-term loans payable	141,967
Land	88,792	Deferred tax liabilities for land revaluation	5,811
Lease assets, net	14,034	Provision for retirement benefits	129,037
Construction in progress	5,914	Other provision	4,392
Other	13,195	Other	55,306
Intangible assets	23,612	Total liabilities	1,079,656
Goodwill	5,073	Net Assets	
Software	14,784	Shareholders' equity	254,342
Royalties and other intangible assets	3,755	Capital stock	95,762
		Capital surplus	43,044
Investments and other assets	135,410	Retained earnings	116,083
Investment securities	68,568	Treasury stock	(547)
Deferred tax assets	42,946	Accumulated other comprehensive income	(4,203)
Other	30,043	Valuation difference on available-for-sale securities	(361)
Allowance for doubtful accounts	(6,147)	Deferred gains or losses on hedges	(55)
		Revaluation reserve for land	4,665
		Foreign currency translation adjustment	(8,452)
		Subscription rights to shares	462
		Minority interests	7,874
		Total net assets	258,475
Total assets	1,338,131	Total liabilities and net assets	1,338,131

Consolidated Statement of Income
(Year ended March 31, 2012)

(Millions of yen)

Account title	Amount
Net sales	1,221,869
Cost of sales	1,025,884
Gross profit	195,985
Selling, general and administrative expenses	152,652
Operating income	43,333
Non-operating income	
Interest and dividends income	3,396
Equity in earnings of affiliates	614
Foreign exchange gains	55
Contribution to research and development costs	2,295
Other	7,848
Non-operating expenses	
Interest expenses	5,258
Other	10,568
Ordinary income	41,715
Extraordinary income	
Gain on sales of investment securities	14,104
Gain on sales of noncurrent assets	3,468
Proceeds from accident insurance	2,000
Gain on negative goodwill	1,416
Gain on sale of subsidiary stock	1,103
Extraordinary losses	
Cost of environment conservation measures	4,157
Impairment loss	2,182
Loss on valuation of investment securities	1,864
Provision for loss on subsidiaries and affiliates	1,288
Income before income taxes and minority interests	54,315
Income taxes—current	16,003
Income taxes—deferred	13,144
Income before minority interests	25,168
Minority interests	1,345
Net income	23,823

Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2012)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	95,762	43,037	95,973	(88)	234,684
Changes of items during the period					
Dividends from surplus			(4,400)		(4,400)
Net income			23,823		23,823
Purchase of treasury stock				(484)	(484)
Disposal of treasury stock		7		25	32
Net increase from newly consolidated subsidiaries			673		673
Reversal of revaluation reserve for land			14		14
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	7	20,110	(459)	19,658
Balance at the end of current period	95,762	43,044	116,083	(547)	254,342

	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 at the beginning of current period	6,508	(75)	3,872	(6,903)	3,402	388	15,166	253,640
Changes of items during the period								
Dividends from surplus					—			(4,400)
Net income					—			23,823
Purchase of treasury stock					—			(484)
Disposal of treasury stock					—			32
Net increase from newly consolidated subsidiaries					—			673
Reversal of revaluation reserve for land					—			14
Net changes of items other than shareholders' equity	(6,869)	20	793	(1,549)	(7,605)	74	(7,292)	(14,823)
Total changes of items during the period	(6,869)	20	793	(1,549)	(7,605)	74	(7,292)	4,835
Balance at the end of current period	(361)	(55)	4,665	(8,452)	(4,203)	462	7,874	258,475

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: 99

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., IHI Plant Construction Co., Ltd.,
IHI STAR Machinery Corporation, JURONG ENGINEERING LIMITED,
IHI INC., Changchun FAWER-IHI Turbo Co., Ltd.,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.,
IHI EUROPE Limited

Number of consolidated subsidiaries increased by 2 due to additional acquisition of shares, 3 due to new establishment of the companies and 2 due to increase in materiality, and decreased by 1 due to decrease in materiality, 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: 16

Names of major equity method affiliates:

Turbo Systems United Co., Ltd. and others

In the fiscal year under review, the number of affiliated companies accounted for by the equity method increased by 1 due to increase in materiality and decreased by 2 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 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.

II. Changes in Presentation

(Consolidated balance sheet)

“Lease assets, net,” which was included in “Other” under property, plant and equipment in the previous fiscal year, increased in materiality, and has therefore been separately presented in property, plant and equipment in the fiscal year under review. “Lease assets, net” included in “Other” under property, plant and equipment totaled 11,606 million yen in the previous fiscal year.

III. Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

533,947 million yen

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Cash and deposits	144 million yen
Notes and accounts receivable - trade	96 million yen
Raw materials and supplies	5 million yen
Other Current assets	2,744 million yen
Buildings and structures	2,784 million yen
Machinery, equipment and vehicles	323 million yen
Land	11,055 million yen
Other property, plant, and equipment	20 million yen
Other investments and other assets	7 million yen

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

Buildings and structures	284 million yen
Machinery, equipment and vehicles	115 million yen
Land	2,613 million yen
Other property, plant, and equipment	20 million yen

(2) Secured liabilities

Short-term loans payable	5,586 million yen
Other Current liabilities	504 million yen
Long-term loans payable	3,257 million yen
Other Noncurrent liabilities	4,200 million yen

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

Short-term loans payable	2,475 million yen
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3. Contingent liabilities

(1) Liabilities on guarantee (*)

(Millions of yen)

Guarantee Given to	Amount	Description
Japanese Aero Engines Corporation	4,785	Guarantee of loans for purchase of fuselages, lease obligation and guarantee of asset value
UNIGEN Inc.	4,410	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,823	Guarantee for lease obligations and loans from financial institutions
IHI Group Health Insurance Association	1,081	Loans from financial institutions
IHI Logistics System Technology Shanghai Co., Ltd.	904	Loans from financial institutions
Giken Technology Co., Ltd.	237	Loans from financial institutions
Construction machinery customers	150	Guarantee for lease obligations
Japan Aeroforge, Ltd.	118	Loans from financial institutions
Employees	106	Guarantee on mortgage and education loans, etc.
Kinki Ishiko Co., Ltd.	19	Loans from financial institutions
Total	13,633	

(2) Quasi-guarantee (*)

(Millions of yen)

Guarantee Given to	Amount	Description
Employees	11,837	Guarantee on mortgage and guarantee on bank loans, etc.
IHI Group Health Insurance Association	1,116	Loans from financial institutions
Turbo Systems United Co., Ltd.	60	Loans from financial institutions
Total	13,013	

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

4. Notes receivable-trade discounted

2,018 million yen

5. Notes receivable endorsed

0 million yen

6. Notes with maturity date at the end of the fiscal year

Accounting of notes with maturity date at the end of the fiscal year is settled on the date of bank clearing.

Therefore, because the last day of the fiscal year under review was a bank holiday, the following notes that matured at the end of the fiscal year are included in the balance at the end of the fiscal year.

Notes receivable-trade	1,504 million yen
Notes payable-trade	2,763 million yen

IV. 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 April 1, 2011	Increase	Decrease	Number of Shares at March 31, 2012
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 April 1, 2011	Increase	Decrease	Number of Shares at March 31, 2012
Common stock	408,509	2,566,727	122,000	2,853,236

(Notes)

1. Of the increase in shares, 2,556,000 shares are the result of acquisitions by purchase on the stock exchange, and 10,727 shares are the result of the purchase of shares less than one unit.
2. Of the decrease in shares, 1,000 shares are due to the sale of fractional shares at the request of shareholders and 121,000 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 24, 2011 Ordinary General Meeting of Shareholders	Common stock	4,400	3	March 31, 2011	June 27, 2011

(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 22, 2012 Ordinary General Meeting of Shareholders	Common stock	5,857	4	March 31, 2012	June 25, 2012

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

Common stock 2,507,000 shares

V. 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, 2012, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	63,914	63,914	-
(2) Notes and accounts receivable - trade	348,671		
Allowance for doubtful accounts(*1)	(3,958)		
	344,713	344,480	(233)
(3) Short-term investment securities and investment securities	36,354	36,354	0
Securities to be held until maturity	2,100	2,100	0
Available-for-sale securities	34,254	34,254	-
Total assets	444,981	444,748	(233)
(4) Notes and accounts payable - trade	293,493	293,493	-
(5) Short-term loans payable	124,194	124,194	-
(6) Bonds payable	63,450	64,776	1,326
(7) Long-term loans payable	141,967	143,059	1,092
Total liabilities	623,104	625,522	2,418
(8) Derivatives (*2)			
(a) Derivatives to which hedge accounting is applied	(991)	(991)	-
(b) Derivatives to which hedge accounting is not applied	(77)	(77)	-
Derivatives, total	(1,068)	(1,068)	-

(*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 which are subject to either designated hedge accounting of forward exchange contracts, etc. or exceptional treatment of interest rate swaps are measured depending on the conditions of cases where they are accounted for together with said derivatives.
 - (8) Derivatives
The fair value of foreign exchange contracts is based on the market value at the exchange. Forward exchange contracts, etc., which qualify for the designated hedge accounting, are accounted for together with notes and accounts receivable-trade, notes and accounts payable-trade or long-term loans payable designated as a hedged item. Therefore, their fair values are included in the fair value of any of these items (please refer to the above (2), (4) and (7)).

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 25,612 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.

VI. 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 6,067 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
96,439	257,240

(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, 2012 are measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VII. 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 in March 2005, in order to obtain stable funding, and the Company uses 1 SPC which is a special limited liability company. 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 of this SPC, as at its most current closing date, are 5,564 million yen and 5,050 million yen, respectively.

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

The Company used 1 SPC for a securitization of real estate property executed in March 2004. However, the Company repurchased the beneficiary rights of real estate in trust from said SPC in March 2011, and it was dissolved in June 2011.

As a result, the Company is receiving reimbursements with regard to investments in capital under the anonymous association contract during the fiscal year under review.

2. Amounts of Transactions with SPC

(Millions of yen)

Description of transaction	Amounts of major transactions or balance as at March 31, 2012	Major income or loss	
		Account name	Amount
Investment in capital (Note 1)	308	Non-operating income (Note 2)	207
Property management contract services	-	Operating income	3
Reimbursement of investment in capital (Note 3)	1,486	-	-

(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 breakdown of reimbursement of investment in capital is investments in capital under the anonymous association contract, which was recorded as available-for-sale securities.

VIII. Per Share Information

1. Net assets per share 170.84 yen
2. Net income per share 16.26 yen
3. Number of shares for the basis of calculation of Net income per share 1,465,316,126 shares

IX. Significant Subsequent Events

No applicable item.

X. Other Notes

(Adoption of Accounting Standard for Accounting Changes and Error Corrections, etc.)

For accounting changes and corrections of prior period errors made on and after the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

(Correction of deferred tax assets and liabilities due to change in effective corporation tax rates)

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates will be reduced, and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed, for the fiscal years beginning on or after April 1, 2012. As a result of this change, deferred tax assets (net of deferred tax assets and liabilities) decreased by 5,224 million yen. Moreover, deferred income taxes increased by 6,473 million yen.

(Transfer of property owned by the Company)

There is no material change as of the end of the fiscal year under review in the information about the transfer of property owned by the Company based on the resolution at a meeting of the Board of Directors held on May 23, 2011, which was stated in the section of significant subsequent events in the previous fiscal year.

The outline of the transfer is shown below.

(1) Name and location of assets to be transferred

A portion of land at 1-54, Toyosu 3-chome, Koto-ku, Tokyo
(Approx. 10,880 sq. meters)

(2) Book value

Approx. 600 million yen

(3) Planned value of the transfer

Approx. 14,100 million yen

(4) Transferee

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

(5) Time for conclusion of the agreement

First half of fiscal year 2012 (planned)

(6) Time for the transfer of equity

First half of fiscal year 2012 (planned)

The equity for sale and planned value of the transfer may change by the time for conclusion of the agreement.

(Management integration of IHI Marine United Inc. and Universal Shipbuilding Corporation)

A Memorandum of Understanding was concluded on January 30, 2012, regarding management integration of IHI Marine United Inc. ("IHI Marine United"), a consolidated subsidiary of the Company, and Universal Shipbuilding Corporation ("Universal Shipbuilding"), a group company of JFE Holdings, Inc. ("JFE Holdings") (the "Management Integration").

The outline of the Management Integration is shown below.

(1) Method of the Management Integration and conditions including ratio of allotment in connection with the Management Integration

(i) Schedule of the Management Integration

Execution of final agreement

By August 31, 2012 (planned)

General meetings of shareholders of the companies involved in the Management Integration

By September 30, 2012 (planned)

Effective date of the Management Integration

October 1, 2012 (planned)

(ii) Method of the Management Integration

Management integration through merger whereby Universal Shipbuilding will become the surviving company.

(iii) Conditions including ratio of allotment in connection with the Management Integration

IHI Marine United and Universal Shipbuilding shall carry out the Management Integration on an equal footing. However, conditions including the ratio of allotment in connection with the Management Integration will be decided by executing the final agreement.

(2) Status of new company after integration created by the Management Integration

(i) Trade name of new company after integration

Japan Marine United Corporation

(ii) Location of head office, capital and fiscal year end

These details are not yet decided, and will be determined by the date of execution of final agreement on the Management Integration, upon consultation among the related parties.

(iii) Chairman and President of new company after integration

Chairman: Shigemi Kurahara (present President & Chief Executive Officer of IHI Marine United)

President: Shinjiro Mishima (present President and CEO of Universal Shipbuilding)

(iv) Major shareholders and ratio of shareholding

The following shareholders and shareholding ratios are expected. As each figure is rounded off to two decimal places, the total figure exceeds 100%.

The Company	45.93%
JFE Holdings	45.93%
Hitachi Zosen Corporation	8.15%

(v) Places of business and plants

Places of business and plants of the new company after integration shall be all the places of business and plants held by IHI Marine United and Universal Shipbuilding.

(vi) Employees

The new company after integration shall succeed all the employees of IHI Marine United and Universal Shipbuilding as of the effective date of the Management Integration.

The Management Integration is conditional on permission from the competent authorities and the approval of the respective general meetings of shareholders of both companies.

(Note) In preparing the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to the consolidated financial statements any fractional amount less than one unit of monetary value is rounded off.

Non-Consolidated Balance Sheet
(As of March 31, 2012)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	479,900	Current liabilities	413,430
Cash and deposits	25,993	Notes payable-trade	4,408
Notes receivable-trade	5,251	Accounts payable-trade	139,627
Accounts receivable-trade	152,777	Short-term loans payable	127,677
Short-term investment securities	1	Current portion of bonds payable	10,000
Finished goods	40	Lease obligations	1,246
Work in Process	121,693	Accounts payable-other	15,068
Raw materials and supplies	85,051	Accrued expenses	26,347
Advance payments-other	9,902	Income taxes payable	1,537
Prepaid expenses	4,689	Advances received	52,347
Deferred tax assets	15,378	Deposits received	1,236
Accounts receivable-other	20,845	Provision for bonuses	8,752
Short-term loans receivable	39,726	Provision for directors' bonuses	152
Other	3,522	Provision for construction warranties	9,982
Allowance for doubtful accounts	(4,972)	Provision for loss on construction contracts	12,091
Noncurrent assets	404,107	Provision for loss on disaster	28
Property, plant and equipment	187,974	Other	2,926
Buildings	99,327	Noncurrent liabilities	298,242
Structures	6,092	Bonds payable	53,450
Docks and building berths, net	664	Long-term loans payable	114,787
Machinery and equipment, net	25,596	Lease obligations	5,307
Vessels, net	2	Long-term lease and guarantee deposited	8,313
Vehicles, net	159	Provision for retirement benefits	86,209
Tools, furniture and fixtures, net	6,351	Provision for loss on subsidiaries and affiliates	7,315
Land	41,087	Asset retirement obligations	139
Lease assets, net	6,080	Other	22,718
Construction in progress	2,611	Total liabilities	711,673
Intangible assets	10,484	Net Assets	
Goodwill	69	Shareholders' equity	174,886
Royalties and other intangible assets	1,604	Capital stock	95,762
Leasehold right	7	Capital surplus	43,141
Right of using facilities	52	Legal capital surplus	43,133
Software	8,608	Other capital surplus	7
Lease assets	86	Retained earnings	36,529
Other	55	Legal retained earnings	6,083
Investments and other assets	205,648	Other retained earnings	30,445
Investment securities	50,000	Reserve for advanced depreciation of noncurrent assets	11,235
Stocks of subsidiaries and affiliates	103,794	Retained earnings brought forward	19,210
Investments in capital	1,024	Treasury stock	(546)
Investments in capital of subsidiaries and affiliates	6,228	Valuation and translation adjustments	(3,012)
Long-term loans receivable	4,861	Valuation difference on available-for-sale securities	(3,017)
Deferred tax assets	30,690	Deferred gains or losses on hedges	4
Other	12,809	Subscription rights to shares	461
Allowance for doubtful accounts	(3,761)	Total net assets	172,335
Total assets	884,008	Total liabilities and net assets	884,008

Non-Consolidated Statement of Income
(Year ended March 31, 2012)

(Millions of yen)

Account title	Amount
Net sales	559,275
Cost of sales	485,327
Gross profit	73,947
Selling, general and administrative expenses	64,818
Operating income	9,129
Non-operating income	
Interest and dividends income	13,067
Contribution to research and development costs	2,295
Other	5,354
Non-operating expenses	
Interest expenses	3,716
Other	7,230
Ordinary income	18,900
Extraordinary income	
Gain on sales of investment securities	13,201
Gain on sales of noncurrent assets	3,231
Gain on sales of subsidiaries and affiliates' stocks	2,224
Proceeds from accident insurance	1,804
Extraordinary losses	
Cost of environment conservation measures	3,319
Provision for loss on subsidiaries and affiliates	3,040
Loss on valuation of shares in subsidiaries and affiliates	1,941
Loss on valuation of investment securities	1,490
Impairment loss	890
Income before income taxes	28,680
Income taxes—current	860
Income taxes—deferred	11,681
Net income	16,137

Non-Consolidated Statement of Changes in Net Assets
(Year ended March 31, 2012)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
						Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward			
Balance at the beginning of current period	95,762	43,133	1	43,134	6,083	11,039	7,668	24,791	(88)	163,600
Changes of items during the period										
Dividends from surplus							(4,399)	(4,399)		(4,399)
Net income							16,137	16,137		16,137
Reversal of reserve for advanced depreciation of noncurrent assets						(626)	626	—		—
Adjustment to reserve for advanced depreciation of noncurrent assets related to change in tax rates						822	(822)	—		—
Purchase of treasury stock									(483)	(483)
Disposal of treasury stock			6	6					25	31
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	6	6	—	195	11,542	11,737	(458)	11,285
Balance at the end of current period	95,762	43,133	7	43,141	6,083	11,235	19,210	36,529	(546)	174,886

	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 at the beginning of current period	3,296	(18)	3,277	387	167,265
Changes of items during the period					
Dividends from surplus					(4,399)
Net income					16,137
Reversal of reserve for advanced depreciation of noncurrent assets					—
Adjustment to reserve for advanced depreciation of noncurrent assets related to change in tax rates					—
Purchase of treasury stock					(483)
Disposal of treasury stock					31
Net changes of items other than shareholders' equity	(6,314)	23	(6,290)	74	(6,216)
Total changes of items during the period	(6,314)	23	(6,290)	74	5,069
Balance at the end of current period	(3,017)	4	(3,012)	461	172,335

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 subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, 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.

II. Changes in Presentation

(Non-consolidated balance sheet)

The estimated amount to be borne by the Company for loss on business of subsidiaries was previously presented as “Provision for loss on business of subsidiaries” under noncurrent liabilities. However, from the fiscal year under review, the Company recorded the estimated amount to be borne by the Company for loss on business of affiliated companies, and therefore the presentation has been changed to “Provision for loss on subsidiaries and affiliates.”

III. 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)	153 million yen

2. Accumulated Depreciation of Property, Plant and Equipment

280,010 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (*)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Marine United Inc.	12,679	Guarantee of repayment of advances received and loans from financial institutions
IHI Charging Systems International GmbH	5,314	Loans from financial institutions
Japanese Aero Engines Corporation	4,784	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of asset value
UNIGEN Inc.	4,410	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,823	Guarantee for lease obligations and loans from financial institutions
IHI Group Health Insurance Association	1,081	Loans from financial institutions
IHI Machinery and Furnace Co., Ltd.	1,000	Loans from financial institutions
IHI Logistics System Technology Shanghai Co., Ltd.	903	Loans from financial institutions
Niigata Power Systems Co., Ltd.	705	Loans from financial institutions
Toshiba IHI Power Systems Corporation	272	Loans from financial institutions
Giken Technology Co., Ltd.	237	Loans from financial institutions
Japan Aeroforge, Ltd.	118	Loans from financial institutions
Employees of the Company	0	Education loans, etc.
Total	33,330	

(2) Quasi-guarantee (*)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Employees of the Company	10,308	Housing loans and others
IHI Group Health Insurance Association	1,115	Loans from financial institutions
Niigata Power Systems Co., Ltd.	515	Loans from financial institutions
IHI Machinery and Furnace Co., Ltd.	143	Loans from financial institutions
Turbo Systems United Co., Ltd.	60	Loans from financial institutions
Total	12,142	

* 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	71,704 million yen
Long-term monetary claims	1,647 million yen
Short-term monetary liabilities	136,211 million yen
Long-term monetary liabilities	682 million yen

5. Notes with maturity date at the end of the fiscal year

Accounting of notes with maturity date at the end of the fiscal year is settled on the date of bank clearing.

Therefore, because the last day of the fiscal year under review was a bank holiday, the following notes that matured at the end of the fiscal year are included in the balance at the end of the fiscal year.

Notes receivable-trade	316 million yen
Notes payable-trade	192 million yen

IV. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Affiliates

(1) Operating transactions

Sales to subsidiaries and affiliates	58,197 million yen
Purchases from subsidiaries and affiliates	156,109 million yen

(2) Non-operating transactions

11,565 million yen

V. 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	2,853,236 shares
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VI. Tax Effect Accounting

(Primary causes for the occurrence of deferred tax assets and liabilities)

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.

(Correction of deferred tax assets and liabilities due to change in effective corporation tax rates)

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates will be reduced, and the special reconstruction corporation tax, a

surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed, for the fiscal years beginning on or after April 1, 2012. As a result of this change, deferred tax assets (net of deferred tax assets and liabilities) decreased by 4,287 million yen. Moreover, deferred income taxes increased by 4,463 million yen.

VII. Noncurrent Assets Used Through Leases

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

VIII. 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 97.2%	Company sharing business function
Subsidiary	IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Construction	Holding directly 100%	Company sharing business function
Subsidiary	IHI Construction Machinery Ltd.	Yokohama-city, Kanagawa	1,750	Manufacture	Holding directly 100%	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, 2012 (Note 1)
IHI Marine United Inc.	-Guarantee of repayment of advances received and loans	(Guarantee amount) (Note 2) 12,679	Guarantee obligations	-
	-Repayment of borrowed funds by in-group financing	(Note 3) 28,200	Short-term loans payable	12,800
	-Receipt of dividends	(Note 4) 3,055	-	-
IHI Turbo Co., Ltd.	-Purchase of vehicular turbochargers etc.	(Note 5) 35,011	Accounts payable-trade	12,415
IHI Transport Machinery Co., Ltd.	-Repayment of borrowed funds by in-group financing	(Note 3) 922	Short-term loans payable	11,150
IHI Plant Construction Co., Ltd.	-Ordering of on-site construction, etc. of plant business	(Note 5) 30,287	Accounts payable-trade	10,742
IHI Construction Machinery Ltd.	-Loans of working capital by in-group financing, etc.	(Note 3) 7,819	Short-term loans receivable	11,611
IHI Finance Support Corp.	-Factoring	(Note 6) 59,729	Accounts payable-trade	23,573
			Accounts payable-other	1,468

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%	Advisor of the Company
Director/corporate auditor	Kazuaki Kama	-	-	Japanese Aero Engines Corporation (Chairman)	Held directly 0%	President & CEO of the Company

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2012 (Note 1)
Yasuyuki Watanabe	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Notes 7, 8)			
	-Subcontract of work from JAEC related to R&D of jet engines	258	-	-
	-Payment of a portion of funding related to the above	223	-	-
	-Acceptance of subsidies related to the above	254	-	-
	-Manufacture of jet engine components and delivery thereof to JAEC	18,668	-	-
	-Payment of a portion of expenses related to the above	9,645	-	-
Kazuaki Kama	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Notes 7, 9)			
	-Subcontract of work from JAEC related to R&D of jet engines	2,775	-	-
	-Payment of a portion of funding related to the above	1,372	-	-
	-Repayment of subsidies related to the above	292	Accounts payable-other	2,918
			Long-term accounts payable-other	20,833
	-Manufacture of jet engine components and delivery thereof to JAEC	59,588	Accounts receivable-trade	10,963
-Payment of a portion of expenses related to the above	25,900	Advances received	2,949	
		-	-	

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2012 do.
2. With regard to liabilities on guarantee, the Company receives 0.075% p.a. guarantee commission for guarantee of repayment of advances received, and 0.1% p.a. guarantee commission for guarantee of loans.
3. Fund borrowings are debt-credit transactions within the Company Group and transaction amounts shown above are net increases and decreases.
Loan interest is based on market interest rate.
4. Receipt of dividends is rationally determined pursuant to certain standards based on the amount of surplus able to be distributed.
5. Amounts of transactions and trading prices are determined in consideration of market prices and based on conditions for general transactions.
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. 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.
8. Mr. Yasuyuki Watanabe resigned as Chairman of Japanese Aero Engines Corporation on June 30, 2011. The above monetary amounts correspond to the period that he was in office during the fiscal year under review.
9. Mr. Kazuaki Kama assumed the position of Chairman of Japanese Aero Engines Corporation from July 1, 2011. The above monetary amounts correspond to the period that he was in office during the fiscal year under review.

IX. Per Share Information

(1) Net assets per share	117.38 yen
(2) Net income per share	11.01 yen

X. Significant Subsequent Events

No applicable item.

XI. Other Notes

(1) Adoption of Accounting Standard for Accounting Changes and Error Corrections, etc.

For accounting changes and corrections of prior period errors made on and after the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

(2) Transfer of property owned by the Company

There is no material change as of the end of the fiscal year under review in the information about the transfer of property owned by the Company based on the resolution at a meeting of the Board of Directors held on May 23, 2011, which was stated in the section of significant subsequent events in the previous fiscal year.

The outline of the transfer is shown below.

· Name and location of assets to be transferred

A portion of land at 1-54, Toyosu 3-chome, Koto-ku, Tokyo
(Approx. 10,880 sq. meters)

· Book value

Approx. 600 million yen

· Planned value of the transfer

Approx. 14,100 million yen

· Transferee

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

· Time for conclusion of the agreement

First half of fiscal year 2012 (planned)

· Time for the transfer of equity

First half of fiscal year 2012 (planned)

The equity for sale and planned value of the transfer may change by the time for conclusion of the agreement.

(Note) In preparing the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements any fractional amount less than one unit of monetary value is discarded.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditors

May 17, 2012

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

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

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Corporation Law, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement 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, 2011 through March 31, 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is

not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2012 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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 on Financial Statements

(Translation)

Report of Independent Auditors

May 17, 2012

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

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

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the financial statements, which comprise 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 195th fiscal year from April 1, 2011 through March 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary

schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 195th fiscal year ended March 31, 2012 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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 195th fiscal year, from April 1, 2011 through March 31, 2012, 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 18, 2012

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, 2012)

(Millions of yen)

Account title	Amount
Net cash provided by (used in) operating activities	24,743
Net cash provided by (used in) investing activities	(37,722)
Net cash provided by (used in) financing activities	(38,542)
Effect of exchange rate change on cash and cash equivalents	(1,279)
Net increase (decrease) in cash and cash equivalents	(52,800)
Cash and cash equivalents at end of period	63,498

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 195th 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
4 yen per share of the Company's common stock
In this case, the total amount of dividends will be 5,856,820,984 yen.
- (iii) Effective date of dividends
June 25, 2012

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 Apr. 2012: Chairman of the Board, the Company (incumbent) (Position and Areas of Responsibility at the Company) Chairman of the Board (Significant Concurrent Positions) Chairman, Coastal Development Institute of Technology Chairman, The Shipbuilders' Association of Japan Representative Director, Japanese Aero Engines Corporation	133,000 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	Tamotsu Saito (July 13, 1952)	<p>Apr. 1975: Joined 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</p> <p>Apr. 2012: President; Chief Executive Officer, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) President; Chief Executive Officer</p>	66,000 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	Fusayoshi Nakamura (March 11, 1952)	<p>Apr. 1974: Joined 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.</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</p> <p>Apr. 2012: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Assistant to the President</p>	29,000 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	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</p> <p>Apr. 2012: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President; in charge of Business Relating to Procurement and Human Resources</p>	45,000 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	Sadao Degawa (July 20, 1951)	<p>Apr. 1977: Joined 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</p> <p>Apr. 2012: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President; in charge of Group Engineering; In charge of Business Relating to Information Systems and Corporate Business Development</p>	46,000 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>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>	44,000 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	Joji Sakamoto (November 23, 1952)	<p>Apr. 1976: Joined 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 Business Relating to Public Relations and Investors Relations, Legal, CSR and Administration; in charge of Group Compliance and Risk management</p>	44,000 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	Ichiro Terai (January 12, 1954)	<p>Apr. 1976: Joined the Company</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</p> <p>Apr. 2012: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; General Manager of Finance & Accounting Division</p>	11,000 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	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>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>	29,000 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	Izumi Imoto (February 12, 1953)	<p>Apr. 1978: Joined 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</p> <p>Apr. 2012: Director; Managing Executive Officer; President of Infrastructure Operations and General Manager of Monozukuri Innovation Initiative, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Infrastructure Operations and General Manager of Monozukuri Innovation Initiative</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
11	Toshinori Sekido (July 6, 1953)	<p>Apr. 1978: Joined the Company</p> <p>Jul. 2004: Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2007: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Jun. 2011: Director; Managing Executive Officer; President of Aero-Engine & Space Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Aero-Engine & Space Operations, in charge of Relating to Defense</p>	31,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
12	Tomokazu Hamaguchi (April 20, 1944)	<p>Apr. 1967: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Apr. 1985: Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>Jul. 1988: Senior Manager, Corporate Strategy Planning Department, NTT DATA CORPORATION</p> <p>Jun. 1995: Senior Vice President, NTT DATA CORPORATION</p> <p>Jun. 1997: Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2001: Senior Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2003: President and Chief Executive Officer, NTT DATA CORPORATION</p> <p>Jun. 2007: Counselor and Director, NTT DATA CORPORATION</p> <p>Apr. 2008: Director, the Company (incumbent)</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>	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
13	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>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.; Director, The Shoko Chukin Bank, Ltd.</p>	13,000 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	* Hiroshi Iwamoto (September 11, 1952)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 1999: Manager of General Affairs Department, Yokohama, Headquarters Representative's Office, Yokohama District, the Company</p> <p>Jul. 2001: Manager of Personnel Group, Personnel Division, the Company</p> <p>Apr. 2005: General Manager of Human Resources Division, the Company</p> <p>Apr. 2008: Executive Officer, the Company</p> <p>Jul. 2008: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas)</p> <p>Apr. 2010: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas); Vice President of Global Marketing Headquarters, the Company</p> <p>Apr. 2011: Managing Executive Officer; Vice President of Global Marketing Headquarters; Chief Regional Officer in China Region, the Company</p> <p>Apr. 2012: Managing Executive Officer; President of Global Marketing Headquarters, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Managing Executive Officer President of Global Marketing Headquarters</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
15	* Hiromitsu Hamamura (August 10, 1953)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2001: Manager of Planning Group, Planning & Control Department, Environment & Plant, the Company</p> <p>Apr. 2002: Manager of Strategic Department, Procurement Strategics, the Company</p> <p>Apr. 2005: General Manager of Strategic Department, Procurement Strategics, the Company</p> <p>Apr. 2007: General Manager of Planning & Control Department, Energy Plants Operations; General Manager of Business Development Department, the Company</p> <p>Apr. 2009: Vice President of Energy Plants Operations, the Company</p> <p>Apr. 2010: Executive Officer; President of Energy Systems Operations, the Company</p> <p>Apr. 2012: Executive Officer; President of Energy Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Officer President of Energy Operations</p>	21,000 shares

(Notes)

1. *Marked are candidates for new directors.
2. Mr. Kazuaki Kama is serving concurrently as Representative Director of the Japanese Aero Engines Corporation (JAEC), which is involved in the following transactions with the Company.
 - (1) The Company is entrusted with development and research of civil aircraft jet engines and pays the private sector portion of its funding.
 - (2) The Company guarantees a portion of JAEC's loan obligations, etc.
 - (3) The Company receives subsidies from JAEC for developing civil aircraft jet engines.
 - (4) The Company manufactures and delivers civil aircraft jet engine components, etc. to JAEC.
 - (5) The Company pays a portion of expenses required for the profit-making activities of JAEC.

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, 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.
 - (3) At the conclusion of this meeting, Mr. Tomokazu Hamaguchi will have served 4 years as outside director of the Company. At the conclusion of this meeting, Mr. Tadashi Okamura will have served 2 years 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 two (2) corporate auditors

Approval is hereby requested for the election of two (2) corporate auditors, as follows, since out of the five (5) current corporate auditors, the terms of office of Messrs. Teruo Shimizu and Nobuo Gohara 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 candidates for the office of corporate auditor are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
1	Nobuo Gohara (March 2, 1955)	Apr. 1983: Appointed as public prosecutor Apr. 2001: Deputy Prosecutor-General at the Nagasaki District Public Prosecutors Office Oct. 2003: Specially-appointed Professor at Toin University of Yokohama Law School (concurrent assumption) Jan. 2004: Deputy Manager of the Tokyo District Public Prosecutors Office, Hachioji Branch Apr. 2004: Chief Researcher and Teacher at the Research and Training Institute of the Ministry of Justice Apr. 2005: Professor at Toin University of Yokohama Law School and Head of the Compliance Research Center Apr. 2006: Registered as attorney at law Apr. 2008: Specially-appointed Professor at Toin University of Yokohama Law School Jun. 2008: Corporate Auditor, the Company (incumbent) Apr. 2009: Professor at Meijo University Research Institute Oct. 2009: Advisor to the Ministry of Internal Affairs and Communications (incumbent) Jan. 2010: Director of Compliance Research Center, MIAC (incumbent)	0 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
		<p>Apr. 2010: Chairman of The Committee of Inspection of Public Pension Service, MIAC (incumbent)</p> <p>Apr. 2012: Specially-appointed Professor at Kansai University (Faculty of Safety Science) (incumbent)</p> <p>(Position at the Company) Corporate Auditor (Significant Concurrent Positions) Attorney at Law</p>	
2	* Hideo Otaka (April 26, 1952)	<p>Apr. 1978: Joined the Company</p> <p>Jul. 2002: Manager of Nuclear Plant Sales Department, Energy & Plant, the Company</p> <p>Jul. 2003: General Manager of Planning Group, Corporate Planning Division, the Company</p> <p>Apr. 2007: General Manager of General Affairs Department, Musashi, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2008: General Manager of Secretariat Division, the Company (incumbent)</p>	16,000 shares

(Notes)

1. *Marked is candidate for new corporate auditor.
2. There is no special interest between the Company and any candidate.
3. Mr. Nobuo Gohara 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) The reason we nominated Mr. Nobuo Gohara as a candidate for outside corporate auditor is that we expect him to commit himself to further enhancing our corporate governance as he is a top expert in corporate compliance, and has a profound knowledge of the Corporation Law and the Financial Instruments and Exchange Act.
 - (2) At the conclusion of this meeting, Mr. Nobuo Gohara will have served 4 years as an outside corporate auditor of the Company.
 - (3) The Company has concluded a contract with Mr. Nobuo Gohara 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.

5. The Company has registered Mr. Nobuo Gohara with domestic financial instrument exchanges (where the Company is listed) as an independent officer. If the reappointment of him is approved, the Company plans for him to continue as an independent officer.

[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 21, 2012) shall be effective. Please vote as early as possible to allow us sufficient time to tabulate votes.
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 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.
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 Ver. 5.01 Service Pack 2 or later
 - (2) PDF reader Adobe® Acrobat® Reader™ Ver. 4.0 or later or Adobe Reader Ver. 6.0 or later

*Internet Explorer is a registered trademark, trademark and product name of Microsoft Corporation, used in the United States and/or other countries, and Adobe® Acrobat® Reader™ and Adobe® Reader® are those of Adobe Systems Incorporated, respectively. These softwares are 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;">Sumitomo Mitsui Trust Bank Securities Agency Web Support [Toll Free] 0120 (652) 031 (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)

Sumitomo Mitsui Trust Bank Securities Administration Center

Tel: 0120 (782) 031

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.