



ANNUAL REPORT 2009
For The Year Ended March 31, 2009

Profile

Explore the Engineering Edge

The IHI Group explores unknown territory by consolidating the strengths of individuals who love manufacturing, and continues to create a prosperous future for humanity and the earth with its fresh, unrestricted thinking and highly crafted technological capabilities.

Contents

1 Financial Highlights	32 Corporate Officers
2 To Our Stakeholders	33 Organization
4 An Interview with the President Kama	34 IHI Group Companies
8 Review of Operations	35 Directory
21 Research and Development Highlights	36 Timeline of IHI
25 IHI Intellectual Property	37 Financial Section
26 Corporate Governance, Compliance and Risk Management	64 Corporate Data
30 Corporate Social Responsibility (CSR) Activities	

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to IHI's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

Financial Highlights

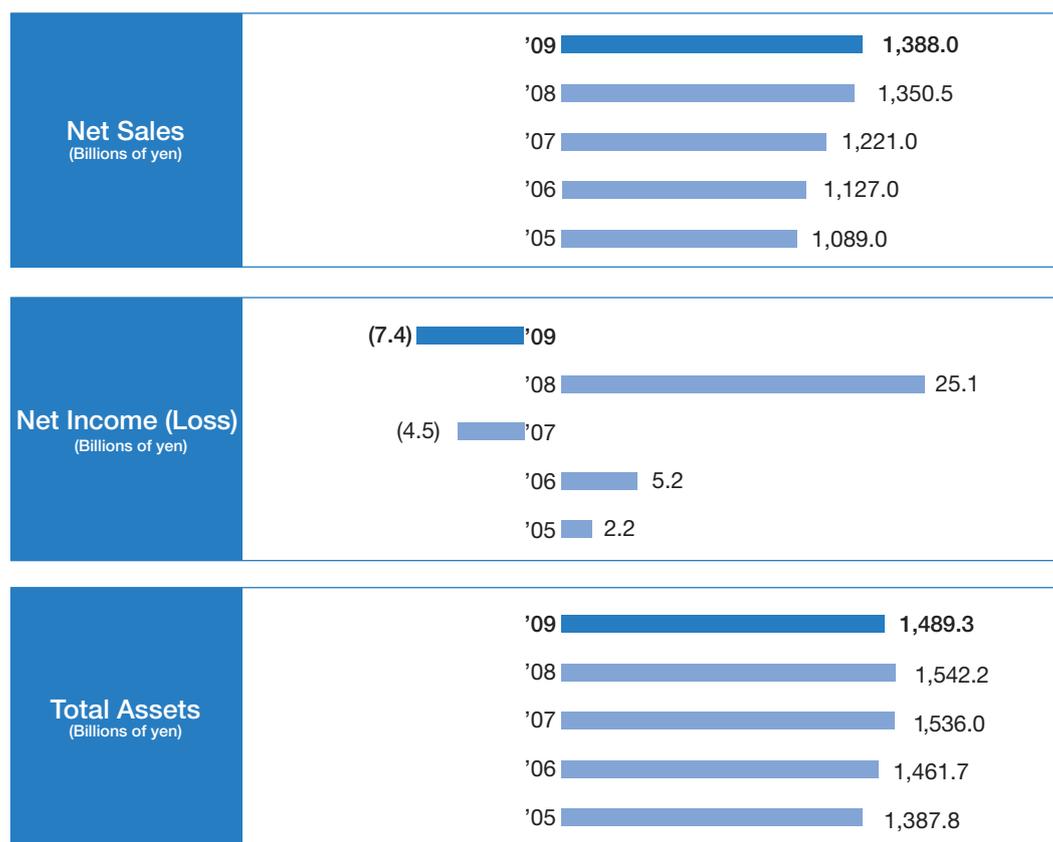
Years ended March 31, 2009, 2008 and 2007
IHI Corporation and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Net sales	¥1,388,042	¥1,350,567	¥1,221,016	\$ 14,130,530
Operating income	25,679	(16,807)	(5,626)	261,417
Net income	(7,407)	25,195	(4,593)	(75,405)
Total assets	1,489,342	1,542,295	1,536,078	15,161,784
Total net assets (*)	205,950	234,406	227,047	2,096,610

Note:(*) The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on an accounting standard adopted from the year ended March 31, 2007.

	Yen			U.S. dollars
Amounts per share:				
Net income	¥ (5.05)	¥ 17.18	¥ (3.46)	\$ (0.051)
Cash dividends	¥ -	¥ 4.00	¥ 4.00	\$ -

Note: For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥98.23=US\$1, the approximate rate of exchange prevailing on March 31, 2009.



Figures are for respective years ended March 31.

To Our Stakeholders



Making Our Utmost Efforts to Improve Performance and Rebuild the Trust of All Our Stakeholders

While the economic climate will continue to be severe, we will make concerted efforts to ensure profitability by reducing various expenditures and strengthening competitiveness.

Review for the Fiscal Year Ended March 31, 2009

Japan's economy started to stagnate from the middle of the fiscal year ended March 31 due to the worldwide economic recession, particularly in developed countries, resulting in sluggish exports and low income due to soaring energy and raw material costs. The collapse of major U.S.-based investment bank Lehman Brothers in mid-September 2008 followed, and this spurred a financial crisis that sent the world economy into a downward spiral that affected even emerging countries. As a result, exports and production fell sharply along with a general conviction of conditions of excessive employment and production capacity, sending Japan's economy into a serious recession.

In response to the harsh economic conditions, in this fiscal year ended March 31, 2009 the IHI Group continued to promote the selection and concentration of businesses while every company in the Group worked in unison to maximize profitability. As a whole, the IHI Group recorded orders received amounting to ¥1,176.7 billion. This represented a decrease of 24%, and was largely due to having received an order for a large-scale plant construction project in the previous fiscal year. Net sales, however, rose 3% from the same period of the previous year, to ¥1,388.0 billion, reflecting increased revenues from Logistics Systems and Structures Operations, Industrial Machinery Operations, Energy and Plants Operations and Shipbuilding and Offshore Operations, which offset the impact of the recession on sales of some of our businesses.

From the profit and loss standpoint, operating income and ordinary income amounted to ¥25.6 billion and ¥13.5 billion, respectively. Although earnings declined as a result of escalating costs for equipment and materials in addition to the strong yen and the recession, Energy and Plants Operations recovered from the significant decline of the previous fiscal period.

After accounting for extraordinary income and losses, a net loss of ¥7.4 billion was recorded. Contributing factors included extraordinary income from the sale of fixed assets and a loss posted on the provision for allowance of unrecoverable debt.

Outlook for the Fiscal Year Ended March 31, 2010

With regard to the economic environment, I assumes that the recession in the world's markets will continue for some time. Although there appears to be some impact from the economic stimulus measures taken by governments across the world, it is assumed that the pace of recovery will remain sluggish and that the adverse operating environment will continue for a while.

In dealing with these severe conditions, the IHI Group will make best efforts to reduce various expenditures and boost competitiveness while striving to ensure profits.

Based on this outlook, in the fiscal year ended March 31, 2010, the IHI Group anticipates consolidated net sales of ¥1,300.0 billion due to a decrease in private-sector investment, especially in Industrial Machinery Operations and other areas. Although there is a concern that profit and revenue may decline, we expect improved profitability in Energy and Plants Operations. We therefore forecast, on a consolidated basis, operating income of ¥29.0 billion, ordinary income of ¥13.0 billion and net income of ¥7.0 billion. (Based on an assumed exchange rate of U.S.\$1=¥95; 1 Euro=¥130; and AUS\$1=¥70.)

Lifting of Securities on Alert Designation

With regard to the revision of the accounts settlement for the fiscal year ended March 31, 2007, IHI stock was moved to "securities on alert" status at each of the domestic stock exchanges in February 2008 due to concerns about its internal control system. We understood the gravity of the situation and has endeavored to strengthen internal management systems while striving to enhance corporate governance.

To report on the status of these initiatives, on February 10, 2009, IHI submitted an Internal Control Business System Verification Report to the Tokyo and other Japanese stock exchanges. Subsequently, as a result of a three-month examination, on May 12, 2009, the alert designation was lifted and IHI stock returned to regular trading status. We will continue

these efforts and will strive to further rebuild the trust among all our stakeholders.

Profit Distribution and Dividend Policy

Placing high priority on securing stable dividends, we have settled on a basic plan to keep retained earnings high and thus to strengthen our corporate structure, which will lead to the stable distribution of dividends. As ensuring a profit has proved difficult recently, we decided to forgo both interim and year-end dividends.

Taking into consideration the current economic and exchange rate trends and the fluctuating costs of raw materials and equipment, we have yet to determine when it will resume dividend payments. Based on future performance trends, we will announce our dividend forecast as soon as it is possible.

We will continue to steadily implement measures for internal management and strive to regain the trust of all our stakeholders. We will also devote our best efforts to improving performance and reinforcing management. We therefore sincerely thank you and ask for your continued support.

June 26, 2009



Kazuaki Kama
President and Chief Executive Officer

IHI AR2009 President's Interview



“Contributing to the development of society through technology”

“Our Human Resources are fundamental asset of the Company”

Guided by these corporate philosophies, IHI Group employees worldwide assure compliance with professional and ethical standards. We at the IHI Group constantly work to provide the best possible products and services to meet society's needs.

Q1 | What is your impression of the market environment in the fiscal year ended March 31, 2010?

Overall, capital investment will be inhibited due to the impact of the worldwide recession. In my opinion, the business environment is likely to be severe until the end of the year 2009.

Looking at the fiscal year 2008, Industrial Machinery Operations and Aero-Engine and Space Operations performed favorably, although poor automotive sales led to a decline in orders for automotive turbochargers. Also, sales of agricultural machinery, specifically small diesel engine tractors for lawn maintenance, fell sharply as a result of a contraction in housing investment in the United States. In addition, new orders for ship building have decreased.

Given the impact of the worldwide recession and the overall sluggishness in capital investment, there will be substantial downward pressure on the market and likely a harsh economic environment through to the end of the year 2009. Even if 2010 were to be followed by a recovery, the lingering effects of the recession would be considerable. This challenging environment will continue until the end of the fiscal year ended March 31, 2011.

Q2 | **Given the uncertain economic environment, please tell us about the measures you are taking to improve profitability.**

We have taken measures that include reducing various expenditures and strengthening the management of foreign exchange risk. The IHI Group is united in its efforts to improve profitability and is preparing to compete in a global market when economic recovery does occur.

I believe that demanding conditions like those of the present are actually an opportunity. We are promoting the selection and concentration of key businesses based on IHI's Group Management Policies 2007, and all Group companies are working in close unison to build a framework conducive to improved profitability.

At present, the entire Group is actively working to reduce various expenditures by reviewing personnel expenses, investment portfolios and business efficiency. In addition to these initiatives, we are reducing procurement expenses in a favorable foreign exchange environment. Furthermore, we are reinforcing project management structures and striving to remain consistent with initial plans to ensure profitability.

In April 2009, we established the *Monozukuri* Innovation Initiative to improve and further develop our "*Monozukuri* Technology" (technology used to improve the competitiveness of products and services offered by strengthening the capabilities required in development, design, supply, manufacture and construction), the source of our competitiveness. Also in April, we appointed a Chief Regional Officer for the Asia Region to strengthen strategic function in that part of the world. Together with our Regional Management Headquarters for the Americas "IHI.INC", we are aiming to further strengthen competitiveness and increase our share of the global market.

The IHI Group is undertaking these measures to raise profitability and also laying the foundations to ensure success when economic recovery does occur.

Q3 | **The "securities on alert" designation has been lifted and normal trading has resumed. How do you now intend to proceed with stricter internal management?**

We will continue to thoroughly implement risk management and internal control as well as to reinforce internal management systems. In addition, we are striving to further augment effective corporate governance.

In May 2009, IHI stock was lifted from "securities on alert" status. To have the designation lifted, the IHI Group has endeavored to strengthen our internal and corporate governance systems for about a year while being monitored by a committee consisting of a third party.

The return to normal trading is, I believe, based on an assessment of positive results achieved with regard to an array of measures and improvements implemented by the IHI Group over the past year. These include the fortification of a structure to manage such business risks as those associated with foreign exchange and credit management, the operation and evaluation of internal control systems, the enhancement of monthly results reporting system and the formulation of a timely disclosure system.

We will continue to thoroughly implement internal control in accordance with the processes we have developed. By consistently carrying out such activities and by further strengthening internal control, we firmly believe that our stakeholders' trust in us will deepen even further. Consequently, IHI Group will gain recognition as a progressive company with effective and transparent management system.



Q4 | **With the lifting of “securities on alert” designation, the fiscal year 2009 should be the year to start anew. Please tell us about your long-term management strategy for continuous growth.**

It is the intention of the IHI Group to demonstrate its transformation, thereby accelerating the process of new growth and providing value to all of our stakeholders.

As our long-term management strategy, in May 2009 we formulated the IHI Group Vision, which is geared toward the growth of the IHI Group. It is due to the harsh business environment that we are determined that now is the time to accelerate innovative changes. In so doing, I believe, we will proceed towards new growth through the creation of new value for all of our stakeholders.

As one component of this, we have determined to aim for a corporate vision where “The IHI Group seeks to solve the various environmental, industrial, social, and energy-related problems of the 21st century by applying its engineering expertise focusing on *“Monozukuri”* technology. In striving towards these goals, IHI will become a global enterprise offering safety and security for the benefit of both the environment and humanity.”

With the manufacturing DNA of the IHI Group and world-class engineering expertise, we are able to compete in the world market based on our accumulated knowledge in engineering, procurement and service. Drawing on these

resources, we aim to become a company that can position itself and build a global value chain that encompasses adequate management and human resource allocation as well as an effective collaborative framework.

By presenting an image of what the IHI Group can be, we are promoting and improving communication by establishing a unified course for every member of the IHI Group. We are striving to promote the development of the entire IHI Group and to ensure our ability to offer new value to all of our stakeholders.

Based on the procession of these efforts, we have redefined our five business areas—“Energy and Resources,” “Ship Building, Social Infrastructure and Security,” “Industrial Machinery and Systems,” “Rotating Equipment and Mass Production Machinery” and “Aero-Engine and Space”—which represent all of the IHI Group’s current businesses and reflect differences in markets and technologies. By moving rapidly forward with selection and concentration in each of these business areas, we are creating the most active markets.

The medium term management plan slated to commence in the fiscal year starts April 1, 2010, has been formulated based on the IHI Group Vision, and is scheduled to be announced in this current fiscal year ended March 31, 2010.

Q5 | **Please tell us about your business strategy, including the business integration and alliances of the IHI Group as it moves forward with selection and concentration in key businesses.**

By actively conducting mergers and acquisitions (M&A) and restructuring in line with requirements to strengthen competitiveness, our aim is to secure a top-class position in the market and realize a strategy for further growth.

It is the intent of the IHI Group to further strengthen and secure an unshakeable position as a market leader in businesses where the IHI Group already possess a high level of competitiveness. In addition, we will endeavor to conduct M&A and restructuring so as to sharpen our competitive edge and to rebuild those businesses that require the introduction of such measures to realize their full potential.

IHI has recently entered into partnerships with others in the bridge, water gate and shield tunneling machine businesses.

IHI, Matsuo Bridge Co., Ltd. and Kurimoto Bridge, Ltd., a company held by Kurimoto, Ltd., have undertaken a three-way venture in the bridge construction field. In the water gate area, IHI and Kurimoto Ltd. have entered into a two-way partnership. In addition, IHI entered into a partnership agreement for a shield tunneling machine business with JFE Engineering Corp.

Each of these business ventures is expected to enable synergistic effects that include

- Increased cost-competitiveness and technological capability as well as further improvements in production system efficiency;
- Higher technological capability and an exceptional competitive edge utilizing the skills and know-how of each company's experienced engineers; and
- Enhanced technological development capabilities and expanded opportunities to obtain orders in both domestic and overseas markets.

It is my belief that we will secure a position as a top class company in the bridge, water gate and shield tunneling machine industries and further realize our strategy for growth.

With regard to our agreement with Matsuo Bridge, from May 2009, IHI conducted a takeover bid for that company's stock, and by June 16 had achieved holdings of 77.6%. As of June 23, IHI had made Matsuo Bridge an affiliated subsidiary.

In a wide range of businesses, the IHI Group will continue to actively proceed with selection and concentration initiatives.

Q6 | In what ways will IHI Group's products and technologies contribute to society and the preservation of the global environment?

We, as a global corporate group, offer safety and security for the benefit of both the environment and humanity in accordance with our corporate philosophy of “contributing to the development of society through technology.” Our engineering capability, which has *Monozukuri* technology at its core, is vital to our contributions to the development of society and the preservation of the Earth's environment.

Based on the realization of this philosophy, we are determined to aim for a corporate vision where “the IHI Group seeks to solve the various environmental, industrial, social, and energy-



related problems of the 21st century, by applying its engineering expertise focusing on “*Monozukuri*” technology. In striving towards these goals, IHI is becoming a global enterprise offering safety and security for the benefit of both the environment and humanity.”

In line with this vision for the IHI Group, we will contribute to the development of an industrial and social platform for the resolution of the critical problems in the 21st Century, such as environmental and energy-related issues.

With regard to industrial and social infrastructure development, many of the IHI Group's products and technologies fall into the categories of “world's first,” for example, our LNG storage facilities, and “world's largest.” There are also many products that have contributed as key infrastructure components, such as bridges, for more than a hundred years. The IHI Group will contribute to the development of industry and society through its broad range of products and technologies.

Furthermore, with regard to global warming, an urgent issue in the 21st century, IHI contributes to solutions by offering its technologies, products and services. These are represented by its supply of equipment for nuclear power generation, which produces no CO₂ emissions, participation in a pilot project for carbon capture and storage (CCS) using oxygen combustion and other projects.

Moreover, we aim to reduce the total amount of energy consumption and to contribute to environmental preservation by offering products and services that offer high-efficiency operation and energy conservation, such as automotive turbochargers, available through our worldwide supply system, compressors and gas engines.

The IHI Group is determined to provide the next generation with a more sustainable, safe and secure environment.

Review of Operations

Logistics Systems and Structures Operations



Highlights

- Sales increased 11.1% compared with the previous fiscal year to ¥204.6 billion.
- Operating loss narrowed to ¥1.4 billion.
- Orders decreased 8.5% compared with the previous fiscal year to ¥174.7 billion.

Net Sales	¥204.6 Billion
Operating loss	¥1.4 Billion
Orders	¥174.7 Billion

2009
NET SALES
by SEGMENT



14%

2009
ORDERS
by SEGMENT

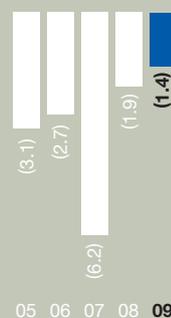


15%

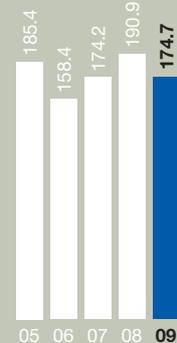
NET SALES
(Billions of yen)



OPERATING
INCOME
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Material handling systems, logics and factory automation systems, parking systems, bridges and construction material products

Large-Scale Domestic River Floodgate Order Received from Ministry of Land, Infrastructure, Transport and Tourism

In December 2008, IHI received an order for the renovation of the Ohkouzu movable river barrage from the Ministry of Land, Infrastructure, Transport and Tourism's Hokuriku Regional Development Bureau. The work involves a large floodgate to be built at Ohkouzu-Bunsui in the city of Tsubame, Niigata Prefecture. Having delivered the Ohkouzu cleaning dam in 2000, IHI has received ongoing orders for large-scale construction ever since. Delivery of this latest order is planned for August 2011.

The largest in Japan in terms of span and gate area, this radial river gate will be activated by some of the largest hydraulic cylinders in the country.

IHI has been involved in numerous floodgate projects both in Japan and overseas and can boast more than 4,000 such deliveries. IHI will continue to contribute to infrastructure development throughout the world and develop proactive sales activities by utilizing its high technological capabilities.



River gate (image)
Photo: Ministry of Land, Infrastructure, Transport and Tourism

Large Cranes Excelling at Tokyo Sky Tree® Construction Site

In February 2009, the three latest-model JCC-V720AH cranes that IHI subsidiary Ishikawajima Transport Machinery Co., Ltd. (IUK) had delivered to the Obayashi Corporation went into operation at the Tokyo Sky Tree® broadcasting tower construction site in Tokyo.

A variety of systems have been built into these cranes. Special features of derrick cranes include jib blocks to prevent the forward movement of loads as they are hoisted and control panels fitted to provide precautionary backup. With due consideration given to the effects of earthquakes and wind, these cranes boast unprecedented structural strength.

Obayashi Corporation has plans to utilize an additional IHI conventional crane at this construction site. For its part, IUK will continue to manufacture cranes that require advanced technologies.



Jib climbing crane "JCC-V720AH"

Central Conveyor Acquired

To develop and grow its logistics systems business, in December 2008 IHI Corporation acquired CENTRAL CONVEYOR CO., Ltd., which is involved in the manufacture of conveyors and equipment as well as the design and construction of logistics systems.

Since its founding in 1961, Central Conveyor has built a track record and accumulated know-how as a specialty manufacturer of logistics systems and production system hardware.

A complementary relationship exists between IHI's logistics systems business operations and those of Central Conveyor, so the merger of the two companies will enable growth in orders received, including those for general logistics systems. By enabling the two companies to utilize each other's sales networks and work together to develop innovative types of machines that meet new needs, the merger is also expected to facilitate business expansion and growth.



Sorting system "Apple sorter"

Industrial Machinery Operations



Highlights

- Sales increased 14.0% compared with the previous fiscal year to ¥220.5 billion.
- Operating income decreased 19.2% compared with the previous fiscal year to ¥12.6 billion.
- Orders increased 13.6% compared with the previous fiscal year to ¥194.2 billion.

Net Sales	¥220.5 Billion
Operating Income	¥12.6 Billion
Orders	¥194.2 Billion

**2009
NET SALES
by SEGMENT**



15%

**2009
ORDERS
by SEGMENT**

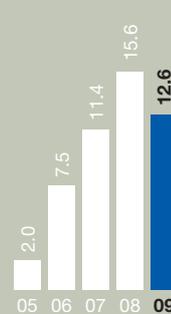


17%

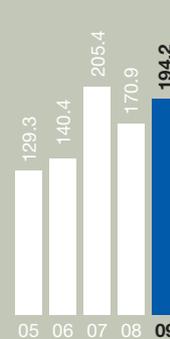
NET SALES
(Billions of yen)



**OPERATING
INCOME**
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others

Revamping Work Ordered for China Steel Corporation's No. 1 Blast Furnace in Taiwan

IHI received an order to carry out the third stage of revamping work on the No. 1 blast furnace at Kaohsiung Steel Works of the China Steel Corporation (CSC), Taiwan's only steelmaker with integrated works. Completion of revamping work is planned for 2010.

The No. 1 blast furnace on which the revamping work is to be carried out was manufactured by a German company. This order was the result of our having previously gained a high rating for our engineering capabilities in connection with the short construction time and stable operation of blast furnaces Nos. 2 and 3, which were both manufactured by IHI for CSC.

This project involves extensive revamping, including the replacement of the furnace shell. In addition to the design and manufacture of such equipment as a furnace top, a casthouse and tuyere stock as well as supervising the installation, IHI is providing total project engineering support.

Once the project has been completed, the No. 1 blast furnace will be able to increase its daily steelmaking capacity from the current 4,000 tons to 5,800 tons.



CSC Kaohsiung Steel Works' No.1 blast furnace

Hauzer Techno Coating B.V. Made Subsidiary

Following IHI's acquisition of all its outstanding shares, the Dutch company Hauzer Techno Coating B.V. ("Hauzer")—the world's top manufacturer of physical vapor deposition (PVD) coating equipment and possessor of world-leading expertise in the field of surface treatment technology—has become a wholly owned subsidiary. This marks IHI's debut in the PVD coating equipment business.

Used for surface treatment, this type of equipment coats products with metal and ceramic layers made of special materials to ensure wear resistance and low friction as well as for decorative effects. These products are used in a wide range of industries, including industrial cutting tools and automobile parts, in which growth in demand is expected.

With Hauzer as its subsidiary, IHI will expand and enhance its industrial furnaces-related business (vacuum heat treating furnaces, new material furnaces and gas carburizing furnaces), which is one of the businesses IHI is strengthening.



PVD (Physical Vapor Deposition) coating equipment

New Turbocharger Works Completed in Germany

The groundbreaking ceremony for a new works under construction in the state of Thuringia, Germany, for IHI Charging Systems International Germany GmbH (ICSG)—established by IHI Corporation automotive turbocharger affiliate IHI Charging Systems International GmbH (ICSI)—was held on June 12, 2008.

The works, the opening ceremony for which took place on April 22, 2009, will have an annual production capacity of approximately one million turbochargers from 2011. Currently, ICSI's production is handled exclusively by a plant in Italy. Over the next few years the company will be enhancing its annual production capacity by more than one million units, with plans for annual production to total two million units.

Diesel-powered automobiles account for more than 50% of the European automobile market, and virtually all of them are equipped with turbochargers. As it is anticipated that turbochargers will increasingly be fitted to gasoline-powered automobiles, growth is expected in the European turbocharger market.

In collaboration with ICSI, IHI will draw up proactive business development plans to increase its share of the European market.



Aerial view of new works

Energy and Plants Operations



Highlights

- Sales increased 10.3% compared with the previous fiscal year to ¥436.4 billion.
- Operating loss narrowed to ¥6.2 billion.
- Orders decreased 30.5% compared with the previous fiscal year to ¥299.8 billion.

Net Sales	¥436.4 Billion
Operating loss	¥6.2 Billion
Orders	¥299.8 Billion

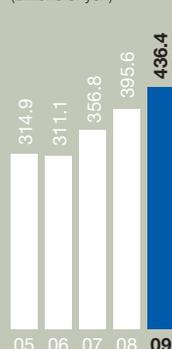
2009
NET SALES
by SEGMENT



2009
ORDERS
by SEGMENT



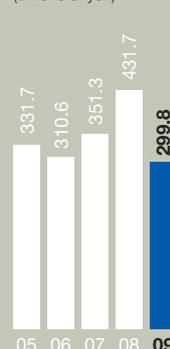
NET SALES
(Billions of yen)



OPERATING
INCOME
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others

Successive U.S. Orders Received for Reactor Containment Vessels for AP1000™ PWR Nuclear Power Plants

IHI Corporation received a contract from major U.S. engineering and construction company Chicago Bridge & Iron Company N.V. (CB&I) covering the design, material procurement, manufacture and shipping of two reactor containment vessels, each of which will form the major component of a new Westinghouse Electric Company (WEC) AP1000™ pressurized water reactor (PWR)-type nuclear power plant. CB&I had itself received the order, which was placed in the United States, from WEC. Working in close collaboration with CB&I to fulfill contracts for WEC, this marks the second successive order that IHI has received and brings to four the total number of orders for containment vessels since the first for the AP1000™ reactor from the United States was received in February 2009.

The latest reactor containment vessel order covers such primary system equipment as reactor vessels and steam generators as well as equipment that affords protection in the event of an accident. The reactor containment vessels, which will be manufactured at IHI's Yokohama No. 1 Works, are 40m in diameter and 66m high; each one weighs 4,000 tons.

Targeting not only nuclear reactor containment vessels but also reactor vessels for the AP1000™, IHI will remain proactive in its efforts to gain orders.



Artist's impression of pressurized light-water reactor nuclear power station AP1000™

Japan-Australia Collaborative Coal-Fired CCS Technology Demonstration Project Fully Under Way Using Oxygen Combustion

In a collaborative project at a coal-fired power station in the state of Queensland, Australia, seven Japanese and Australian companies—including Electric Power Development Co., Ltd. (J-POWER), IHI and Mitsui & Co., Ltd.—have commenced work aimed at demonstrating the combined operation of the world's first unified carbon capture and storage (CCS) system and an existing power station to reduce the amount of greenhouse gas emissions.

The plan for the Callide Oxygen Combustion Project involves using oxygen combustion technology to upgrade the boiler at the Callide A coal-fired power station belonging to the Queensland government-owned CS Energy. This technology makes it possible to burn carbon mixed with oxygen and recirculated emission gases to produce highly concentrated CO₂ that can be captured and stored underground.

This project is intended to demonstrate the suitability of using oxygen combustion technology at existing and newly built coal-fired power stations, and expectations are that the technology will contribute to curbing global warming.

There are currently several other oxygen combustion projects under way around the world, but the Callide Oxygen Combustion Project represents a first in that it brings carbon dioxide capture technologies to an existing power plant and is on a large scale.



General view of Callide A power station

New 28AHX Medium-Speed Engine for Marine Use Developed Reduces NO_x to Meet the IMO Tier II Requirements, Improves Power Output 20% and Fuel Consumption 2%

Niigata Power Systems Co., Ltd. (NPS), an IHI subsidiary, has developed and begun testing the operation of a 2,070kW-3,330kW medium-speed engine that reduces nitrogen oxide (NO_x) emissions to meet the Tier II NO_x regulations that the International Maritime Organization (IMO) will enforce from 2011. Deliveries of the engine, which is coupled with a 360-degree, steerable “Z-peller” azimuth type thruster as a propulsion system for installation in vessels such as tugboats, will commence in 2010. Annual production is planned to reach 70-100 units.

Compared with existing engines, this engine reduces NO_x emissions significantly to meet for the IMO's Tier II requirements and improves fuel consumption and power output 2% and 20%, respectively.

Ship size, including that of container vessels, has been steadily increasing worldwide. A greater number of larger vessels will be brought into harbor by tugboat with the increase in vessel size, and the tugboats themselves require more powerful engines; therefore, demand for high-powered tugboats is expected to increase.

NPS is the world's only manufacturer capable of producing the unique “Z-peller” for propulsion engines and, by taking advantage of its ability to produce these propulsion systems as one package, it is aiming to increase its global market share from the current 30% to 40% through vigorous efforts to gain orders.



“28 AHX” medium-speed engine for marine use

IPEC Wins Order to Design Manufacturing Facility for Pandemic Influenza Vaccine

IHI Plant Engineering Corporation (IPEC), an IHI Corporation affiliate, received an order from Akita, Japan-based drug discovery venture company UMN Pharma Inc. (UMN). The order involves the design of a manufacturing facility for UMN-0501, a pandemic influenza vaccine produced using a cell culture technique. To further strengthen collaboration, IPEC acquired an approximately 3.8% stake in UMN.

In contrast to the traditional vaccine production method, which utilizes embryonated chickens' eggs and takes around six months, UMN's cell culture technique shortens vaccine manufacturing time to one-third, to two months. Consequently, the emphasis is on a revolutionary pandemic influenza vaccine manufacturing method capable of high-volume production in a short time frame.

UMN, which has acquired a 13,000m² plant site in the city of Akita, plans to commence construction of the new facility after the completion of the vaccine's clinical trials, which are currently under way. Initially to have the capability to produce enough vaccine to treat 10 million people a year, the facility is planned to come on line in 2011.

IPEC will strengthen its collaboration with UMN Pharma and make steady progress with this business.



IPEC biochemical engineering laboratory

Aero-Engine and Space Operations



Highlights

- Sales decreased 5.0% compared with the previous fiscal year to ¥297.8 billion.
- Operating income decreased 53.1% compared with the previous fiscal year to ¥11.0 billion.
- Orders increased 0.1% compared with the previous fiscal year to ¥323.6 billion.

Net Sales	¥297.8 Billion
Operating Income	¥11.0 Billion
Orders	¥323.6 Billion

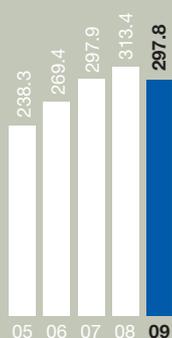
2009
NET SALES
by SEGMENT



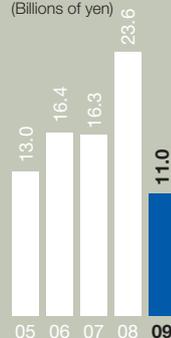
2009
ORDERS
by SEGMENT



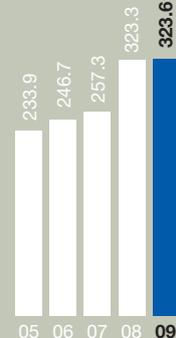
NET SALES
(Billions of yen)



OPERATING
INCOME
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Jet engines, space-related equipment and others

Development of State-of-the-Art Engine for Boeing 787 Completed

The state-of-the-art GEnx commercial jet engine, the development of which IHI has been participating in as a program partner, has received type certification from the U.S. Federal Aviation Administration (FAA) and official approval for commercial operations.

The development of the GEnx, which is destined for use in Boeing's next-generation 787 and the 747-8, commenced in 2004 under the leadership of the U.S. General Electric Company (GE). IHI is participating in the design, development and manufacture as a revenue sharing partner (RSP) with an approximately 15% share of the program. IHI's design and development responsibilities cover the low-pressure turbine module and the high-pressure compressor.

GEnx engines with thrust of 55,000lb to 70,000lb will be fitted on the 250-seat 787 (two engines) and on the 500-seat 747-8 (four engines).

Having been engaged in several jet engine projects involving international joint development, IHI is participating in the development of the GE90, which has the world's highest thrust and is used on the 777 and the CF34, which powers regional jets with 70 to 110 seats. With the addition of the GEnx to its product lineup, IHI plans to further expand its commercial engine business.



"GEnx" turbofan engine

Construction of New Fabrication Building Completed at Soma Works for the Production of Aircraft Engine Parts

IHI has celebrated the completion of new production facility at its Soma Aero-Engine Works, which produces jet engine parts for aircraft, on July 8, 2008. The newly completed facility becomes the fourth fabrication building (Building No. 4) at the Works.

Construction of Building No. 4 was undertaken in response to increasing civil jet engine production and disks—the rotating parts attached to the turbine blades that form the core components of the low-pressure turbine—will be produced for the GEnx engines for the next-generation Boeing 787, which is scheduled to enter service in 2010. IHI will make concerted efforts to ramp up the production system to handle the production of parts for approximately 300 engines a year.

With the completion of Building No. 4, IHI has positioned its Soma Works as an advanced plant possessing international competitiveness with regard to "quality, delivery, cost and production volume" and will take vigorous steps to expand its business.



Soma Aero-Engine works

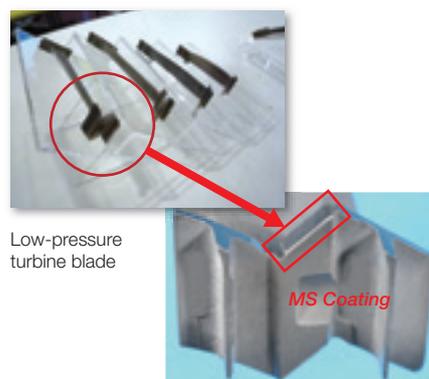
Application of MSCoating Discharge Surface Treatment Technology on Actual Engines Commenced

IHI began installing low-pressure turbine blades on which *MSCoating* (Micro Spark Coating) has been applied in CF34-8 engines in June, 2008.

MSCoating replaces the hard face welding that had previously been required to prevent the wear of blades in close proximity. Blades with *MSCoating* offer improvements in cost and production capacity because, unlike hard face welding, expert workers are not needed for installation.

MSCoating technology is attracting attention for its potential to form a stable high-quality anti-fretting coating through the generation of micro pulse discharges between the substrate and coating block (electrode), which is composed of sintered metal or ceramic powder.

IHI will apply the technology extensively to components that require anti-fretting qualities and promote its use to repair parts in metal cladding without deformation. In addition to the aerospace field, we anticipate an increasing number of applications in general industrial sectors, such as automobile and power generator manufacturing.



Low-pressure turbine blade

A blade that has undergone the *MSCoating* process.

Shipbuilding and Offshore Operations



Highlights

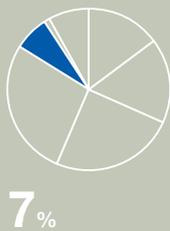
- Sales increased 13.0% compared with the previous fiscal year to ¥181.7 billion.
- Operating income increased 19.0% compared with the previous fiscal year to ¥2.8 billion.
- Orders decreased 71.7% compared with the previous fiscal year to ¥78.9 billion.

Net Sales	¥181.7 Billion
Operating Income	¥2.8 Billion
Orders	¥78.9 Billion

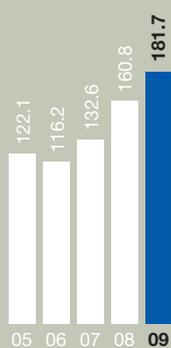
2009
NET SALES
by SEGMENT



2009
ORDERS
by SEGMENT



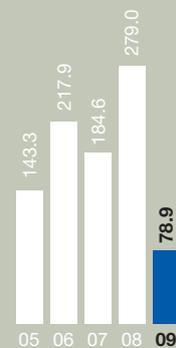
NET SALES
(Billions of yen)



OPERATING
INCOME
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Shipbuilding, ship repairs, offshore structures and others

Destroyer *Hyuga* Delivered

IHI subsidiary, IHI Marine United Inc. (IHIMU), delivered the helicopter-carrying destroyer (DDH) *Hyuga*, which the Japan Ministry of Defense had ordered under its fiscal 2004 (year ended March 31, 2005) budget plan, at IHIMU's Yokohama Shipyard in March 2009. A second *Hyuga*-class vessel is currently under construction with delivery planned in 2011.

The successors to the *Haruna*-class destroyers currently in service, the two *Hyuga* vessels will play a central role as naval escorts. The *Hyuga* represents the Ministry of Defense's first through-deck DDH. As the *Hyuga*'s configuration is so radically different from conventional DDHs, she has been newly named after a region of Japan, *Hyuga* being the traditional name of what is today the Miyazaki Prefecture area. With a standard displacement of 13,500 tons, the new *Hyuga* is the largest destroyer in the Japan Maritime Self-Defense Force (JMSDF) and has the capability to operate three helicopters at the same time. Since not only JMSDF helicopters but also those in service with the Ground Self-Defense and Air Self-Defense forces will be able to land on and take off from her deck, the *Hyuga* brings the capability to respond flexibly and rapidly should this become necessary in the event of an emergency situation or natural disaster.

IHIMU has long built high value-added ships, including destroyers requiring highly advanced technologies.



Destroyer "*Hyuga*"

300,000-Ton Tanker *Tamba* Delivered

IHI subsidiary, IHI Marine United Inc. (IHIMU), delivered the *Tamba* to NYK Line at IHIMU's Kure shipyard in January 2009.

Under construction at the Kure shipyard since 2003, the *Tamba* is the company's 14th very large crude carrier (VLCC) in the 300,000 deadweight ton class. Featuring double-hull fuel oil tank construction and utilizing a vapor emission control system (VECS), the *Tamba* exemplifies ship design that fully addresses environmental concerns.

● Main Specifications

Length: 333.0m

Beam: 60.0m

Depth: 29.0m

Draught: 20.6m

Gross tonnage: approx. 160,000 tons

Deadweight capacity: approx. 300,000 tons



300,000-Ton Tanker "*Tamba*"

AMTEC Delivers Ocean Environment Survey Vessel

IHI subsidiary IHI AMTEC Co., Ltd. (AMTEC, in Aioi, Hyogo Prefecture) delivered an Ocean Environment Survey Vessel, *Hakuryu*, for the Ministry of Land, Infrastructure, Transport and Tourism's Chubu Regional Bureau in February 2009.

Built as a replacement for the *Hakuryu*, the vessel is currently in service in Ise Bay and Mikawa Bay for conducting survey and recovery of ocean pollutions such as drifting garbage, spilled oils, and so forth.

AMTEC develops and builds high-performance ocean environment survey vessels that meet customer needs by drawing on its advanced technological prowess, which is backed by a wealth of accumulated experience.

● Principal Particulars

Steel, twin-hulled ship

Length: 33.5m

Beam: 11.6m

Height: 4.2m

Gross tonnage: 198



Ocean Environment Survey Vessel "*Hakuryu*"

Real Estate Operations

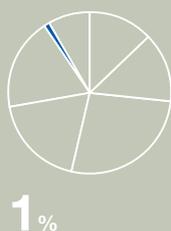


Highlights

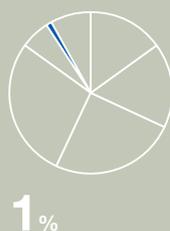
- Sales decreased 61.2% compared with the previous fiscal year to ¥15.8 billion.
- Operating income decreased 57.8% compared with the previous fiscal year to ¥5.2 billion.
- Orders decreased 20.2% compared with the previous fiscal year to ¥7.9 billion.

Net Sales	¥15.8 Billion
Operating Income	¥5.2 Billion
Orders	¥7.9 Billion

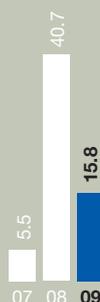
**2009
NET SALES
by SEGMENT**



**2009
ORDERS
by SEGMENT**



NET SALES
(Billions of yen)



**OPERATING
INCOME**
(Billions of yen)



ORDERS
(Billions of yen)



Main products

Real estate sales and rental

Toyosu 3-1 Block (Tentative Name) Rental Office Building

In the Toyosu area of Tokyo, where IHI is taking a leading role in development, a rental office building project—the Toyosu 3-1 special-purpose company being promoted with Mitsubishi Estate Co., Ltd. acting as IHI's business partner—commenced in December 2008. Construction work is on track for completion in the fall of 2010.

Covering a 13,700-square meter site, with 15 stories above ground and two stories below ground for a total floor area of 106,500m², the building will boast the largest floor space per story in Tokyo. Taking full advantage of such features as double-skinned exterior walls as well as natural light and ventilation, the office building represents the epitome of environment-friendly design. With a direct link to Toyosu subway station, the superior design sets new standards in user friendliness.



Toyosu 3-1 Block Rental Office Building

Gracia Terrace Higashi-Totsuka

One part of the Corporate Real Estate (CRE) strategy and utilizing 4,132.42m² of IHI-owned land in Yokohama, the seven-story, 90-unit Gracia Terrace Higashi-Totsuka condominium, which was promoted in partnership with Sotetsu Real Estate Co., Ltd., was completed in February 2009 and is being sequentially handed over to residents.

In addition to this development, IHI is making progress with its rental condominium projects. With the intensification of demand for dormitories and corporate housing, IHI fully intends to make effective use of its idle assets.



Gracia Terrace Higashi-Totsuka



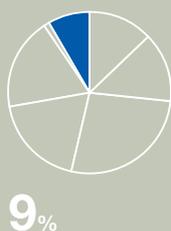
Other Operations

Highlights

- Sales decreased 15.9% compared with the previous fiscal year to ¥140.4 billion.
- Operating income decreased 52.2% compared with the previous fiscal year to ¥2.4 billion.
- Orders decreased 35.4% compared with the previous fiscal year to ¥97.3 billion.

Net Sales	¥140.4 Billion
Operating Income	¥2.4 Billion
Orders	¥97.3 Billion

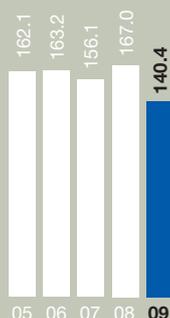
**2009
NET SALES
by SEGMENT**



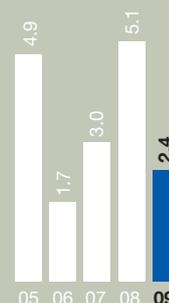
**2009
ORDERS
by SEGMENT**



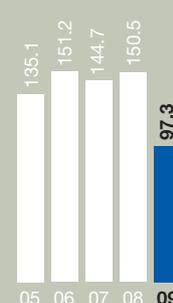
NET SALES
(Billions of yen)



**OPERATING
INCOME**
(Billions of yen)



ORDERS
(Billions of yen)



Main products and machinery

Diesel engines, agricultural machinery, construction machinery, financing and services industry and others

Strengthening Business of Ozone-Related Equipment Used in the Prevention of Infection with New Influenza Strains

In view of its use in the prevention of infection with new influenza strains, IHI and its affiliate IHI Shibaura Machinery Corporation (ISM) are strengthening the sales structure of ozone-related equipment that uses ozone gas for disinfection and air cleaning. In fiscal 2009, with a view to increasing sales by a significant 250%, to 1,500 units, concentrating on such sales targets as airports, emergency vehicles, medical facilities and corporate offices.

Previously, IHI had sold approximately 600 ozone disinfection and air cleaning units a year to such customers as medical and senior care facilities, where they were used to prevent the spread of bacterial infections as well as norovirus and SARS, particularly in hospitals. In fiscal 2008, there was a sharp rise in demand as a measure to counter influenza and orders amounted to 850 units.

Moreover, as it is used in the fight against outbreaks caused by new influenza strains, ozone-related equipment is attracting attention, and inquiries from all over Japan are centering on the IHI Group.

Crisis management in response to influenza pandemics is not confined to medical institutions alone; it is becoming an issue faced by corporations in general and even by individual householders. Therefore, the IHI Group is anticipating sales expansion of ozone-related equipment not only in Japan, but also overseas.



Ozone air cleaner "eZ-2000"

Putting into Operation Floating LNG Platforms

The IHI Corporation's Offshore Project & Steel Structures sector was newly established based on the former Logistics Systems & Structures Operations' Aichi Works and the Offshore Project Division on April 1, 2009. The two roles the new sector fulfills within the IHI Group are:

- (1) To put into operation such offshore structures as floating liquefied natural gas (F-LNG) platforms utilizing IHI's proprietary Self-supporting, Prismatic-shape IMO Type B (SPB) tank technology as well as the Aichi Works.
- (2) To take charge of large steel structure construction in IHI's product range.

The strategic technology involved in offshore structure construction that the IHI Group has itself developed and for which it holds licenses is the SPB tank, which are unique LNG tanks for marine use. The two SPB-LNG vessels completed at the Aichi Works in 1992 have been plying the demanding Alaska shipping route ever since; the SPB tanks with which they are equipped have around 17 years of sterling, damage-free service behind them.

Amid growing awareness of environmental matters and concerns regarding energy safety guarantees, there has been a growing interest in natural gas as a clean form of energy with abundant reserves. Accordingly, a number of F-LNG projects are being planned. Thanks to their rectangular shape, SPB tanks provide a flat deck for easy instillation of the LNG plant. And the tanks' design inhibits any sloshing* effect, thus enabling cargo to be loaded to any level. Moreover, these tanks have the ruggedness to alleviate strength concerns even if they never enter docks. Because of these advantages, SPB tanks are seen as being the optimal tanks for F-LNG projects and are once again attracting the attention of a global market.

The Offshore Project & Steel Structures sector is, for example, developing construction technologies and facilities and implementing mock-up testing to trial manufacture full-scale SPB tank blocks with a view to putting into operation F-LNG platforms, the market for which is expected to expand in keeping with increased demand for LNG.

* Sloshing is the term used when liquid held in a tank undergoes severe oscillations in harmony with the motion of the ship's hull. This phenomenon can lead to tank damage.



SPB-LNG carrier *Polar Eagle* (completed in 1992)

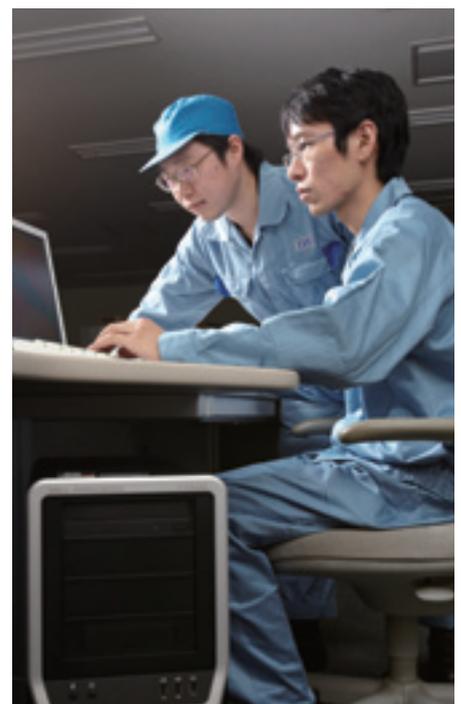
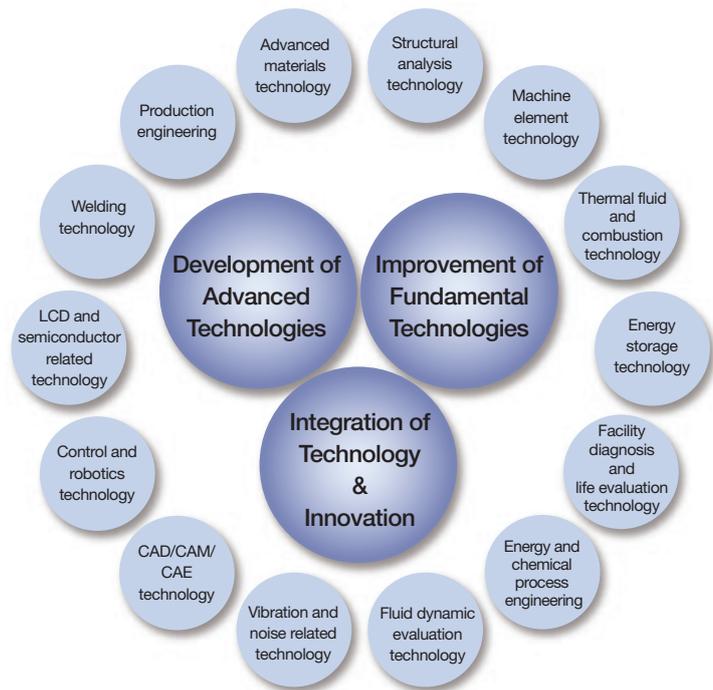


General view of an SPB tank mock-up test

Research and Development Highlights

R&D Policy

IHI conducts research and development with three basic goals: “to pioneer new fields of leading-edge technologies,” “to advance common fundamental technologies,” and “to integrate technologies to develop new types of products.” By making constant efforts to increase efficiency, reliability and durability, while reducing the burden on the environment, we have achieved steady results that are leading to greater contributions to society through new technologies. Research and development is the foundation of IHI.



Topics

Dual-Robot Bin Picking

In recent years, flexible manufacturing systems have become mainstream on the manufacturing front line, requiring a large, flexible workforce capable of performing a host of tasks. This working population is shrinking, however, creating a strong desire to replace human-dependent processes with automation. Not limited to the performance of repetitive processes, this type of factory automation has involved the development of intelligent robot technologies that are as flexible as humans in performing tasks. In IHI's R&D activity, factory automation has led to the development of bin-picking systems that utilize 3-D object recognition technologies.

In actual factory conditions, a variety of large and small components may be handled, requiring workers acting alone or in tandem to travel around inside the factory in the performance of their tasks. In the case of automation, there are many benefits and efficiencies to using smaller robots in pairs cooperating and sharing tasks rather than only using large, single-function robots designed to handle large components. IHI is now developing cooperative handling controls and grippers for bin-picking systems for robots that work in pairs.



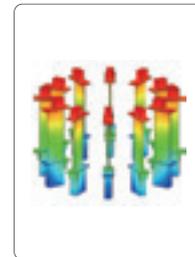
Cooperative handling

Development of Casting Simulation Technologies

Castings are used in various IHI products, ranging from commercial aircraft jet engines and automotive superchargers to marine and agricultural machinery engines. Casting simulation technologies have been developed to improve the quality and reduce the cost of these castings.

The trial manufacture of castings is actually an expensive and highly time-consuming process. However, by using computer simulation to produce virtual castings in advance to optimize the process parameters, it is possible to dramatically reduce trial and error. Furthermore, by combining this simulation technology with quality engineering, it is possible to determine the conditions required for a robust casting manufacturing process.

That conventional casting technology has become established in wide-ranging fields owes much to the craftsmanship element. However, merging the know-how of the manufacturing front line with casting simulation technologies will enable high-quality castings to be produced more efficiently.



Solidification simulation for turbine blade



Grain growth simulation for turbine blade

Development of Flotation Conveyor Technologies for Large Glass Sheets

Plants that manufacture flat panel displays (FPDs) handle large glass sheets that are very thin and fragile, measuring more than two meters along one edge with a thickness of 0.7mm. The impossibility of handling manually such large glass sheets demands automatic rapid conveyor methods that do not cause scratches. To respond to these demands, IHI took up the challenge of developing new non-contact material handling technologies. As existing non-contact material handling technologies cannot ensure a glass flotation gap of less than 1mm, there were widespread concerns that the ends or undersurfaces of the glass sheets would come into contact with the surface of the conveyor. Another key problem was the amount of electric power consumption required to bring technological advances to fruition.

By utilizing air momentum change, IHI has developed a proprietary technology that causes the buildup of high pressure air, thus ensuring a 5mm flotation gap under the sheet. Along with a high-speed, stable conveyor that consumes less than one tenth the power used by a conventional system, this is the most innovative flotation conveyor technology imaginable. Flotation conveyors fitted with this type of technology are presently being used in plants manufacturing large numbers of FPDs as well as those producing large glass sheets.

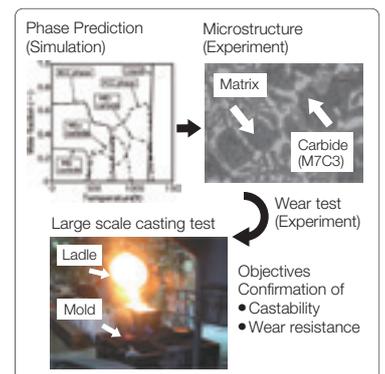


Air flotation conveyor

Development of Wear-Resistant Cast Iron with Reduced Rare Metal Content

IHI manufactures proprietary wear-resistant cast iron containing 2% to 8% of molybdenum (Mo), one of the rare metals. This cast iron is used for the roller tires and table segments of coal pulverizing mills at coal-fired power plants.

In recent years, however, there has been a tenfold rise in international Mo prices brought about by tight supply and demand as well as speculation, and the cost of the raw materials for wear-resistant cast iron has increased significantly. Leveraging its wealth of advanced alloy design technology and expertise, IHI has responded by successfully developing a new wear-resistant cast iron with reduced Mo content. Previously, such alloy development had entailed numerous experiments to investigate the effectiveness of alloy compositions. This time, how-



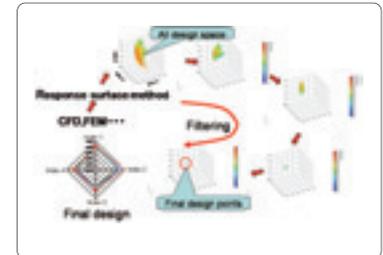
Flow of IHI new alloy development

ever, IHI used simulations to predict alloy microstructures, thereby discovering a composition with balanced wear properties and low material cost after only a small number of experiments. This simulation technology can also be used to develop new alloys for many applications.

IHI-TDM Multi Objective Trade-off Design Method

To bring highly reliable design to fruition, the Company is encouraging the use in product creation of Total Design Management (IHI-TDM), its new proprietary design method. Simultaneously optimizing multiple design evaluation indicators (including robustness, performance and cost), this approach is known as the Multi Objective Trade-off Design Method.

For example, the cost of building high-performance machines tends to be high while that for low-performance machines is more competitive. The resulting gap between evaluation indicators gives rise to a trade-off situation that designers who have to produce optimal designs consider in their product conceptions. For optimal design the Multi Objective Trade-off Design Method incorporates as much as possible the full range of variables from the outset. Then, using a method called filtering, it sequentially samples the work to ensure that design criteria are met. Consequently, the final design does not involve creating the “black box” common in other optimal design methods and brings transparency to the design process. Even in cases where the basis of a design process is unreliable, a risk management method is employed to enable design work to continue undisturbed despite the inherent risk.



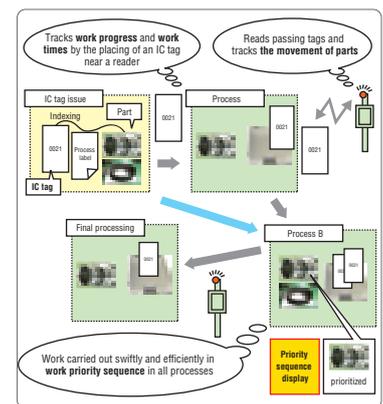
Example of IHI-TDM

Production and Logistics Management System for Aero-Engine Overhaul Processes Developed

The Mizuho Nozomi System was developed to apply the pull production system (the so-called Toyota Production System) and IC tag-controlled logistics management to the aero-engine overhaul process at IHI's Mizuho Aero-Engine Works.

Because repair processes were performed under the job shop system—in which every process, such as machining and painting, is divided among workstations—on-site workers were not able to make decisions concerning parts prioritization during an overhaul process. The new production and logistics management system calculates the work priorities of the approximately 10,000 repair components based on the engine delivery dates. Workers now perform repairs in accordance with work priority sequences displayed on PC terminals located at work stations, which enables the pull production system.

The system also tracks work progress, part locations and work times by IC tags attached to each part; IC tag readers and the PC terminals located at each work station enable anyone to visually monitor the system. The availability of this information reduces losses due to logistics and has created a “continuous process flow.” Together with the synergies of the pull production system this has dramatically shortened lead times.

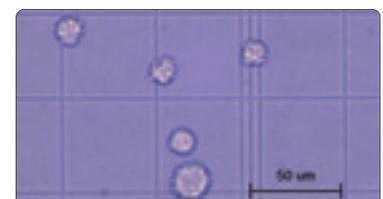


Mizuho Nozomi System concept

Facility Developed for Influenza Vaccine Manufacture Using Animal Cell Culture

In collaboration with IHI Plant Engineering Corporation (IPEC), IHI is promoting the development of facilities to manufacture state-of-the-art biopharmaceuticals using animal cell culture; these products are the focus of the world's attention due to their high efficacy and minimal side effects.

IHI and IPEC conducted the R&D for an influenza vaccine production plant built for a pharmaceutical manufacturer. The use of a virus protein as the base component makes this vaccine safer than conventional vaccine and enables shorter production times. With the prevailing concern over new types of influenza virus, expectations are growing for cell culture influenza vaccine manufacturing techniques that were first developed and commercialized in Japan.



Pilot scale bioreactor



Microscopic image of animal cells

Development of High-Performance Fiber Reinforced Concrete

IHI has successfully developed a high-performance fiber reinforced concrete with superior capabilities, which include high strength, high ductility and high flowability. Created by incorporating short steel fibers into high-strength concrete with a compressive strength of more than 70N/mm² (Fig. 1), this material is expected to simplify the design of reinforced concrete by reducing the use of steel bars and the required cross section.

Until now, the problem with this kind of material has been its low flowability in the fresh state when both steel fibers and a high amount of cement are incorporated in order to realize high ductility and high strength. The resultant concrete is generally unsuitable for on-site construction. However, with the use of a special admixture and following extensive mixing tests, IHI has developed a material that can be pumped from a truck used on general construction sites. In the summer of 2008, this material was utilized to create the joint part of a bridge slab on a construction site at the Sanno junction of the Nagoya expressway, and construction was smoothly carried out using a concrete pump truck (Fig. 2).



Fig.1 High performance fiber reinforced concrete



Fig.2 Concrete pumping at express way construction site

Development of Construction Technique for Aluminum Alloy IHI-SPB Tank

Developed by IHI using proprietary technologies, the Self-supporting, Prismatic-shape IMO Type B (IHI-SPB) aluminum alloy tank for liquefied natural gas (LNG) carriers boasts a proven track record. In recent years, interest in using the SPB tank put in LNG floating storage and regasification units as well as put in LNG floating receiving terminals, where there is growing demand, has led to technical development aimed at achieving better quality and quicker delivery.

The new one-side welding method for manufacturing aluminum alloy SPB tanks uses the latest aluminum-specific welding power source, enabling the elimination of the large panel flipping process. In addition, proprietary robot system technologies precisely control the shape of the weld toe, leading to better fatigue strength.

These technologies represent a quantum leap in the level of automation involved in the aluminum alloy SPB tank block manufacturing process, which utilizes the similar construction methods as those used in the building of large ships. These advances have brought about efficient block manufacturing processes that are of a more consistent quality and to a higher standard than ever before.

Through pursuing innovative technological development in the tank welding processes, IHI is gearing up to provide IHI-SPB aluminum alloy tanks that are unrivaled in terms of reliability.



An SPB aluminum alloy tank during installation on an LNG carrier



Robot used for welding aluminum

Development of CFD-Based Ship Propulsive Performance Evaluation Technology

The IHI Group manufactures large ships, including container vessels and tankers as well as naval vessels. Unlike that for mass produced machines, the performance evaluation of large ships at the design stage involves model testing, numerical simulation and comparison with the performance of previously constructed ships. Particularly in recent years, there have been demands for improvements in propulsive performance from such standpoints as reductions in greenhouse gas emissions and energy consumption; therefore, it has become important to improve the accuracy of performance estimates.

To address this need, IHI's Corporate Research & Development headquarters has developed technologies that utilize computational fluid dynamics (CFD) to accurately estimate the propulsive performance of large ships. Utilizing CFD in the analysis of the flow field around the hull has already brought to fruition technologies that accurately estimate resistance caused by water drag and the bow wave produced by the ship itself. Currently, CFD is being used to analyze the complex flow of water when a screw propeller is in operation and to promote higher degrees of accuracy when, for example, estimating propulsive efficiency (Fig. 3).

The use of these technologies is enabling the accurate estimation of a ship's propulsive performance at the design stage. The use of CFD analysis is enabling the development of highly efficient ships that display clear improvements in design.

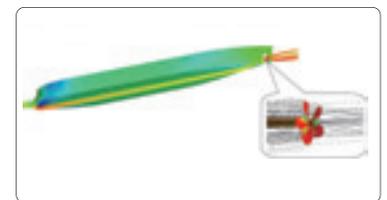


Fig. 3 Simulation result of the flow field around a very large crude oil carrier (VLCC) with screw propeller

IHI Intellectual Property

(As of March 31, 2009)

Basic Policies on Intellectual Property

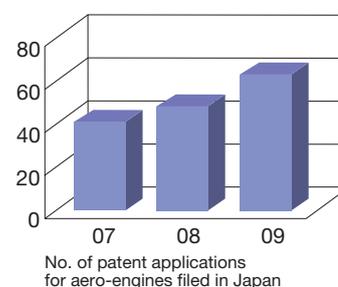
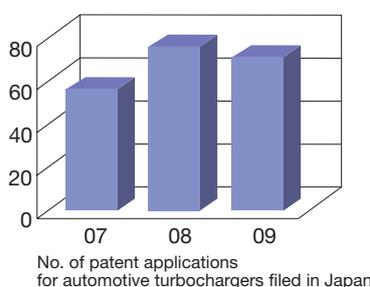
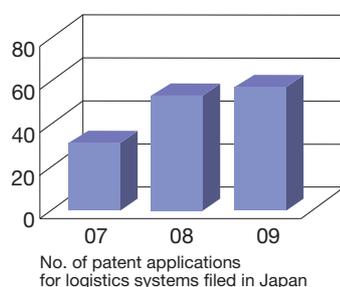
Based on the Group's Management Policies 2007, IHI Group has established the following basic policies concerning intellectual property (IP):

- (1) Promote IP activities with integrated business and R&D strategies
- (2) Carry out thorough IP risk management
- (3) Invigorate IP activities in each business operation and improve internal organizational structures

Outcome of Invigorated Patent Application Activities

In the strategic business areas identified in the Group's Management Policies 2007, many patent applications were aggressively filed. In addition, we have worked to build awareness of patent networks in those businesses that were slated to become profit drivers and the focus of resources: logistics systems, automotive turbochargers, aero-engines and so forth.

As a result, compared with the year ended March 2007, the number of patent applications in the year ended March 2009 has significantly increased, as shown in the graphs. To maintain its business advantages, IHI will continue to pursue IP activities that integrate its business and R&D strategies.



Note: Figures are for respective years ended March 31.

IHI Brand Protection from an IP Perspective

The IHI trademark was filed and registered in Japan in 1961 for products the Company was selling at that time and is certified by the Japan Patent Office as an established trademark. Accordingly, it is virtually impossible for a third party to acquire the Company's trademark rights, including the rights for "IHI," in Japan. In addition, IHI filed its trademark overseas and, as a result, this trademark is registered in 70 countries at present.

In July 2007, the Company name was changed to IHI, with some affiliated companies also adopting the IHI name and trademark. However, some concern exists over the potential damage that an increase of counterfeit products or the malicious use of the IHI trademark. To improve IHI brand value, the IHI Group will continue to promote its brand by filing trademark applications for requisite products and services.

IHI Group's Intellectual Property

As stated in the Group's Management Policies 2007, we are restructuring the business under a coherent strategy for the entire Group and promoting balanced growth in terms of quality, quantity and speed. Consequently, an IP-related strategy is needed for the whole Group.

A comparison between the years ended March 2008 and 2009 reveals that the number of patents filed by the IHI Group rose from 990 to 1,029 in Japan and from 106 to 159 overseas, while the number of patents held by the IHI Group increased from 3,974 to 4,325 in Japan and from 686 to 726 overseas. This shows that overall Group strength in the area of IP is improving. Moreover, we have established the 2009 IHI Group Basic Policy on Intellectual Property, which in addition to "ensuring that IHI and its affiliate companies maintain their business advantages and strengthening IP activities through integrated business and R&D strategies," innovatively declares "the establishment of an intellectual management system that integrates IHI with its business affiliates" and promotes IP activities across the entire IHI Group.

Risk Management

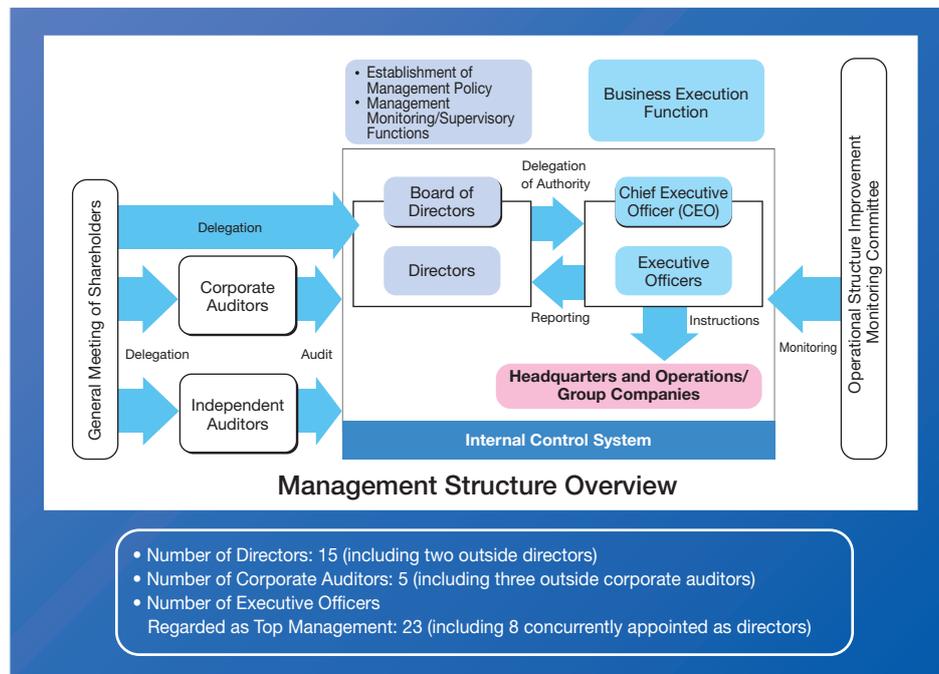
IHI is not currently a party to any IP-related litigation.

Corporate Governance, Compliance and Risk Management

Basic Philosophy on Corporate Governance

IHI defines corporate governance as a system designed to maximize corporate value by increasing the efficiency of management to leverage the Company's capabilities as much as possible.

To establish and strengthen a system of excellent corporate governance, IHI aims to enhance its compliance structure based on the necessity for a system to observe internal decision-making and business execution that is made in accordance with laws, regulations and acceptable procedures.



* As of July 15, 2009

Business Execution, Audit/Supervisory, Nomination and Compensation Decision Functions

IHI has a corporate structure with auditors. Under this system, the Company has five corporate auditors, three of whom are outside corporate auditors.

The Company's senior management consists of 23 executive officers (8 of whom also serve as directors) dedicated to business execution.

The Management Committee supports the decision making and business execution of the Chief Executive Officer (CEO), who designates members of the committee.

In addition, the Company established the Compensation Advisory Committee with a total of four members: an outside director as chair, an outside corporate auditor and the directors responsible for human resources and finance to ensure the appropriate payment of remuneration.

Outside Director and Outside Corporate Auditor Support System

To assist in the execution of their duties, outside directors receive broad support from the Company's Administration Division staff. This support includes providing outside directors with explanations of the subjects to be discussed and acted upon at Board of Directors' meetings.

Located in the Corporate Auditors' Office, to which Company employees are assigned, corporate auditors assist in the Company's executive functions, furnish the standing corporate auditors with reports concerning the day-to-day status of audits and work to share information.

Internal Control Systems

The Company has established internal control system guidelines with the aim of raising the effectiveness of its corporate governance and contributing to improved corporate value. Based on these guidelines, the Company developed systems for thorough compliance and enhanced risk management. The Group Management Planning Group, which is established in the Corporate Planning Division, controls the setting up and upgrading of general internal control matters across the Group, as well as the overall matters related to the Group management.

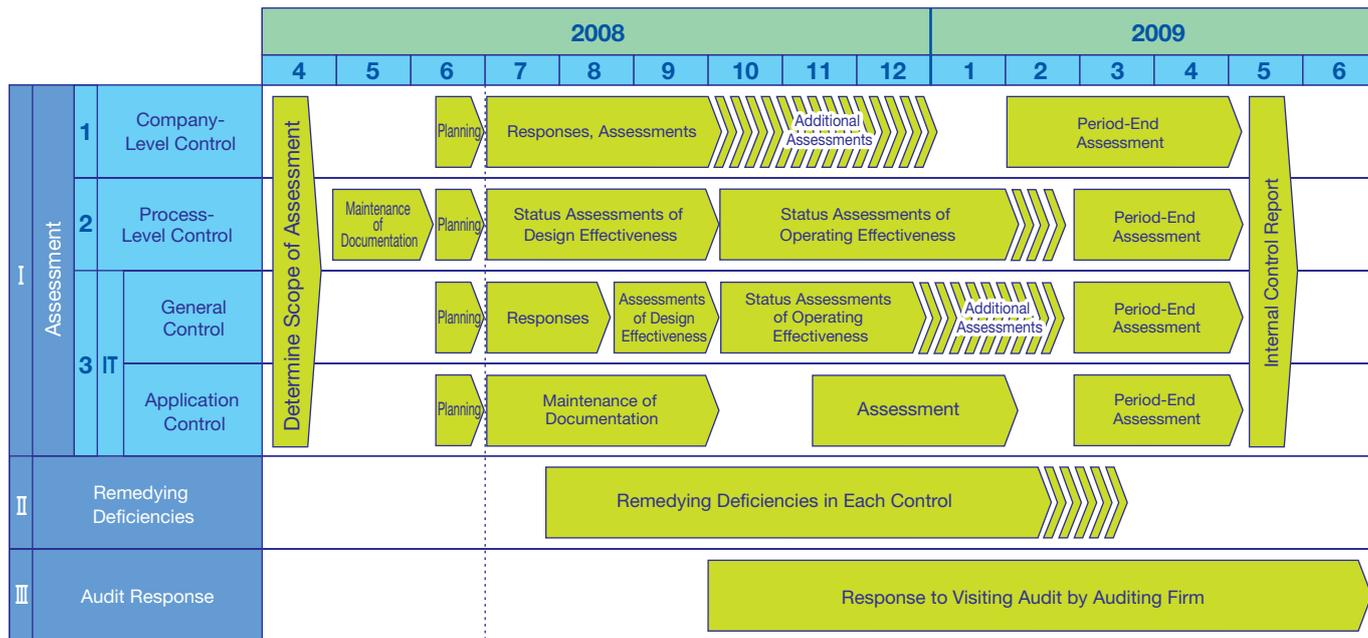
Japan also initiated the so-called J-SOX internal control reporting system within the framework of the Financial Instruments and Exchange Law in response to such accounting procedure-related scandals as accounting fraud. Upon the enforcement of the law,

which requires the establishment of internal control systems to ensure the appropriateness of financial statements as well as the disclosure of reports assessing the effectiveness of such systems, the Internal Control Assessment Groups set up at the Group's major bases implemented separate evaluations. These Internal Control Assessment Groups are centered at the Internal Control Assessment Division, which comes under the president's direct control.

Focusing on three areas—Company-level, Process-level and IT controls—the Company conducts dual status assessments to confirm design effectiveness and validity as well as factors affecting proper operations. In fiscal 2008, the year in which J-SOX first came into effect, no deficiencies having a significant effect on the financial statements were identified.

Internal Control Report Activities

When preparing an internal control report for disclosure, the Company implemented: I Assessment, II Remediating Deficiencies and III Audit Response.



Compliance Promotion Activities

IHI holds Compliance Board meetings four times a year to work on compliance activities while implementing Plan-Do-Check-Act (PDCA) cycles. Information was exchanged and performance assessments made related to implementation status at all operations. At Compliance Board meetings, IHI confirmed the effects of efforts undertaken in the investigation and guidance of and remedial action taken in any potential compliance violations at business operation and division levels. In addition, problem awareness was shared concerning common issues within the IHI Group, efforts were made to take preventive action throughout the organization and specialized divisions gave individual guidance as needed with a view to promoting rapid improvements.

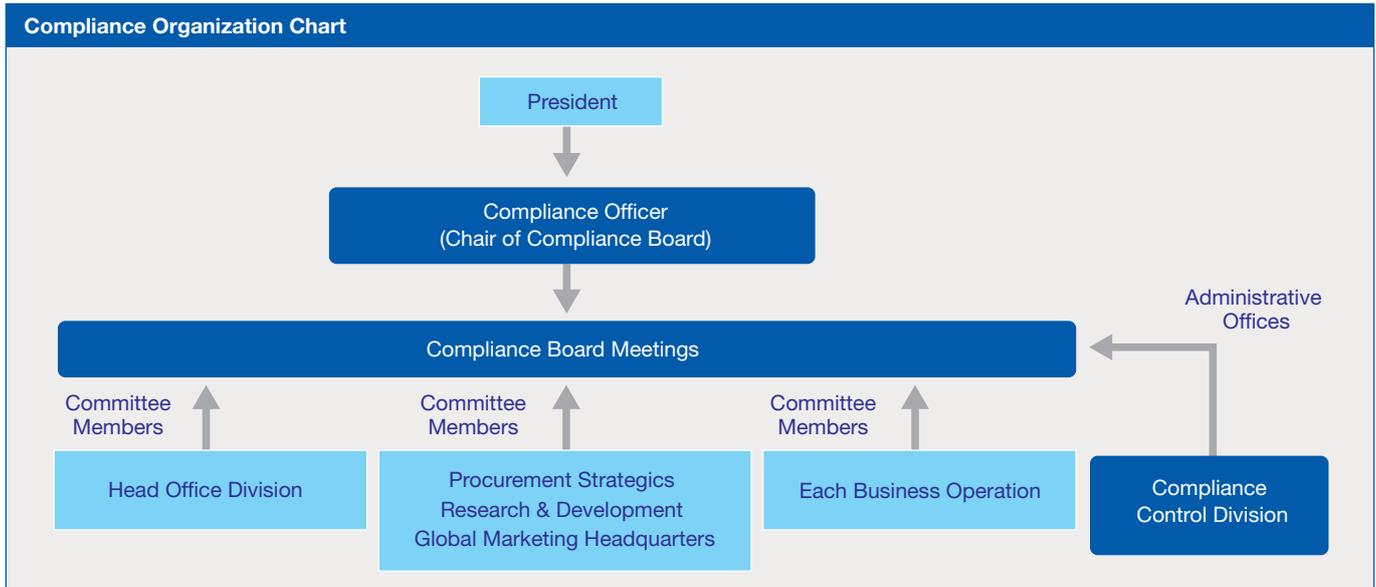
Compliance Hotline

A Compliance Hotline was set up to ensure the early detection and rapid correction of any illegal activity or acts of malfeasance. Everyone within the IHI Group may use the hotline. (This includes temporary and part-time employees, and anonymity is ensured.)

The number of reported cases has been increasing every year. In recent years especially, the number of reports originating from affiliated companies and temporary employees has grown. This growth is attributable not only to the unification of contact points through the introduction of an outside specialist organization (Corporate Ethics Hotline) in fiscal 2006 to increase Internet, telephone and fax accessibility, but also to the distribution of cards illustrating how to use the hotline; the intranet disclosure of reporting status data (without revealing the identity of informers); and the dissemination of information on the hotline's purpose through educational resources, including e-learning. These efforts on the part of IHI have enhanced employees' awareness of compliance.

Because the content of a hotline report often concerns such subjects as "human relationships in the workplace," guidance and other training are provided to ensure the ongoing improvement of the workplace climate.

The operational issues are that the number of anonymous reports is increasing and, due to a lack of data, some cases remain unresolved. Therefore, IHI will continue to disseminate information on hotline usage to help problem resolution.



Compliance Training

A wide variety of compliance-related training was carried out in fiscal 2008. This included classroom training by rank, from new recruits to management, Groupwide e-learning (attendance rate 86.4%) and training designed to nurture the leader in each division. The use of such surveys as “Becoming Aware of the Issues” and “Recognizing Anew Actions We Must Take” elicited a variety of opinions.

In addition to classroom training, there are plans to supply materials for workplace discussions and to implement schemes so that compliance becomes ingrained in business practices.

Improve Understanding of Our View of Compliance

The following initiatives have been implemented so that each person can reflect on and take action in response to the questions, “What does compliance mean in the workplace?” and “What should be done?”

Second Edition of Compliance Guide Distributed

Based on a review of the Compliance Guide, which explains IHI's Basic Code of Conduct, a revised second edition was distributed to IHI's directors and employees as well as to IHI Group-affiliated companies. This easier to read, revised edition features simplified expressions, many illustrations and recent case histories. Positive reviews, stating for instance that the guide is “more interesting than before” and “easy to understand and seems familiar” have been received from all offices.

Search for Compliance Senryu

In October of fiscal 2008, Corporate Ethics Month, a search was made for a “compliance senryu,” or a short, humorous poem on the subject of compliance. Despite this being the first time we had tried such an exercise, approximately 300 poetry submissions were received. There were many masterpieces condensing writers' thoughts on compliance into 17 kanji characters. The best poems appeared in internal publications, on the intranet and on posters. As the poems generated a lot of interest in all offices, there are plans to make the “compliance senryu” an annual event.

Compliance: Views from the Front Line

Drawing on the opinions of those on the front line is necessary to compliance becoming ingrained and firmly established. Consequently, those responsible for compliance promotion visit works and exchange views with employees. During these visits, employees frankly communicate any feelings of unease arising from unforeseen factors and deepen mutual understanding through discussion. The actual feeling taken from these visits is that “While awareness levels among workplace leaders may vary, we have to reach the stage of being properly aware of compliance in our everyday operations.”

Everyone at every IHI workplace is aiming to realize increased familiarity with compliance.

Risk Management

In recent years, the risks that corporations face have increased and diversified, reflecting such factors as the rising awareness with regard to corporate social responsibility (CSR).

Stressing the importance of assessing, identifying and monitoring with regard to the risks affecting the business execution of the Group as a whole, IHI put in place an appropriate risk management system as well as systems to manage and assess that risk management system. IHI endeavors to avoid risk occurrence and to minimize the impact when risk occurs.

On that basis, the Risk Management Committee that controls risk management for the entire Group holds regular meetings and great efforts are made to enhance and strengthen risk management by verifying both the content and current status of anti-risk measures.

Business Continuity Plan (BCP) Drawn Up

To ensure the safety of the workforce and visiting customers, greater emphasis is being placed on disaster prevention in the current large-scale disaster relief measures. However, in light of damage to production facilities and operational disruptions in transportation organizations in recent years, there have been calls for companies to draw up Business Continuity Plans (BCPs) to minimize the impact of any large-scale disasters on business operations. The IHI Group, which deals with social capital products in particular, attaches the utmost importance to supporting the business continuity of its customers and rapidly responds to customer requests for such services as post-disaster facility checks and repairs.

Addressing the possibility of a major earthquake, in fiscal 2008 the IHI Group drew up a BCP covering essential operations that it envisaged would be particularly affected by an operational stoppage. IHI will implement ongoing improvements through training sessions and, in conjunction with deploying the BCP formulation across the IHI Group and establishing a Business Continuation Management (BCM) system, will extend the cover to such risks as new strains of influenza.

Export Controls

IHI established a Safety Assured Export Committee to manage and control regulations pertaining to, for example, dealing with the Foreign Exchange and Foreign Trade Law on a Groupwide basis. This committee has as its basic policy: "To promote international peace and security and, from the standpoint of preventing the proliferation and accumulation of goods and technologies relating to the development of both weapons of mass destruction and conventional weapons, [IHI] will not engage in exports, make offers or enter into direct or indirect trade transactions that contravene the Foreign Exchange and Foreign Trade Law with countries and regions interdicted from the trade of goods and technologies that come under exchange regulations."

Formulation of Information Security Policy

To maintain its information assets, IHI works in a comprehensive manner to prevent any loss of, tampering with or leakage of data. In specific terms, measures initiated by the IT Promotion Committee's Information Security Panel are implemented as part of Companywide risk management activities that take into consideration the Groupwide perspective.

In specific terms, information assets are maintained with attention to three aspects: rules, tools and training. With regard to rules, Information Security Policy and Information Security Provision Criteria serve to define information security provisions. For tools, the full gamut of IT security tools, including antivirus software, is continually introduced and updated to the latest versions. Thirdly and finally, training on information security is provided to current employees in an e-learning format in order to instill the rules and familiarize participants with the tools. In addition, classroom lecture-format information security training sessions are conducted for newly hired personnel. Surveys are conducted of the information security status at affiliate companies, which may then receive guidance. As a result of these activities, IHI's major operations and divisions as well as affiliates have all been awarded Information Security Management System (ISMS) JIS Q 27001 certification, the international information security standard.

Despite our best efforts, however, we were obliged to apologize to customers following a leak of information relating to a thermal power plant via an employee's private PC in December 2008. Treating this situation with the utmost gravity, measures were implemented to prevent a recurrence; the ban on the use of privately owned IT devices, including at affiliate companies, was thoroughly restated and Information System User Regulations drawn up to set out prohibitions.

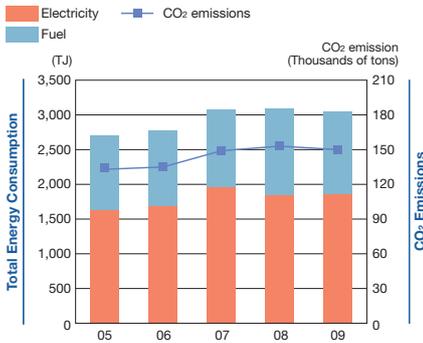
Corporate Social Responsibility (CSR) Activities

Environmental Matters

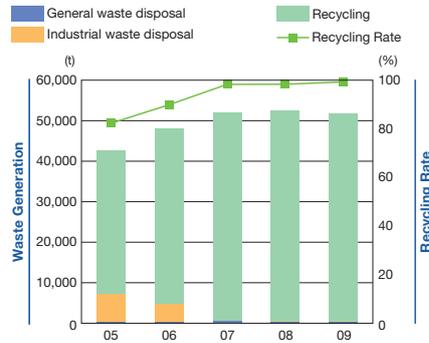
Through its business operations, IHI supplies a wide range of products—from plants, machinery and facilities to transportation and traffic systems—in support of industry and society. Based on observations of the amounts of electricity, fuel and water used in its production operations as well as its release of CO₂ and waste generation, the Company works to minimize its environmental impact.

Environmental Data

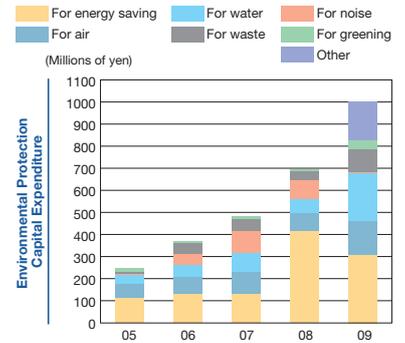
Energy Consumption (Production Operations) and CO₂ Emissions



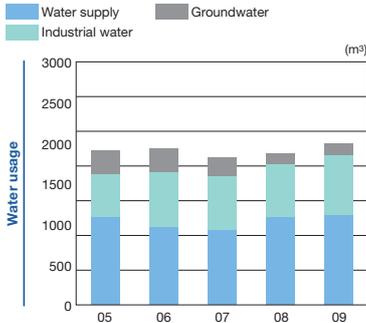
Waste generation and Recycling Rate



Environmental Protection Capital Expenditure Trends



Water Usage



- CO₂ emissions factor (electricity) used: 0.418kg/kWh
- Waste generation—the total volume of general and industrial waste treated plus the recycling—includes “metal scrap” with a trading value
- The environmental protection capital expenditure amount covers equipment costs for new facilities, facility renewals, upgrades and repairs (new facility construction work worth more than ¥200,000, repair work more than ¥500,000)

Note: Data as at May 2009

Note: Figures are for respective years ended March 31.

Management of Chemical Substances Contained in Products

Following the Agenda 21 proclaimed at the Earth Summit held in 1992, it was recognized that our ways of thinking the management of chemicals would have to be changed radically. The Agenda 21 mentioned voluntary activities to maintain harmonization between the global environment and corporate activities.

The regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH regulation) implemented in 2007 was debated in conformity with innovative chemicals management policies and are completely unlike any that had come before it.

IHI and all IHI Group companies must adhere to the REACH regulation in order to achieve further development in the EU. If they were to deal with requirements based on the REACH regulation incorrectly, there would likely be serious disruption in their corporate activities.

In fiscal 2008, IHI completed preliminary registration with respect to observance of the REACH regulation. In addition to detailed reviews conducted by the divisions such as design and procurement divisions, explanatory meetings targeted for the Group and Group members who worked for environmental issues were held, and checked whether there were products containing substances required the REACH registration.

One of the REACH regulation specialists from the Chemicals Evaluation and Research Institute, Japan (CERIJ) was invited to explanatory meetings held in July 2008. Shown actual cases, the IHI Group's subsequent response plan was deliberated and in-depth understanding of the REACH regulation was done.

Check is made of chemical substance containing products. In addition to the introduction of the system for managing the substances data, the management system will be improved, and which will be included the supply chain.



Explanatory meeting

Energy-Saving Activities at IHI's Aioi Works

The Casting Division of Rotating Machinery Operations (located in IHI's Aioi Works), which manufactures cylinder covers and liners for marine diesel engines, uses large amounts of fuel for its heat treatment and annealing furnaces, which ensure product strength and increase the stress tolerance of products.

In the period since fiscal 2005, the Casting Division has carried out fuel switching and operating condition optimization as part of its ISO 14001 activities. One of the main activities is energy saving in decreasing its impact on the environment, which leads to dramatically decrease the amount of energy consumption at Aioi works. By fiscal 2008, Aioi Works had achieved an overall energy usage reduction of more than 20% compared with that of fiscal 2005 (emissions intensity).



Casting Division 12-ton heat treatment furnace

Human Resource Matters

Varied Recruitment (Assigned Appointments/Equal job opportunities /Careers)

Under the present business globalization, coupled with a low birthrate and an aging population in Japan, fulfillment of the diversity at existing workforce is vital importance for an ongoing business.

In the view of IHI's broad business scope, the recruitment of newly graduated engineers follows an assigned appointment system. Emphasizing the "divergence in how work is viewed prior to joining IHI"—one of the reasons for the high job turnover rate among young people—recruitment and assignment are conducted in such a way that the young people concerned understand and are fully satisfied in advance with the business fields for which they will be responsible. This has had the effect of making young people want to stay.

To ensure the hiring of personnel remains in keeping with globalization, progress is being proactively made in the recruitment of Japanese exchange students and foreign students. Foreign students who join IHI come from all over the world, mainly from Asian countries. In 2008, IHI conducted recruitment activities in the United States as well as in South Korea. As a result, four Japanese exchange students and 15 foreign students joined the Company in April 2009.

Very active in career recruitment, with no discrimination between men and women, IHI hires highly capable personnel who possess the skills the Company needs; in fiscal 2008, 36 people joined the IHI. A special training is provided to careers in order to meet their adaptability, which helps to improve their own skills. Careers who provided the training work very actively on their field at the IHI.

Recruiting Women and Promoting Their Appointment

The number of women IHI recruits is steadily increasing; in fiscal 2008, 10% of new technical graduates and 30% of those newly taking up administrative positions were women. For recruitment activities specifically aimed at women, IHI has produced and distributed a brochure called *Zutto*, which urges women to apply for IHI. The brochure highlights the Company's work environment and systems that facilitate combining work and private life, for example for those women hoping to pursue active careers, the positive experiences of senior female employees who are bringing up children and the availability of time off.

IHI maintains a personnel system that, regardless of age and gender, conducts fair assessments and advocates proper treatment. As of April 2009, 31 women are actively employed in management positions across all fields; four of them hold divisional head or higher posts.



Zutto

Personnel Education and Training, Personnel System

Education and training at IHI comprises the following:

- (1) Position-specific induction training, primarily conducted by the Human Resources Division, for newly recruited employees and those newly appointed to management positions
- (2) A variety of training courses conducted at the operational, divisional and departmental levels
- (3) IHI open lecture courses, such as technical courses for individual professional development, language study and computer training courses
- (4) Selective induction training that covers management theory and strategies; business strategies and marketing; and specialized training, for example, for those assigned to external organizations and for employees sent to universities and graduate schools in Japan and overseas

In addition, complementing staff development through management action, we have set up an open internal recruitment system and an in-company free agent (FA) system. These systems help develop and nurture the potential of each and every employee by offering clear career paths for employees.

Employee Health Management

So that each and every member of the workforce at IHI can demonstrate his or her potential to the maximum, everyone is comprehensively provided with health management support. In line with health management guidelines that are formulated every year, the production line and human resource departments work with primarily industrial physicians and health nurses.

Having emphasized mental health in recent years, they have provided the following support:

- (1) Conducted position-specific training for management and supervisory staff
- (2) Arranged interviews with industrial physicians and health nurses depending on periodic stress check results and fatigue levels
- (3) Improved work environments based on the results of workplace assessments
- (4) Enhanced advisory system by appointing specialist counselors throughout the IHI Group

Furthermore, as one approach to countering lifestyle diseases, those employees who have been diagnosed with metabolic syndrome have been issued with specific health guidance. Also, "No Smoking" measures have been implemented.

Corporate Officers

(As of June 26, 2009)

President



Kazuaki Kama

Executive Vice Presidents



Yasuyuki Watanabe



Yuji Hiruma

Board Directors



Yasuhiro Inagawa



Yoshiaki Shimojo



Makoto Serizawa



Ichiro Hashimoto



Kazuo Tsukahara



Tamotsu Saito



Fusayoshi Nakamura



Sadao Degawa



Joji Sakamoto



Ichiro Terai



Fumio Sato



Tomokazu Hamaguchi

Corporate Auditors

Teruo Shimizu

Masakazu Maruyama

Takeo Inokuchi

Nobuo Gohara

Hisatsugu Nonaka

Executive Officers

Chief Executive Officer

Kazuaki Kama

Managing Executive Officer

Yasuhiro Inagawa

Yoshiaki Shimojo

Ichiro Hashimoto

Tamotsu Saito

Toshihiko Ohsumi

Mitsukatsu Asaoka

Executive Officer

Fusayoshi Nakamura

Sadao Degawa

Ichiro Terai

Mutsumi Maruyama

Tatsumi Kawaratani

Toshinori Sekido

Hiroshi Iwamoto

Izumi Imoto

Junichi Saikawa

Eiichi Yoshida

Naruto Takata

Akira Inoue

Osamu Abiko

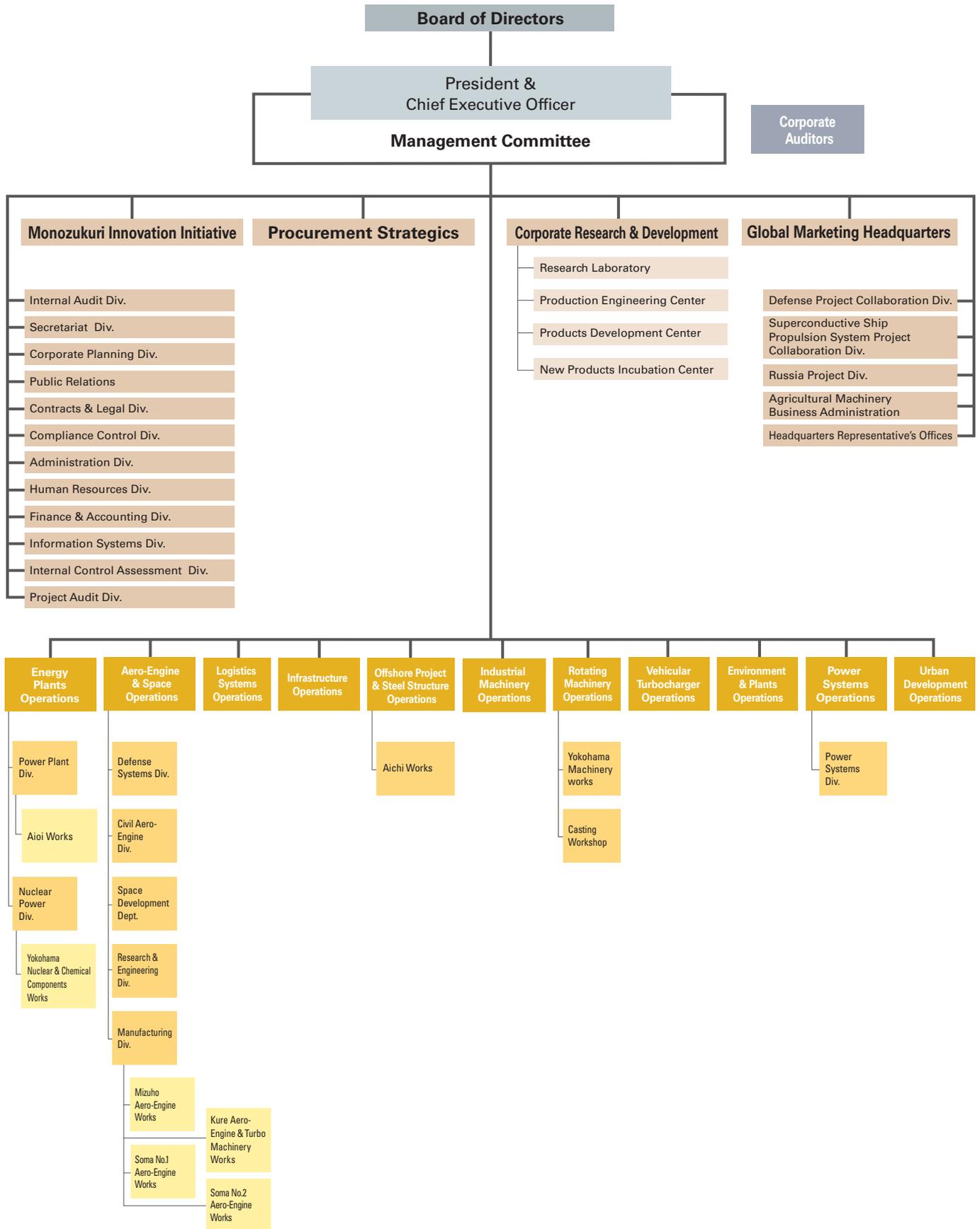
Ichiro Murai

Yutaka Yoshida

Hiroshi Asakura

Organization

(As of July 1, 2009)



IHI Group Companies

(As of July 1, 2009)

Major business fields that IHI and IHI group companies are specialized in are: logistics systems and structures, industrial machinery, energy and plants, aero-engine and space, shipbuilding and offshore, real estate, and others.

By effectively using group dynamics, IHI provides not only products but also services fully covering engineering, operation, inspection, maintenance, safety, and consulting.

Logistics Systems and Structures Operations

Central Conveyor
 Hohoemie
 IHI Logistics Technology
 IHI SHIP & CHEMICAL PLANT
 Ishikawajima Construction Materials
 Ishikawajima Transport Machinery
 ISMIC
 Kanto Segment
 Livecon Engineering
 Matsuo Bridge
 Matsuo Engineering
 Matsuo Kosan
 Niigata Transys
 Nishi-Nihon Sekkei Engineering
 PC Bridge
 SAN-ETSU

Industrial Machinery Operations

Giken Technology
 IHI Compressor and Machinery
 IHI Machinery and Furnace
 IHI METALTECH
 IHI Turbo
 IMEC Corporation
 JH Corporation
 NEW AKAHANE PRODUCTION
 Nisshin
 Voith IHI Paper Technology

Energy and Plants Operations

Aomori Plant
 IHI Chita E&M
 IHI Inspection & Instrumentation
 IHI Kankyo Engineering
 IHI Logistics
 IHI PACKAGED BOILER
 IHI Plant Construction
 IHI Plant Engineering
 Kanamachi Purification
 Plant Energy Service
 Kotobuki Iron Works
 Nagoya Plastic Handling
 NICO Precision
 NIIGATA POWER SYSTEMS
 Takashima Giken
 Toyosu Energy Service

Aero-Engine and Space Operations

GALAXY EXPRESS
 IHI AEROSPACE
 IHI AEROSPACE ENGINEERING
 IHI Castings
 INC Engineering
 IHI Jet Service
 IHI MASTER METAL

Shipbuilding and Offshore Operations

IHI AMTEC
 IHI Engineering Marine
 IHI Marine
 IHI Marine United
 Shinkoh SBA

Real Estate Operations

Chiba Warehouse
 Tokyo-wan Tochi

Other Operations

Diesel United
 IHI Business Support
 IHI Construction Machinery
 IHI FINANCE SUPPORT
 IHI Nishiharima Service
 IHI Scube
 IHI Shibaura Machinery
 IHI Shibaura Technical Service
 IHI STAR Machinery
 IHI Technical Training Institution
 IHI TECHNOLOGY SOLUTIONS
 IHI Trading
 Kinki Ishiko
 Seiban Development

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(As of July 1, 2009)

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Timeline of IHI

1800s	<p>1853 Established Ishikawajima Shipyard</p> <p>76 Established Ishikawajima Hirano Shipyard</p> <p>89 Established Ishikawajima Shipbuilding & Engineering Co., Ltd., Tokyo (Ishikawajima S&E)</p>
1900s	<p>1907 Established Harima Dock Co., Ltd.; later renamed to Harima Shipbuilding & Engineering (Harima S&E) and merged with the Company</p> <p>39 Established Shibaura United Engineering Co., Ltd. (SUECO), to produce rolling mills, through a joint venture with Toshiba and United Engineering & Foundry in the United States; later merged with the Company</p> <p>41 Established Nagoya Shipbuilding Co., Ltd. (Nagoya Shipbuilding); later merged with the Company</p> <p>45 Changed Company name to Ishikawajima Heavy Industries Co., Ltd. (Ishikawajima Heavy Ind.)</p> <p>54 Established Kure Shipbuilding & Engineering Co., Ltd. (Kure S&E); later merged with the Company</p>
1960s	<p>1960 Merged Ishikawajima Heavy Ind. and Harima S&E; inaugurated Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI)</p> <p>61 Established Nagoya Heavy Ind.</p> <p>63 Established Jurong Shipyard Ltd. (JSL) in Singapore</p> <p>64 Merged Nagoya Heavy Ind. and Nagoya Shipbuilding</p> <p>67 Merged with Shibaura United Engineering</p> <p>68 Merged with Kure S&E</p>
1970s	<p>1971 Established IHI Engineering Australia Pty. Ltd. (IEA)</p> <p>72 Established Ishikawajima Europe BV (IE) in the United Kingdom</p> <p>74 Established IHI Marine BV (IMBV) in the Netherlands</p> <p>75 Established Felguera-IHI SA (FI) in Spain</p> <p>77 Established IHI Marine Engineering Singapore Private Ltd.</p> <p>77 Established IHI INC. in the United States</p>
1980s	<p>1980 Established Warner-Ishi Corp. (WI) in a joint venture with Borg-Warner Automotive Inc. in the United States</p> <p>82 Established IHI (HK) Limited (IHL) in Hong Kong</p> <p>82 Established PT Cilegon Fabricators</p> <p>88 Established Diesel United, Ltd. in a joint venture with Sumitomo Heavy Industries Ltd. (SHI)</p>
1990s	<p>1992 Established IHI Europe Ltd. (IEL) in the United Kingdom</p> <p>95 Established IHI Technical Consulting Co., Ltd. (ITCC) in Taiwan</p> <p>95 Established Marine United Inc. (MU), which performs engineering for ships and naval vessels with SHI</p> <p>95 Established Warner-Ishi Europe S.p.A. (WIE) in Italy</p> <p>96 Established IHI PHILIPPINES, INC. (IPI) in the Philippines</p> <p>97 Established Jiang Su Ishi Turbo Company Ltd. (JIT) in China</p> <p>98 Established the Environmental Technical Center</p> <p>98 Established IHI Turbo Germany GmbH., in Germany</p> <p>98 Established IHI Turbo America, as a successor of Warner Ishi</p> <p>98 Established IHI Turbo Italy, as a successor of Warner Ishi Europe</p> <p>99 Established IHI Southwest Technologies, Inc. in the United States to undertake nondestructive inspections</p> <p>99 Established two subsidiaries to engage in industrial waste processing business</p>
2000s	<p>2000 Established joint venture with The Broken Hill Proprietary Company Limited (BHP) of Australia and Nucor Corporation of the United States to license strip-casting technology</p> <p>00 Purchased Nissan Motor's Aerospace and Defense Divisions and established IHI Aerospace Co., Ltd.</p> <p>00 Integrated three construction companies into Ishikawajima Plant Construction Co., Ltd.</p> <p>00 Established IHI-Verson Press Technology, LLC, in the United States</p> <p>00 Established SEC-IHI Desulfurization Engineering Co., Ltd. in China</p> <p>01 Established joint venture Voith IHI Paper Technology Co., Ltd. in Japan</p> <p>01 Established joint venture IHI Charging Systems International GmbH, as a successor of IHI Turbo Germany</p> <p>01 Established Beijing Municipal Ishikawajima Shield Engineering Limited Company; joint venture for manufacturing & selling shield tunneling machines</p> <p>01 IHI Turbo Italy became a subsidiary company of IHI Charging Systems International GmbH, and renamed to IHI Charging Systems International S.p.A.</p> <p>02 Established joint venture IHI TURBO (THAILAND), for manufacturing & selling turbochargers.</p> <p>02 Project formulated for redevelopment of land at site of former plant in Toyosu district of Tokyo</p> <p>02 Shipbuilding & Offshore Operations spun off as a separate company, IHI Marine United Inc.</p> <p>03 Established NIIGATA POWER SYSTEMS Co., Ltd. and Niigata Transys Co., Ltd. to take over and carry on a portion of the business of Niigata Engineering Co., Ltd.</p> <p>03 Aerospace development operations integrated with IHI Aerospace Co., Ltd.</p> <p>03 Established IHI-Chinfong Press Engineering Co., Ltd.</p> <p>04 Established Changchun FAWER-IHI Turbo Co., Ltd.</p> <p>04 Established IHI-Sullair Compression Technology (Suzhou) Co., Ltd.</p> <p>05 Established IHI Metaltech Co., Ltd.</p> <p>07 Changed name to IHI Corporation.</p> <p>08 Hauzer Techno Coating B.V. became a subsidiary company of IHI</p> <p>08 Established IHI Oxyfuel Australia Pty. Ltd.</p> <p>08 Established Wuxi IHI Turbo co., Ltd.</p> <p>08 Central Conveyor became a subsidiary of IHI</p> <p>09 Integrate Bridge and Water Gate business with Kurimoto and Matuso Bridge</p> <p>09 Agreed for integration of Shild Tunneling Machine business with JFE Engineering</p>

Financial Section

Years ended March 31
IHI Corporation and Consolidated Subsidiaries

Consolidated Six-Year Summary

	Millions of yen					
	2009	2008	2007	2006	2005	2004
For the year:						
Net sales	¥1,388,042	¥1,350,567	¥1,221,016	¥1,127,075	¥1,089,047	¥1,047,441
Cost of sales	1,221,612	1,235,111	1,098,412	986,666	962,127	950,136
Gross profit	166,430	115,456	122,604	140,409	126,920	97,305
Operating (loss) income	25,679	(16,807)	(5,626)	21,771	10,619	(23,230)
Income (loss) before income taxes and minority interests	8,533	46,794	15,059	22,165	15,112	(39,001)
Net income (loss)	(7,407)	25,195	(4,593)	5,283	2,180	(38,354)
At year-end:						
Total assets	¥1,489,342	¥1,542,295	¥1,536,078	¥1,461,796	¥1,387,838	¥1,377,021
Current assets	1,036,428	1,082,624	1,044,642	1,005,974	937,250	905,325
Net property, plant and equipment	273,964	261,761	257,838	226,071	234,887	246,406
Current liabilities	898,181	898,682	893,276	774,037	752,951	744,218
Long-term liabilities	385,211	409,207	415,755	498,362	460,960	461,574
Total net assets*	205,950	234,406	227,047	169,237	153,716	151,550
Amounts per share (yen):						
Net income (loss)	¥ (5.05)	¥ 17.18	¥ (3.46)	¥ 3.93	¥ 1.56	¥ (29.67)
Cash dividends	—	4.00	4.00	2.00	—	—
Shareholders' equity	130.96	149.96	144.70	130.36	118.40	116.73
Other data:						
Number of employees	24,348	23,722	23,190	23,364	21,847	22,768
Number of shares issued (millions)	1,467	1,467	1,467	1,298	1,298	1,298
Ratios:						
Return on average assets (%)	(0.49)	1.64	(0.30)	0.37	0.16	(2.78)
Return on average equity (%)	(3.60)	11.66	(2.41)	3.27	1.43	(23.76)
Total shareholders' equity ratio (%)	12.89	14.26	13.82	11.58	11.08	11.01

*The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on an accounting standard adopted from the year ended March 31, 2007.

Contents

38	Financial Review	46	Notes to the Consolidated Financial Statements
40	Consolidated Balance Sheets	63	Report of Independent Auditors
42	Consolidated Statements of Operations		
43	Consolidated Statements of Changes in Net Assets		
44	Consolidated Statements of Cash Flows		

Financial Review

Operating Results

During the fiscal year under review, amid rapidly deteriorating global economic conditions and with the absence of the large-scale plant construction project awarded in the previous fiscal year, orders received plummeted 24.4% compared with the previous fiscal year to ¥1,176.7 billion. In contrast, although equipment sales across all IHI's business operations were affected by the economic downturn to some degree, consolidated net sales edged up 2.8% year on year to ¥1,388.0 billion as a result of higher revenues from four business segments: Logistics Systems and Structures Operations; Industrial Machinery Operations; Energy and Plants Operations; and Shipbuilding and Offshore Operations. Domestic sales edged up 1.1% to ¥781.3 billion, and overseas sales rose 5.1% to ¥606.6 billion, both figures representing an improvement in performance compared with the previous fiscal year.

Marking a return into the black, operating income rose to ¥25.6 billion despite declining profit margins due to such factors as a sudden appreciation of the yen and price hikes for equipment and materials. Much of the increase in operating income was due to the improvement in Energy and Plants Operations, the performance of which had deteriorated significantly in the previous fiscal year. However, a net loss of ¥7.4 billion was recorded for the period under review due in large part to a provision of allowance for doubtful accounts related to potentially uncollectible receivables from certain suppliers.

Business Operations by Segment

In Logistics Systems and Structures Operations sales increased 11.1% to ¥204.6 billion. This increase was brought about by increased revenues from projects involving such products as rolling stock and deck cranes, while bridge construction operations recorded a decrease in sales. An operating loss of ¥1.4 billion was attributable to the delayed recovery in the profitability of public capital investment projects.

In Industrial Machinery Operations, despite falling income from automotive turbochargers due to a decrease in the number of orders received, segment sales increased 14.0% from the previous fiscal year to ¥220.5 billion due to the favorable performance of the industrial furnace and rolling machine businesses. Operating income, however, was only ¥12.6 billion, a 19.2% drop from the previous fiscal year. This was largely due to decreased income from automotive turbochargers and price hikes for equipment and materials that outweighed the increased income from rolling machines.

In Energy and Plants Operations, sales rose 10.3% year-on-year to ¥436.4 billion owing to major construction work for chemical machinery and the steady performance of the boiler/nuclear machinery maintenance and renovation business. Despite significant improvements in its boiler, storage and nuclear machinery businesses, this segment recorded an operating loss of ¥6.2 billion due to the appreciation of the yen.

In Aero-Engine and Space Operations, sales were down 5.0% when compared with the previous fiscal year to ¥2,978 billion due to the impact of the strong yen on aero-engine sales and decreased revenues from maintenance work. Operating income was down 53.1% from the previous fiscal year to ¥11.0 billion due to the appreciation of the yen.

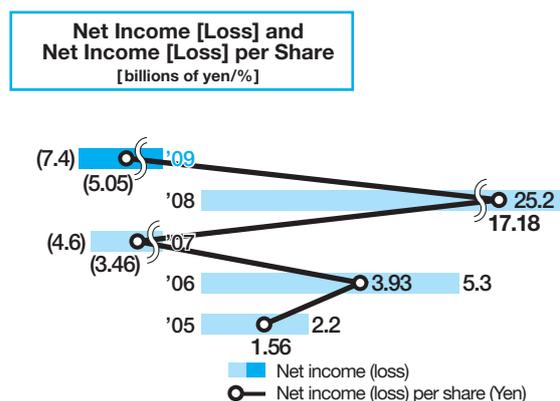
In Shipbuilding and Offshore Operations, despite the decrease in ship repairs, sales increased 13.0% from the previous fiscal year to ¥181.7 billion due to the increased delivery of newly built ships. Despite the appreciation of the yen, operating income was up 19.0% from the previous year to ¥2.8 billion owing to the higher profits to be gained from building new ships.

In Real Estate Operations, sales amounted to ¥15.8 billion, representing a drop of 61.2% when compared with the previous fiscal year. This was due to the lull effect from a large number of unit handover dates at the condominium complex in the Toyosu area (Koto-ku, Tokyo) being clustered together at the end of the previous fiscal year. Operating income of ¥5.2 billion, representing a 57.8% drop from the previous fiscal year, was attributable to this decrease in sales (or revenue).

In Other Operations, sales declined 15.9% year on year to ¥140.4 billion due to a decrease in agricultural equipment and construction machinery orders. This decrease in orders and sales resulted in operating income of ¥2.4 billion, representing a 52.2% drop compared with the previous fiscal year.

Consolidated Profit/Loss Situation

Despite the increase in net sales, cost reduction efforts resulted in the cost of sales shrinking from ¥1,235.1 billion in the previous fiscal year to ¥1,221.6 billion, leading to a 3.5 percentage point improvement in the cost of sales ratio from 91.5% to 88.0%. At the same time, selling, general and administrative expenses (SG&A) increased from ¥132.3 billion in the previous fiscal period to ¥140.8 billion due to increases in R&D expenses and depreciation, causing the SG&A ratio to edge up from 9.8% to 10.1%. Consequently, there was a significant increase in operating



profit, converting the previous fiscal year's ¥16.8 billion operating loss into the previously mentioned operating profit of ¥25.6 billion.

With regard to other income and expenses, net financial income (the amount after deducting interest expense from interest income and dividends) totaled a negative ¥1.8 billion, representing a worsening of ¥0.3 billion compared with the previous fiscal year. Net other income and expenses, excluding net financial income, deteriorated significantly from income of ¥65.1 billion recorded in the previous fiscal year to expenses of ¥15.4 billion. Despite the absence of the previous fiscal year's impairment loss on assets associated with the space development business, the primary factors contributing to this reversal were reduced gains on sales of fixed assets, in particular the absence of a gain on sales of land, and the recording of the previously mentioned provision of allowance for doubtful receivables.

As a result of the above, income before income taxes and minority interests (pre-tax profit) decreased 82.0% compared with the previous fiscal period to ¥8.5 billion, yielding a net loss of ¥7.4 billion after corporate taxes and minority interests. This contrasts with net income of ¥25.1 billion posted in the previous fiscal year. Consequently, net loss per share of common stock was ¥5.05, compared with net income per share of common stock of ¥17.18 in the previous period.

Financial Position

Total assets as of March 31, 2009 were down ¥52.9 billion compared with the end of the previous fiscal year at ¥1,489.3 billion. Current assets decreased ¥46.1 billion to ¥1,036.4 billion, due to mainly to decreases in short-term loans, cash and time deposits included in other current assets and marketable securities. Fixed assets decreased ¥6.7 billion to ¥452.9 billion. Despite an increase in property, plant and equipment, including the recording of lease assets in accordance with the application of the Accounting Standard for Lease Transactions, the main factors behind the decrease in noncurrent assets included a decrease in investment securities as a result of the downturn in the stock market and an increase in the allowance for doubtful receivables.

Total liabilities as of March 31, 2009 were down ¥24.4 billion compared with the end of the previous fiscal year to ¥1,283.3 billion. The main contributory factors included decreases in accrued expenses, trade payables, advances from customers and accrued income taxes. Although the outstanding

amount of long-term loans and debentures decreased, short-term loans and lease obligations increased, resulting in a rise in total interest-bearing debt of ¥49.7 billion to ¥417.7 billion compared with the end of the previous fiscal year.

Total net assets decreased ¥28.4 billion to ¥205.9 billion compared with the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings associated with the recording of a net loss for the fiscal year under review and a steep fall in unrealized holding gain on other securities.

Consequently, net assets per share decreased ¥19.0 to ¥130.96, and the ratio of equity to total assets at the year-end edged down 1.4 percentage points to 12.9%.

Cash Flows

In the fiscal year under review, net cash used in operating activities amounted to ¥17.6 billion while that used in investing activities was ¥41.7 billion. Together, these amounted to a negative free cash flow of ¥59.3 billion. In contrast, financing activities provided ¥42.8 billion in net cash, as a result of which cash and cash equivalents at the end of the fiscal year under review totaled ¥107.7 billion, a net decrease of ¥22.7 billion, or 17.4%.

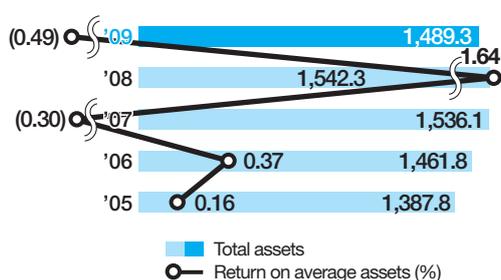
The main factors impacting cash flow during the year under review were as follows.

Net cash used in operating activities amounted to ¥17.6 billion compared with net cash provided of ¥3.3 billion in the previous fiscal year. Although depreciation and amortization constituted the major inflow while outflows included an increase in inventories, the most significant factors were the lower contribution of income before income taxes and minority interests and decreases in notes and accounts payable and accrued expenses.

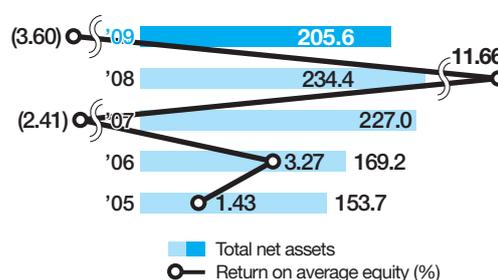
Net cash used in investing activities was ¥41.7 billion compared with net cash provided of ¥46.8 billion in the previous fiscal year. In addition to reduced proceeds from sale and redemption of marketable and investment securities as well as reduced proceeds from sale of property, plant and equipment, there was a slight increase in spending brought about by the acquisition of tangible and intangible fixed assets caused by the acquisition of shares in a subsidiary.

Net cash provided by financing activities was ¥42.8 billion, a ¥91.5 billion turnaround compared with net cash used of ¥48.8 billion in the previous fiscal year. The main increases involved interest-bearing debt, including net increase in short-term debt.

Total Assets and Return on Average Assets
[billions of yen/%]



Total Net Assets and Return on Average Equity
[billions of yen/%]



Consolidated Balance Sheets

March 31, 2009 and 2008
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and time deposits (Note 7)	¥ 87,547	¥ 72,080	\$ 891,245
Trade receivables (Note 7)	352,840	358,945	3,591,978
Marketable securities (Note 3)	13,650	46,455	138,960
Less allowance for doubtful receivables	(6,877)	(4,066)	(70,009)
Inventories (Notes 4 and 7)	471,164	455,885	4,796,539
Deferred income taxes (Note 8)	28,559	33,887	290,736
Other (Note 7)	89,545	119,438	911,584
Total current assets	1,036,428	1,082,624	10,551,033
Property, plant and equipment (Notes 5 and 7):			
Buildings and structures	274,930	265,960	2,798,839
Machinery and equipment	392,499	386,410	3,995,714
Land (Note 12)	78,648	77,761	800,652
Construction in progress	10,399	5,330	105,864
Less accumulated depreciation	(482,512)	(473,700)	(4,912,063)
Net property, plant and equipment	273,964	261,761	2,789,006
Intangible assets:			
Software	14,338	14,354	145,964
Goodwill	5,451	1,450	55,492
Royalty	—	3,039	—
Other	4,552	2,102	46,340
Total intangible assets	24,341	20,945	247,796
Investments:			
Investment securities (Notes 3 and 7)	76,786	96,955	781,696
Deferred income taxes (Note 8)	49,701	34,965	505,966
Other	50,227	54,520	511,320
Less allowance for doubtful receivables	(22,105)	(9,475)	(225,033)
Total investments	154,609	176,965	1,573,949
Total assets	¥1,489,342	¥1,542,295	\$15,161,784

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade payables	¥ 294,871	¥ 315,008	\$ 3,001,843
Short-term loans (Notes 6 and 7)	147,547	104,236	1,502,056
Current portion of long-term loans and debentures (Notes 6 and 7)	81,537	55,470	830,062
Accrued expenses	38,774	63,088	394,727
Advances from customers	212,362	226,838	2,161,885
Accrued income taxes	10,130	16,188	103,125
Allowance for employees' bonuses	20,520	21,420	208,897
Reserve for guaranteed contracts	20,020	19,122	203,807
Reserve for losses on sales contracts	29,891	32,690	304,296
Other	42,529	44,622	432,955
Total current liabilities	898,181	898,682	9,143,653
Long-term liabilities:			
Long-term loans and debentures (Notes 6 and 7)	188,626	208,216	1,920,248
Allowance for employees' retirement benefits (Note 15)	137,796	140,409	1,402,789
Deferred tax liabilities from revaluation of land (Note 12)	3,377	3,131	34,378
Other (Notes 6 and 7)	55,412	57,451	564,106
Total long-term liabilities	385,211	409,207	3,921,521
Contingent liabilities (Note 10)			
Net assets:			
Shareholders' equity:			
Common stock			
Authorized: 3,300,000,000 shares			
Issued: 1,467,058,482 shares	95,762	95,762	974,875
Capital surplus	43,032	43,037	438,074
Retained earnings	48,423	56,012	492,955
Less treasury stock, at cost	(155)	(135)	(1,578)
Total shareholders' equity	187,062	194,676	1,904,326
Valuation and translation adjustments:			
Unrealized holding gain on other securities	4,679	22,104	47,633
Gains on deferred hedges	908	1,518	9,244
Revaluation reserve for land (Note 12)	3,785	3,787	38,532
Foreign exchange translation adjustments	(4,391)	(2,168)	(44,701)
Equity warrant	206	114	2,097
Total valuation and translation adjustments	5,187	25,355	52,805
Minority interests in consolidated subsidiaries	13,701	14,375	139,479
Total net assets	205,950	234,406	2,096,610
Total liabilities and net assets	¥1,489,342	¥1,542,295	\$15,161,784

Consolidated Statements of Operations

Years ended March 31, 2009 and 2008
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales	¥1,388,042	¥1,350,567	\$14,130,530
Cost of sales (Note 9)	1,221,612	1,235,111	12,436,241
Gross profit	166,430	115,456	1,694,289
Selling, general and administrative expenses (Note 9)	140,751	132,263	1,432,872
Operating income (loss)	25,679	(16,807)	261,417
Other income (expense):			
Interest and dividend income	4,396	4,429	44,752
Interest expense	(6,154)	(5,927)	(62,649)
Other, net (Note 11)	(15,388)	65,099	(156,652)
Income before income taxes and minority interests	8,533	46,794	86,868
Income taxes:			
Current	(15,260)	(21,357)	(155,350)
Deferred	(890)	(304)	(9,061)
(Loss) income before minority interests	(7,617)	25,133	(77,543)
Minority interests	210	62	2,138
Net (loss) income	¥ (7,407)	¥ 25,195	\$ (75,405)
		Yen	U.S. dollars (Note 1)
Amounts per share (Note 17):			
Net (loss) income	¥ (5.05)	¥ 17.18	\$ (0.051)
Cash dividends	—	4.00	—

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2009 and 2008
IHI Corporation and Consolidated Subsidiaries

	(Thousands)				(Millions of yen)							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on other securities	Gains on deferred hedges	Revaluation reserve for land	Foreign exchange translation adjustments	Equity warrant	Minority interests in consolidated subsidiaries	
Balance at March 31, 2007	1,467,058	¥95,762	¥43,034	¥35,124	¥ (74)	¥35,654	¥ (483)	¥3,912	¥ (699)	¥ —	¥14,817	
Net income for the year	—	—	—	25,195	—	—	—	—	—	—	—	
Reversal of revaluation reserve for land	—	—	—	125	—	—	—	—	—	—	—	
Increase resulting from inclusion of subsidiaries in consolidation	—	—	—	743	—	—	—	—	—	—	—	
Net increase in equity-method companies	—	—	—	951	—	—	—	—	—	—	—	
Loss from incorporating nonconsolidated subsidiary	—	—	—	(260)	—	—	—	—	—	—	—	
Cash dividends	—	—	—	(5,866)	—	—	—	—	—	—	—	
Change for the year	—	—	—	—	—	(13,550)	2,001	(125)	(1,469)	114	(442)	
Purchase of treasury stock	—	—	—	—	(66)	—	—	—	—	—	—	
Sales of treasury stock	—	—	3	—	5	—	—	—	—	—	—	
Balance at March 31, 2008	1,467,058	95,762	43,037	56,012	(135)	22,104	1,518	3,787	(2,168)	114	14,375	
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(182)	—	—	—	—	—	—	—	
Net loss for the year	—	—	—	(7,407)	—	—	—	—	—	—	—	
Change for the year	—	—	—	—	—	(17,425)	(610)	(2)	(2,223)	92	(674)	
Purchase of treasury stock	—	—	—	—	(41)	—	—	—	—	—	—	
Sales of treasury stock	—	—	(5)	—	21	—	—	—	—	—	—	
Balance at March 31, 2009	1,467,058	¥95,762	¥43,032	¥48,423	¥(155)	¥ 4,679	¥ 908	¥3,785	¥(4,391)	¥206	¥13,701	

(Thousands of U.S. dollars) (Note 1)

Balance at March 31, 2008	\$974,875	\$438,125	\$570,213	\$(1,374)	\$225,023	\$15,454	\$38,552	\$(22,071)	\$1,160	\$146,340
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(1,853)	—	—	—	—	—	—	—
Net loss for the year	—	—	(75,405)	—	—	—	—	—	—	—
Change for the year	—	—	—	—	(177,390)	(6,210)	(20)	(22,630)	937	(6,861)
Purchase of treasury stock	—	—	—	—	(418)	—	—	—	—	—
Sales of treasury stock	—	—	(51)	—	214	—	—	—	—	—
Balance at March 31, 2009	\$974,875	\$438,074	\$492,955	\$(1,578)	\$ 47,633	\$ 9,244	\$38,532	\$(44,701)	\$2,097	\$139,479

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2009 and 2008
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Operating Activities:			
Income before income taxes and minority interests	¥ 8,533	¥ 46,794	\$ 86,868
Depreciation and amortization	45,880	38,521	467,067
Amortization of long-term prepaid expenses	5,374	5,161	54,708
Increase (decrease) in allowance for doubtful receivables	16,543	(430)	168,411
(Decrease) increase in allowance for employees' bonuses	(956)	822	(9,732)
Increase in reserve for guaranteed contracts	800	6,596	8,144
(Decrease) increase in accrued losses on sales contracts	(2,635)	5,601	(26,825)
Decrease in accrued employees' retirement allowances	(2,558)	(3,879)	(26,041)
Interest and dividend income	(4,396)	(4,429)	(44,752)
Interest expense	6,154	5,927	62,649
Losses on foreign exchange	150	152	1,527
Gains on disposal of property, plant and equipment	(11,623)	(84,082)	(118,324)
Losses on impairment of fixed assets	102	378	1,038
Losses (gains) on sale of marketable and investment securities	9	(3,400)	92
Losses on valuation of marketable and investment securities and golf club memberships	875	711	8,908
Losses on valuation of assets related to aerospace development operations	—	6,304	—
Equity in gains of affiliates	(780)	(154)	(7,941)
Changes in operating assets and liabilities:			
Notes and accounts receivable	2,064	(13,477)	21,012
Advances received	(10,127)	26,423	(103,095)
Inventories	(16,790)	(17,364)	(170,925)
Advance payments	21,114	(968)	214,945
Notes and accounts payable	(20,190)	(2,122)	(205,538)
Accrued expenses	(18,466)	7,980	(187,987)
Deposits from tenants	(3,015)	(5,592)	(30,693)
Other current assets	1,880	(1,060)	19,139
Other current liabilities	(5,659)	(1,039)	(57,610)
Accrued consumption taxes	(5,203)	3,818	(52,968)
Gain on transfer of business	(281)	—	(2,861)
Others	260	1,648	2,646
Subtotal	7,059	18,840	71,862
Interest and dividends received	4,362	4,333	44,406
Interest paid	(6,049)	(6,041)	(61,580)
Income taxes paid	(23,010)	(13,793)	(234,246)
Net cash (used in) provided by operating activities	(17,638)	3,339	(179,558)
Investing Activities:			
Net Increase in time deposits due in more than three months	127	43	1,293
Purchases of marketable and investment securities	(8,530)	(1,463)	(86,837)
Proceeds from sale and redemption of marketable and investment securities	4,539	11,588	46,208
Purchases of property, plant and equipment and intangible fixed assets	(46,986)	(46,143)	(478,326)
Proceeds from sale of property, plant and equipment	16,773	90,224	170,752
Payments for disposal of property, plant and equipment	(946)	(312)	(9,630)
Net (increase) decrease in short-term loan receivables	(5,251)	167	(53,456)
Increase in long-term loan receivables	(129)	(747)	(1,313)
Decrease in long-term loan receivables	228	552	2,321
Increase in other non-current assets	(1,919)	(6,614)	(19,536)
Decrease in other fixed liabilities	(2,990)	(503)	(30,439)
Proceeds from transfer of business	281	—	2,861
Purchase of newly consolidated subsidiaries	(7,101)	—	(72,290)
Proceeds from termination of long-term investment	10,161	—	103,441
Others	16	(3)	162
Net cash (used in) provided by investing activities	(41,727)	46,789	(424,789)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Financing Activities:			
Net increase in short-term debt	¥ 43,605	¥ 10,231	\$ 443,907
Proceeds from issuance of long-term debt	58,529	32,684	595,836
Repayment of long-term debt	(27,992)	(95,195)	(284,964)
Proceeds from issuance of debentures	—	30,000	—
Expenditures for redemption of debentures	(28,000)	(20,000)	(285,045)
Increase in treasury stock	(25)	(58)	(255)
Cash dividends paid	(5,829)	(5,794)	(59,340)
Dividends paid to minority interests	(497)	(654)	(5,060)
Net increase in commercial papers	5,000	—	50,901
Repayments of lease obligations	(2,680)	—	(27,283)
Proceeds from stock issuance to minority shareholders	824	—	8,388
Others	(123)	—	(1,251)
Net cash provided by (used in) financing activities	42,812	(48,786)	435,834
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(6,231)	(1,488)	(63,433)
Net decrease in Cash and Cash Equivalents	(22,784)	(146)	(231,946)
Cash and Cash Equivalents, Beginning of Year	130,428	129,939	1,327,782
Increase in Cash and Cash Equivalents due to Newly Consolidated Subsidiaries	—	605	—
Increase in Cash and Cash Equivalents from Merger of Consolidated Subsidiary's Nonconsolidated Subsidiary	76	30	774
Cash and Cash Equivalents, End of Year	¥107,720	¥130,428	\$1,096,610

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Note: A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets is as follows:

	Millions of yen	
	2009	2008
Cash and Cash Equivalents, Beginning of Year		
Cash and time deposits	¥ 72,080	¥ 85,462
Time deposits due in more than three months	(500)	(593)
Collateral deposits	(120)	—
Convertible time deposits included in marketable securities	15,000	7,100
Commercial paper included in marketable securities	26,981	17,991
Investment trust included in other current assets	—	5,000
Investment trust included in marketable securities	—	3,000
Sales under agreement to repurchase included in other current assets (short-term loans)	16,987	11,979
Cash and Cash Equivalents	¥130,428	¥129,939

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash and Cash Equivalents, End of Year			
Cash and time deposits	¥ 87,547	¥ 72,080	\$ 891,245
Time deposits due in more than three months	(373)	(500)	(3,797)
Collateral deposits	(101)	(120)	(1,028)
Negotiable deposits included in marketable securities	10,000	15,000	101,802
Commercial paper included in marketable securities	3,000	26,981	30,540
Investment trust included in other current assets	650	—	6,617
Sales under agreement to repurchase included in other current assets (short-term loans)	6,997	16,987	71,231
Cash and Cash Equivalents	¥107,720	¥130,428	\$1,096,610

Notes to the Consolidated Financial Statements

1. Basis of financial statements

The accompanying consolidated financial statements of IHI Corporation (the "Company") and consolidated subsidiaries (together the "Companies") have been prepared from the financial statements filed with the Prime Minister as required by the Japanese Financial Instruments and Exchange Law in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Certain reclassifications have been made in the

accompanying consolidated financial statements to facilitate understanding by readers outside Japan.

The U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of U.S.\$1=¥98.23, the rate of exchange prevailing on March 31, 2009. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. Significant accounting policies

(a) Scope of consolidation

The consolidated financial statements for the years ended March 31, 2009 and 2008 include the accounts of the Company and 91 and 88 subsidiaries, respectively.

For the years ended March 31, 2009 and 2008, 45 and 46 subsidiaries, respectively, were excluded from the scope of the consolidation. The exclusion of these subsidiaries has not had a material effect on the consolidated financial statements.

(b) Application of the equity method of accounting

The consolidated financial statements for the year ended March 31, 2009 and 2008, included 17 and 15 affiliates, respectively, in the scope of the application of the equity method of accounting.

For the years ended March 31, 2009 and 2008, investments in 45 and 46 unconsolidated subsidiaries, respectively, and 28 and 28 affiliates, respectively, for both years were stated at cost because they did not have a material effect on the consolidated financial statements.

(c) Consolidated subsidiaries having different fiscal year-ends

IHI Inc. and its 6 subsidiaries, IHI Turbo America Co., IHI TURBO (THAILAND) Co., LTD., IHI Charging Systems International GmbH, IHI Charging Systems International S.p.A, IHI Charging Systems International Germany GmbH, ISHI POWER SDN. BHD., JURONG ENGINEERING LIMITED and its 16 subsidiaries, PT Cilegon Fabricators, ISM America, Inc., IHI Europe Limited and Hauzer techno Coating B.V. and its 3 subsidiaries close their books of account on December 31.

But no particular financial reports are prepared for consolidation to match the parent company's fiscal year. However, certain adjustments are made for the significant transactions that occurred from their settlement day to March 31.

(d) Sales recognition

Net sales of projects with construction lasting more than two years and revenue of more than ¥3 billion have been recognized using the percentage-of-completion method.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.

(f) Inventories

Finished goods, work in process and contracts in process are stated principally at identified cost, and raw materials and

supplies are stated at cost being determined by the moving-average method.

(For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)
<Change in accounting method for inventories>

Beginning from this consolidated fiscal year, according to the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, announced on July 5, 2006)", product inventories are valued using either the moving-average method or the identified cost method. (For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

As a result of this change, operating income and income before income taxes and minority interests decreased by ¥4,409 million.

(g) Securities

Held-to-maturity securities are either amortized or accumulated to face value by the straight-line method.

Investment securities in unconsolidated subsidiaries and affiliates are stated at cost as determined by the moving-average method.

Other securities with market prices available are carried at market value as of the balance-sheet date, with the cost of sales computed by the moving-average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of the net assets under "Unrealized holding gain on other securities."

Other securities without market prices available are stated at the cost by the moving-average method.

(h) Property, plant and equipment and intangible assets

Depreciation of plant and equipment is principally computed by the declining-balance method.

However, depreciation of lend-lease property, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method. Amortization of intangible assets is computed by the straight-line method. Software for internal use is amortized using the straight-line method over a useful life of five years.

<Additional information>

In line with the revision of Japanese Corporation Tax Law and its regulation, the Company and its domestic consolidated

subsidiaries have changed the useful lives mainly of machinery and equipment from 7–15 years to 5–12 years.

As a result of this change, the operating income decreased by ¥1,280 million and income before income taxes and minority interests decreased by ¥1,280 million.

(i) Leases

Lease assets related to finance leases transactions that do not transfer ownership

Leases are depreciated over the lease period using the straight-line method with no residual value. The Company uses the ordinary rental transaction method for finance leases transactions that do not transfer ownership contracted on and before March 31, 2008.

<Change in accounting method for leases>

Beginning from this consolidated fiscal year, finance leases transactions that do not transfer ownership are accounted for based on accounting method for sales transactions according to “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]).

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

(j) Financial instruments

The Companies do not hold derivative financial instruments for trading purposes. Derivative financial instruments held by the Companies are composed principally of foreign exchange contracts to hedge currency risk, interest rate swaps to hedge interest rate risk and commodity swaps to hedge risk of material price fluctuation.

Japanese GAAP provides for two general accounting methods for hedging financial instruments. One method is to recognize the changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The other method is to defer the gain or loss over the period of the hedging contract together with the offsetting loss or gain deferral of the hedged items. The Company and its consolidated subsidiaries have adopted the latter accounting method, if applicable.

With respect to forward foreign exchange contracts, however, the Companies recognize changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.

The amounts of interest income or expense under the swap agreements are accrued and recognized as interest related to the assets and liabilities over the contract period.

The Companies use the above-defined method consistently throughout the hedge period, to assess at inception of the hedge and on an ongoing basis whether the ineffective part of the hedge is expected.

(k) Allowance for employees' bonuses

For payment of employees' bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.

(l) Allowance for directors' bonuses

For payment of director bonuses and bonuses to directors of consolidated subsidiaries in Japan, an allowance is provided for the amount that is expected to be paid.

(m) Reserve for directors' retirement allowance

Consolidated subsidiaries in Japan provide for the retirement allowance for directors and corporate auditors in an amount determined by those companies' internal guidelines.

(n) Reserve for guaranteed contracts

To provide for guaranteed project expenses, the reserve for guaranteed contract is recorded as an estimate of future expenditures based on historical experience.

(o) Employees' retirement benefits

Allowance for employees' retirement benefits are provided for based on the projected retirement benefit obligation and the pension fund assets.

Actuarial losses (gains) are amortized (accumulated) from the following year using the straight-line method over a certain number of years within the average remaining work period of employees.

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

(p) Foreign currency translations

The assets, liabilities, income and expenses of overseas subsidiaries are translated at the exchange rates prevailing at the balance-sheet date. Translation differences are included as minority interests in consolidated subsidiaries and a component of foreign exchange translation adjustments in net assets.

(q) Accrued losses on sales contracts

Among sales orders on hand at the balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, accrued losses on sales contracts are recognized at the estimated aggregate amount of such losses.

(r) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws, announced by the year-end.

(s) Elimination of intercompany investments and relevant shareholders' equity

At the date of acquisition, the cost of the Companies' investment in a subsidiary is allocated to the subsidiary's individual identifiable assets and liabilities on the basis of their fair value. Any difference between the cost of the Companies' investment and the Companies' share in the amount allocated to individual identifiable assets and liabilities is amortized through the estimated effective period of the investment, with the exception that when the amount of the resulting difference is immaterial, it is charged or credited to income as incurred.

(t) *Appropriations of retained earnings*

Appropriations of retained earnings with respect to each year ended March 31 are retroactively reflected in the consolidated financial statements for each applicable period on the assumption that the shareholders' approval relating to such appropriations is retroactively effective at each year end.

(u) *Cash and cash equivalents*

The Companies substantially consider all highly liquid low-risk investments purchased with original maturities of three months or less to be cash equivalents.

(v) *Amounts per share*

Net income per share of common stock is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during each period. Amounts per share of share-

holders' equity is computed based on the number of shares of common stock outstanding at each balance sheet date. Cash dividends per share shown for each period in the consolidated statements of operations represent the dividends applicable to the respective year.

(w) *Accounting methods applicable to foreign subsidiaries and used for the consolidated financial statements*

Beginning from this consolidated fiscal year, according to the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006), necessary adjustments are made for consolidation.

As a result of this change, there is no impact from this change on operating income and income before income taxes and minority interests.

3. Marketable securities and investment securities

A summary of other securities with stated market prices at March 31, 2009, is as follows:

	Millions of yen			Thousands of U.S. dollars		
		2009			2009	
	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference
Other securities whose market prices exceed their acquisition cost recorded in the balance sheet:						
Equity securities	¥ 9,065	¥ 24,290	¥ 15,225	\$ 92,283	\$ 247,276	\$ 154,993
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	¥ 9,065	¥ 24,290	¥ 15,225	\$ 92,283	\$ 247,276	\$ 154,993
Other securities whose market prices do not exceed their acquisition cost recorded in the balance sheet:						
Equity securities	¥ 15,975	¥ 12,232	¥ (3,743)	\$ 162,629	\$ 124,525	\$ (38,104)
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	¥ 15,975	¥ 12,232	¥ (3,743)	\$ 162,629	\$ 124,525	\$ (38,104)
Total	¥ 25,040	¥ 36,522	¥ 11,482	\$ 254,912	\$ 371,801	\$ 116,889

A summary of other securities with stated market prices at March 31, 2008, is as follows:

	Millions of yen		
	2008		
	Acquisition cost	Amount recorded in the balance sheet	Difference
Other securities whose market prices exceed their acquisition cost recorded in the balance sheet:			
Equity securities	¥17,961	¥ 53,825	¥35,864
Debt securities	—	—	—
Other	—	—	—
Subtotal	¥17,961	¥ 53,825	¥35,864
Other securities whose market prices do not exceed their acquisition cost recorded in the balance sheet:			
Equity securities	¥ 2,557	¥ 2,117	¥ (440)
Debt securities	—	—	—
Other	—	—	—
Subtotal	¥ 2,557	¥ 2,117	¥ (440)
Total	¥20,518	¥ 55,942	¥35,424

A summary of held-to-maturity securities which were sold in the years ended March 31, 2009 and 2008, is as follows: Proceeds from the sale of held-to-maturity securities with available fair market values in the year ended March 31, 2009 amounted to ¥0 million (\$0 thousand). Proceeds from the sale of held-to-maturity securities with available fair market values in the year ended March 31, 2008 amounted to ¥598 million (U.S.\$5,969 thousand) of which the sales cost amounted to ¥597 million (U.S.\$5,959 thousand) and the related gain amounted to ¥1 million (U.S.\$10 thousand).

The consolidated subsidiaries sold held-to-maturity securities, based on the results of the reexamination of assets.

A summary of other securities which were sold in the years ended March 31, 2009 and 2008, is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales
Other securities	¥14	¥6	—	¥8,250	¥2,665	—	\$143	\$61	—

A summary of securities without stated market prices at March 31, 2009 and 2008, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	Amount recorded in the balance sheet	Amount recorded in the balance sheet	Amount recorded in the balance sheet
Held-to-maturity securities:			
Government bonds or local government bonds	¥ —	¥ 473	\$ —
Commercial paper	3,000	14,987	30,541
Negotiable certificates of deposit	10,000	—	101,802
Investment trust	650	—	6,617
Other securities:			
Negotiable certificates of deposit	—	15,000	—
Commercial paper	—	11,994	—
Unlisted equity securities except for those traded on the over-the-counter market	27,481	31,210	279,762

The contractual maturities of held-to-maturity and other securities as of March 31, 2009 and 2008, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities:									
Government bonds or local government bonds	¥ —	¥4,098	¥—	¥ 4,474	¥1,052	¥—	\$ —	\$41,718	\$—
Commercial paper	3,000	—	—	14,987	—	—	30,541	—	—
Negotiable certificates of deposit	10,000	—	—	—	—	—	101,802	—	—
Investment trust	650	—	—	—	—	—	6,617	—	—
Other:									
Negotiable certificates of deposit	—	—	—	15,000	—	—	—	—	—
Other	—	—	—	11,994	—	—	—	—	—
Total	¥13,650	¥4,098	¥—	¥46,455	¥1,052	¥—	\$138,960	\$41,718	\$—

4. Inventories

Inventories at March 31, 2009 and 2008, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods	¥ 22,937	¥ 20,102	\$ 233,503
Contracts in process	289,929	289,788	2,951,532
Work in process	46,526	43,799	473,644
Raw materials and supplies	111,772	102,196	1,137,860
Total	¥471,164	¥455,885	\$4,796,539

5. Losses on impairment of fixed assets

(a) The groups of assets for which the Companies recognized impairment losses for the year ended March 31, 2009 are as follows.

Use	Location	Type of assets	Millions of yen	The method to calculate
Assets for business	Namegata-city, Ibaraki and others	Building, etc	¥101	Use value or Net sales value
Idle assets	Chitose-city, Hokkaido	Land	1	Net sales value

(b) The method to group the assets

Assets are grouped principally by each works, and each asset for rent or idle asset is treated as one of groups.

(c) The circumstances in that impairment loss was recognized

Some of the assets groups, its business profit had gone down or its market price had come down.

(d) The method to calculate the recoverable amounts

The recoverable amounts were calculated with either the net sales value of these assets which was adjusted reasonably, such as the price of expert opinion, assessment for fixed asset tax and etc, or use value (discount rate which is mainly 5.0%).

(e) Impairment losses

The amount of impairment losses for the year ended March 31, 2009 was ¥102 million (\$1,038 thousand) and consisted of the following.

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Land	¥ 1	\$ 10
Buildings etc	101	1,028
Total	¥ 102	\$ 1,038

6. Short-term loans, long-term loans, debentures, commercial paper and lease obligations

Short-term loans at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Short-term bank loans with the weighted-average interest rate of 1.24% at March 31, 2009 and 1.65% at March 31, 2008	¥147,547	¥104,236	\$1,502,056
Current portion of long-term loans with the weighted-average interest rate of 1.59% at March 31, 2009 and 1.43% at March 31, 2008	51,537	27,470	524,657
Current portion of lease obligations	2,552	—	25,980
Commercial paper with the weighted-average interest rate of 1.49 % at March 31, 2009	5,000	—	50,901
Total	¥206,636	¥131,706	\$2,103,594

Long-term loans, debentures and lease obligations at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Banks and insurance companies, bearing interest rates from 0.8% to 6.2%	¥162,582	¥132,476	\$1,655,116
Government-owned banks, bearing interest rates from 0.9% to 4.3%	16,175	17,967	164,665
National and local government agencies, bearing interest rates at 0.3%	189	243	1,924
Debentures, bearing interest rates from 1.0% to 2.1%	85,000	113,000	865,316
Lease obligations	9,458	—	96,284
Others, bearing interest rates from 0.9% to 5.2%	1,217	—	12,389
Less current portion	(79,089)	(55,470)	(805,141)
Total	¥195,532	¥208,216	\$1,990,553

The aggregate annual maturities of long-term loans, debentures and lease obligations at March 31, 2009, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 79,089	\$ 805,141
2011	63,311	644,518
2012	54,817	558,047
2013	27,392	278,856
2014 and after	50,012	509,132
Total	¥274,621	\$2,795,694

7. Assets pledged as collateral

The following assets were pledged as collateral at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥ 101	¥ 331	\$ 1,028
Trade receivables	97	657	987
Inventories	5	4	51
Miscellaneous current assets	3,544	3,488	36,079
Buildings and structures	2,329	2,639	23,710
Machinery and equipment	450	406	4,581
Land	14,402	11,216	146,615
Investment securities	—	3,000	—
Total	¥ 20,928	¥ 21,741	\$ 213,051
Property, plant and equipment pledged as industrial factory foundation included in the above assets:			
Buildings and structures	¥ 166	¥ 207	\$ 1,690
Machinery and equipment	87	120	885
Land	2,613	2,639	26,601
Total	¥ 2,866	¥ 2,966	\$ 20,176

The obligations collateralized by the above assets at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Short-term loans	¥ 5,946	¥ 6,107	\$ 60,531
Long-term loans	7,745	9,357	78,846
Other long-term liabilities	5,712	9,977	58,149
	¥ 19,403	¥ 25,441	\$ 197,526

8. Deferred tax assets and liabilities

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Allowances for employees' bonuses	¥ 7,489	¥ 8,310	\$ 76,239
Reserve for losses on sales contracts	11,855	13,170	120,686
Reserve for guaranteed contracts	8,023	7,779	81,676
Allowances for employees' retirement benefits	54,869	56,721	558,577
Allowances for doubtful receivables	4,530	2,423	46,116
Losses on valuation of advance payments	5,924	5,924	60,307
Elimination of unrealized profits	—	3,559	—
Net loss carried forward	20,642	13,971	210,139
Losses on impairment of fixed assets	6,375	6,547	64,899
Losses on valuation of inventories	8,120	5,873	82,663
Adjustment for taxable income on percentage-of-completion basis	3,940	—	40,110
Other	19,699	15,204	200,541
Valuation allowance	(59,286)	(45,344)	(603,543)
	¥ 92,180	¥ 94,137	\$ 938,410
Deferred tax liabilities:			
Deferred gains on sales of property, plant and equipment	¥ 8,611	¥ 8,990	\$ 87,662
Unrealized holding gain on other securities	2,678	14,276	27,263
Other	3,284	3,625	33,431
	14,573	26,891	148,356
Net deferred tax assets	¥ 77,607	¥ 67,246	\$ 790,054

9. Research and development expenses

Research and development expenses, included in product cost, and selling, general and administrative expenses, were ¥25,130 million (\$255,828 thousand) and ¥24,120 million for the years ended March 31, 2009 and 2008, respectively.

10. Contingent liabilities

Contingent liabilities for trade notes receivable discounted and endorsed in the ordinary course of business amounted to ¥1,057 million (\$10,760 thousand) and ¥6,901 million at March 31, 2009 and 2008, respectively.

Contingent liabilities for guarantees of debts of unconsolidated subsidiaries and others amounted to ¥7,415 million (\$75,486 thousand) and ¥5,643 million at March 31, 2009 and 2008, respectively.

Contingent liabilities arising from similar guarantees of debts amounted to ¥19,779 million (\$201,354 thousand) and ¥20,161 million at March 31, 2009 and 2008, of which ¥15,986 million (\$162,741 thousand) and ¥17,181 million at March 31, 2009 and 2008, respectively, were for employee housing loans which were secured by life insurance and loan insurance, and therefore, the Companies were at low risk.

11. Other income (expense)—other, net

Other income (expense)—other, net consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Gains on sales of securities	¥ —	¥ 3,400	\$ —
Losses on foreign exchange	(3,070)	(6,515)	(31,253)
Idle-assets administrative expenses	—	(1,002)	—
Losses on disposal of property, plant and equipment	—	(3,292)	—
Equity in gains of unconsolidated subsidiaries and affiliates	780	154	7,941
Losses on impairment of fixed assets	(102)	(378)	(1,038)
Losses on valuation of stock of affiliated company	(166)	(592)	(1,690)
Losses on valuation of assets related to aerospace development operations	—	(6,304)	—
Gains on sale of property, plant, land and equipment	14,523	87,374	147,847
Losses relating to violation of antitrust laws	(532)	(414)	(5,416)
Cost of environment conservation measures	—	(1,234)	—
Retirement benefits for directors in past fiscal years	—	(954)	—
Gains on transfer of business	281	—	2,861
Gains on liquidation of subsidiaries and affiliates	148	—	1,507
Provision of allowance for doubtful accounts	(13,748)	—	(139,957)
Restructuring losses	(3,051)	—	(31,060)
Charges under Financial Instruments and Exchange Law	(1,594)	—	(16,227)
Losses on liquidation of subsidiaries and affiliates	(412)	—	(4,194)
Losses on valuation of investment securities	(335)	—	(3,410)
Other, net	(8,110)	(5,144)	(82,564)
Total	¥(15,388)	¥ 65,099	\$ 156,653

12. Revaluation of land

In accordance with the “Law Concerning Revaluation of Land” enacted on March 31, 1998, land used for business owned by two of the consolidated subsidiaries has been revalued.

The Companies recorded the effect on the revaluation, after deducting deferred tax liabilities on land which were recorded as long-term liabilities, and minority interests which was included in minority interests in consolidated subsidiaries.

Book value of land before revaluation	¥ 2,532 million
Book value of land after revaluation	¥12,567 million
Dates of revaluation	March 31, 2000 and September 30, 2000

The difference between the market value of land at the end of the year that was revalued in the previous year and book value after revaluation was ¥4,364 million (\$44,426 thousand) and ¥4,185 million at March 31, 2009 and 2008, respectively.

13. Leases

(a) Finance leases (Lessee)

Finance leases which do not transfer ownership

These leases are mainly plant and equipment (machinery and delivery equipment) for Shipbuilding Operations.

Leases are depreciated over the lease period using the straight-line method with no residual value.

The Company uses the operating lease accounting method for the finance leases which do not transfer ownership contracted on and before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property as of March 31, 2009 and 2008, which would have been reflected in the balance sheets if the finance lease accounting method had been applied to the finance leases currently accounted for by the operating lease accounting method:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition costs:			
Buildings and structures	¥ 3,069	¥ 2,213	\$ 31,243
Machinery and equipment	10,678	24,254	108,704
Software	211	338	2,148
Total	¥ 13,958	¥ 26,805	\$ 142,095
Accumulated depreciation:			
Buildings and structures	¥ 1,106	¥ 330	\$ 11,259
Machinery and equipment	6,999	14,144	71,251
Software	141	205	1,436
Total	¥ 8,246	¥ 14,679	\$ 83,946
Accumulated impairment loss:			
Machinery and equipment	¥ 11	¥ 15	\$ 112
Software	6	6	61
Total	¥ 17	¥ 21	\$ 173
Net book value:			
Buildings and structures	¥ 1,983	¥ 1,883	\$ 19,984
Machinery and equipment	3,668	10,095	37,340
Software	64	127	652
Total	¥ 5,695	¥ 12,105	\$ 57,976

Concerning the above finance lease transactions, the lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost, which is mainly calculated as ten-ninths of the amount computed by the declining-balance method over the respective lease terms and assuming a 10% scrap value, estimated interest expense and losses on impairment of leased property for the years ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease payments	¥ 2,447	¥ 4,747	\$ 24,911
Reversal of allowance for impairment losses on leased property	5	7	51
Estimated depreciation cost	2,101	3,635	21,389
Estimated interest expense	532	784	5,416
Losses on impairment of leased property	1	—	10

Future minimum lease payments subsequent to March 31, 2009 and 2008, for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥1,629	¥ 3,430	\$16,583
Thereafter	6,636	11,683	67,556
Total	¥8,265	¥15,113	\$84,139
Lease assets of impairment losses outstandings	¥ 7	¥ 11	\$ 71
Total	¥ 7	¥ 11	\$ 71

(b) Operating leases (Lessee)

Future minimum lease payments subsequent to March 31, 2009 and 2008, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥ 4,190	¥ 3,814	\$ 42,655
Thereafter	29,530	31,000	300,621
Total	¥33,720	¥34,814	\$343,276

(c) Finance leases (Lessor)

Information pertaining to lease receivables as of March 31, 2009 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Current Assets:		
Lease payments receivables	¥ 549	\$ 5,589
Interest income	(110)	(1,120)
Lease investment assets	¥ 439	\$ 4,469

As of March 31, 2009, the lease payments receivable of Lease investment assets due in each of the next five years and thereafter are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥157	\$1,508
2011	108	1,100
2012	86	876
2013	79	804
2014	113	1,150
2015 and after	6	61
Total	¥549	\$5,589

Finance leases which do not transfer ownership (Lessor)

The Company uses the operating lease accounting method for the finance leases which do not transfer ownership contracted on and before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property as of March 31, 2009 and 2008, which would have been reflected in the balance sheets, if the finance lease accounting method had been applied to those finance leases currently accounted for by the operating lease accounting method.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition costs:			
Buildings and structures	¥2,109	¥ 2,065	\$21,470
Machinery and equipment	1,279	10,794	13,020
Software	—	3	—
Total	¥3,388	¥12,862	\$34,490
Accumulated depreciation:			
Buildings and structures	¥ 714	¥ 592	\$ 7,269
Machinery and equipment	693	6,863	7,055
Software	—	1	—
Total	¥1,407	¥ 7,456	\$14,324
Net book value:			
Buildings and structures	¥1,395	¥ 1,473	\$14,201
Machinery and equipment	586	3,931	5,966
Software	—	2	—
Total	¥1,981	¥ 5,406	\$20,167

Concerning the above finance leases, the lease payments, depreciation cost and estimated interest income for the years ended March 31, 2009 and 2008, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Recorded lease payments	¥ 439	¥2,422	\$ 4,469
Recorded depreciation cost	231	1,937	2,352
Estimated interest income, assuming that the finance lease accounting had been adopted	273	494	2,779

Future minimum lease payments subsequent to March 31, 2009 and 2008, for finance lease transactions accounted for by the operating lease accounting method are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥ 168	¥1,525	\$ 1,710
Thereafter	2,543	5,007	25,888
Total	¥2,711	¥6,532	\$27,598

(d) Operating leases (Lessor)

Future minimum lease payments subsequent to March 31, 2009 and 2008, for non-cancelable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥ 552	¥ 547	\$ 5,620
Thereafter	5,767	6,292	58,709
Total	¥6,319	¥6,839	\$64,329

(e) Sublease

Concerning the subleases, the following amounts are lease payments receivables and lease obligations before interests which would have been reflected in the balance sheets.

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Lease payment receivables:		
Current assets	¥1,974	\$20,096
Investments and other assets	144	1,466
Lease obligations:		
Current liabilities	¥ 893	\$ 9,091
Long-term liabilities	1,252	12,471

14. Derivatives

In the normal course of business, the Company and consolidated subsidiaries employ derivative financial instruments, including foreign exchange forward contracts, foreign currency options, interest rate swaps and commodity swaps to manage their exposures to fluctuations in foreign currency exchange rates, interest rates and material prices. The Company and consolidated subsidiaries do not use derivatives for speculative or trading purposes.

The fair value information of derivative financial instruments as of March 31, 2009 and 2008 was as follows:

(a) Foreign currency

	Millions of yen				Thousands of U.S. dollars							
	2009		2008		2009							
	Notional amount	Over one year	Market prices	Valuation gain (loss)	Notional amount	Over one year	Market prices	Valuation gain (loss)	Notional amount	Over one year	Market prices	Valuation gain (loss)
Forward foreign exchange contracts												
Sell:												
U.S. dollar	¥ 3,561	¥ —	¥3,607	¥ (46)	¥3,860	¥—	¥3,656	¥204	\$ 36,252	\$ —	\$36,720	\$ (468)
Euro	—	—	—	—	192	—	186	73	—	—	—	—
Taiwan dollar	183	—	188	(5)	—	—	—	—	1,863	—	1,914	(51)
Buy:												
U.S. dollar	2,356	335	2,467	111	1,613	—	1,532	(81)	23,985	3,410	25,115	1,130
Euro	797	—	810	13	1,714	—	1,715	1	8,114	—	8,246	132
British Pound	320	—	240	(80)	—	—	—	—	3,257	—	2,443	(814)
Thai Baht	65	—	67	2	—	—	—	—	662	—	682	20
Foreign currency options												
Sell:												
Call U.S. dollar	42,867	—	—	—	—	—	—	—	436,394	—	—	—
Put U.S. dollar	—	—	317	317	—	—	—	—	—	—	3,227	3,227
Call U.S. dollar	10,150	—	—	—	189	—	—	—	103,329	—	—	—
Put U.S. dollar	—	—	(103)	(103)	*6	—	13	(6)	—	—	(1,049)	(1,049)
Buy:												
Call U.S. dollar	7,268	—	—	—	95	—	—	—	73,990	—	—	—
Put U.S. dollar	—	—	(240)	(240)	*5	—	1	(5)	—	—	(2,443)	(2,443)
Call U.S. dollar	28,141	—	—	—	—	—	—	—	286,481	—	—	—
Put U.S. dollar	—	—	482	482	—	—	—	—	—	—	4,907	4,907
Total	¥ —	¥ —	¥ —	¥451	¥ —	¥—	¥ —	¥186	\$ —	\$ —	\$ —	\$ 4,591

Notes: i Method of calculating market prices

(1) The market prices of exchange contracts are calculated using the forward exchange rate.

(2) The market prices of options are calculated based on the prices provided by correspondent financial institutions.

ii Derivative transactions which were accounted for by the hedge accounting were excluded.

iii The option premium is stated for the amounts marked with “*” but the currency option is a so-called zero-cost option and no premium is received or paid.

(b) Interest rate

	Millions of yen								Thousands of U.S.dollars			
	2009				2008				2009			
	Notional amount	Over one year	Market prices	Valuation gain (loss)	Notional amount	Over one year	Market prices	Valuation gain (loss)	Notional amount	Over one year	Market prices	Valuation gain (loss)
Interest-rate swaps												
Receipts floating												
payments fixed	¥18,898	¥18,898	¥ 109	¥ 109	¥188,898	¥18,898	¥ 86	¥ 86	\$192,385	\$192,385	\$ 1,110	\$ 1,110
Payments floating												
receipts fixed	18,898	18,898	(208)	(208)	18,898	18,898	(233)	(233)	192,385	192,385	(2,118)	(2,118)
Total	¥37,796	¥37,796	¥ (99)	¥ (99)	¥ 37,796	¥37,796	¥(147)	¥(147)	\$384,770	\$384,770	\$(1,008)	\$(1,008)

Notes: i The market value of derivative transactions is calculated using the forward exchange rate.
ii Derivative transactions which were accounted for by the hedge accounting were excluded.

(c) Commodity

	Millions of yen						Thousands of U.S.dollars				
	2009			2008			2009				
	Notional prices	Market prices	Valuation gain (loss)	Notional amount	Market prices	Valuation gain (loss)	Notional amount	Market prices	Valuation gain (loss)		
Commodity swaps											
Receipts floating											
payments fixed	¥84	¥(32)	¥(32)	¥571	¥(135)	¥(135)	\$855	\$(326)	\$(326)		
Total	¥84	¥(32)	¥(32)	¥571	¥(135)	¥(135)	\$855	\$(326)	\$(326)		

Notes: i The market value of derivative transactions is calculated using the forward exchange rate.
ii Derivative transactions which were accounted for by the hedge accounting were excluded.

15. Retirement benefits

The Company and domestic subsidiaries have defined benefit pension plans, and certain overseas subsidiaries have lump-sum retirement payment plans. In addition, an employee, if eligible, may receive additional payments under the plans.

The following information is a summary of the plans:

Retirement benefit obligation:

March 31	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥(160,890)	¥(165,435)	\$(1,637,891)
Fair value of plan assets	2,670	2,822	27,181
Funded status	(158,220)	(162,613)	(1,610,710)
Unrecognized actuarial losses	18,968	19,700	193,098
Unrecognized past service costs	1,456	2,504	14,823
Obligation recognized in the consolidated balance sheet	¥(137,796)	¥(140,409)	\$(1,402,789)
Allowance for employees' retirement benefits	¥(137,796)	¥(140,409)	\$(1,402,789)

Components of net periodic pension cost:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost benefits earned during the year	¥ 8,524	¥ 8,202	\$ 86,776
Interest cost on projected benefit obligation	3,117	3,254	31,732
Expected return on assets	21	(30)	214
Amortization of actuarial losses	2,967	2,988	30,204
Amortization of past service costs	212	214	2,158
Additional payments	383	237	3,899
Net periodic pension cost	¥15,224	¥14,865	\$154,983

	2009	2008
Assumptions used in the actuarial calculation were:		
Actuarial cost method:	Projected unit credit method	Projected unit credit method
Discount rate:	2.00%	2.00%
Expected rate of return:	1.50%	1.50%
Amortization period for past service costs (within the employees' average remaining years of service):	13 years	13 years
Amortization period for actuarial losses (within the employees' average remaining years of service):	13 years	13 years
Amortization period for transition obligation:	—	—

16. Segment information

(a) Industry segments

Industry segment information of the Companies for the years ended or as of March 31, 2009 and 2008, is shown below:

Millions of yen										
Year ended or as of March 31, 2009	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:										
Sales to outside customers	¥187,049	¥198,684	¥410,287	¥290,513	¥178,658	¥15,297	¥107,554	¥1,388,042	¥ —	¥1,388,042
Intersegment sales and transfers	17,648	21,830	26,181	7,327	3,047	535	32,899	109,467	(109,467)	—
Total	204,697	220,514	436,468	297,840	181,705	15,832	140,453	1,497,509	(109,467)	1,388,042
Operating expenses	206,161	207,862	442,691	286,749	178,836	10,632	137,978	1,470,909	(108,546)	1,362,363
Operating income (loss)	¥ (1,464)	¥ 12,652	¥ (6,223)	¥ 11,091	¥ 2,869	¥ 5,200	¥ 2,475	¥ 26,600	¥ (921)	¥ 25,679
Assets, depreciation expense and capital expenditures:										
Assets	¥166,678	¥155,944	¥307,431	¥355,292	¥170,372	¥53,946	¥200,891	¥1,410,554	¥ 78,788	¥1,489,342
Depreciation expense	2,975	5,830	4,373	19,434	3,739	1,539	4,805	42,695	3,185	45,880
Capital expenditures	2,634	10,406	6,452	20,996	5,349	420	4,174	50,431	1,925	52,356
Millions of yen										
Year ended or as of March 31, 2008	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:										
Sales to outside customers	¥169,936	¥173,633	¥371,517	¥308,227	¥159,569	¥40,443	¥127,242	¥1,350,567	¥ —	¥1,350,567
Intersegment sales and transfers	14,370	19,757	24,132	5,179	1,260	310	39,762	104,770	(104,770)	—
Total	184,306	193,390	395,649	313,406	160,829	40,753	167,004	1,455,337	(104,770)	1,350,567
Operating expenses	186,286	177,735	469,728	289,744	158,418	28,432	161,822	1,472,165	(104,791)	1,367,374
Operating income (loss)	¥ (1,980)	¥ 15,655	¥ (74,079)	¥ 23,662	¥ 2,411	¥12,321	¥ 5,182	¥ (16,828)	¥ 21	¥ (16,807)
Assets, depreciation expense and capital expenditures:										
Assets	¥166,385	¥160,370	¥340,619	¥359,939	¥160,954	¥71,303	¥186,479	¥1,446,049	¥ 96,246	¥1,542,295
Depreciation expense	3,195	5,484	3,825	15,984	3,179	824	5,605	38,096	425	38,521
Capital expenditures	3,396	9,041	4,553	16,839	2,680	158	6,316	42,983	1,962	44,945

Thousands of U.S. dollars

Year ended or as of March 31, 2009	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:										
Sales to outside customers	\$1,904,194	\$2,022,641	\$4,176,799	\$2,957,478	\$1,818,772	\$155,726	\$1,094,920	\$14,130,530	\$ —	\$14,130,530
Intersegment sales and transfers	179,660	222,233	266,528	74,590	31,019	5,447	334,918	1,114,395	(1,114,395)	—
Total	2,083,854	2,244,874	4,443,327	3,032,068	1,849,791	161,173	1,429,838	15,244,925	(1,114,395)	14,130,530
Operating expenses	2,098,758	2,116,074	4,506,678	2,919,160	1,820,584	108,236	1,404,642	14,974,132	(1,105,019)	13,869,113
Operating income (loss)	\$ (14,904)	\$ 128,800	\$ (63,351)	\$ 112,908	\$ 29,207	\$ 52,937	\$ 25,196	\$ 270,793	\$ (9,376)	\$ 261,417
Assets, depreciation expense and capital expenditures:										
Assets	\$1,696,814	\$1,587,539	\$3,129,706	\$3,616,940	\$1,734,419	\$549,180	\$2,045,109	\$14,359,707	\$ 802,077	\$15,161,784
Depreciation expense	30,286	59,351	44,518	197,842	38,064	15,667	48,915	434,643	32,424	467,067
Capital expenditures	26,815	105,935	65,683	213,743	54,454	4,276	42,491	513,397	19,597	532,994

Notes: i The Companies operate in seven industry segments as follows:

- (1) *Logistics Systems and Structures Operations*
Material handling systems, physical distribution and factory automation systems, parking systems, bridges construction materials, and others
- (2) *Industrial Machinery Operations*
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
- (3) *Energy and Plants Operations*
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
- (4) *Aero-Engine and Space Operations*
Jet engines, space-related equipment and others
- (5) *Shipbuilding and Offshore Operations*
Shipbuilding, ship repairs, offshore structures and others
- (6) *Real Estate Operations*
Real estate sales and rental
- (7) *Other Operations*
Diesel engines, agricultural machinery, construction machinery, financing and services, and others

ii Operating expenses were entirely allocated to each industry segment.

iii Corporate assets, which amounted to ¥281,692 million (\$2,867,678 thousand) and ¥308,644 million as of March 31, 2009 and 2008, respectively, mainly consisted of cash, time deposits, marketable securities and insurance premiums paid of the Company and deferred income taxes.

iv Consolidated operating expenses represent cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements.

(b) Overseas sales

Year ended March 31, 2009	Millions of yen					
	Europe	Asia	North America	Central and South Americas	Others	Total
Overseas sales	¥90,447	¥142,548	¥157,661	¥79,789	¥136,218	¥606,663
Overseas sales as a percentage of consolidated net sales	6.5%	10.3%	11.4%	5.7%	9.8%	43.7%

Year ended March 31, 2007	Millions of yen					
	Europe	Asia	North America	Central and South Americas	Others	Total
Overseas sales	¥78,431	¥146,997	¥173,145	¥73,980	¥104,873	¥577,426
Overseas sales as a percentage of consolidated net sales	5.8%	10.9%	12.8%	5.5%	7.8%	42.8%

Year ended March 31, 2008	Thousands of U.S. dollars					
	Europe	Asia	North America	Central and South Americas	Others	Total
Overseas sales	\$920,768	\$1,451,166	\$1,605,019	\$812,267	\$1,386,724	\$6,175,944

Note: The countries included in each segment are as follows:

- (1) *Europe*U.K., Germany, France, Italy, Ireland, Greece, Bulgaria, etc.
- (2) *Asia*China, Taiwan, Korea, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, Sri Lanka, etc.
- (3) *North America*U.S.A., Canada
- (4) *Central and South Americas*Brazil, Panama, etc.

17. Amounts per share

Year ended or as of March 31	Yen		U.S. dollars
	2009	2008	2009
Net loss (income)	¥ (5.05)	¥ 17.18	\$ (0.051)
Cash dividends	—	4.00	—
Shareholders' equity	130.96	149.96	1.33

18. Quarterly Results

A summary of quarterly results in 2008–2009 fiscal year are as follows:

Quarters Ended	Millions of yen			
	2008–2009			
	30-Jun.	30-Sep.	31-Dec.	31-Mar.
Net sales	¥286,876	¥323,618	¥322,074	¥455,474
Income (loss) before income taxes and minority interests	7,299	1,513	(33,164)	32,885
Net income (loss)	3,369	653	(28,575)	17,146
Net income (loss) per share	2.30	0.45	(19.49)	11.69

Quarters Ended	Thousands of U.S.dollars			
	2008–2009			
	30-Jun.	30-Sep.	31-Dec.	31-Mar.
Net sales	\$2,920,452	\$3,294,493	\$3,278,774	\$4,636,812
Income (loss) before income taxes and minority interests	74,305	15,403	(337,616)	334,776
Net income (loss)	34,297	6,648	(290,899)	174,550
Net income (loss) per share	23	5	(198)	119



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Report of Independent Auditors

The Board of Directors
IHI Corporation

We have audited the accompanying consolidated balance sheets of IHI Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

(Supplemental Information)

As described in Note 2(f) to the consolidated financial statements, IHI Corporation and consolidated subsidiaries applied the "Accounting Standard for Measurement of Inventories" for the year ended March 31, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 26, 2009

Corporate Data

(As of March 31, 2009)

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 Tel: +81-3-6204-7800
 Fax: +81-3-6204-8800
 URL: <http://www.ihi.co.jp/index-e.html>

Founded

1853

Incorporated

1889

Number of Employees

7,670 (consolidated: 24,348)

Transfer Agent

The Chuo Mitsui Trust and Banking Company, Ltd.

Consolidated Subsidiaries

91

Non-Consolidated Subsidiaries

45

Affiliates

45 (Includes 17 affiliates applying the equity method of accounting)

Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Shares Outstanding

1,467,058,482

Number of Shareholders

123,260

Independent Auditors

Ernst & Young ShinNihon

Major Shareholders

Japan Trustee Services Bank, Ltd. (Holder in Trust 4)	3.98%
Japan Trustee Services Bank, Ltd. (Standing Proxy: Toshiba Corporation)*1	3.77%
The Daiichi Mutual Life Insurance Company	3.68%
UBS AG London A/C IPB Segregated Client Account	3.05%
Japan Trustee Services Bank, Ltd. (Holder in Trust)	2.98%
Mizuho Trust & Banking, Limited (Standing Proxy: Mizuho Bank, Ltd.)*2	2.97%
Nippon Life Insurance Company	2.32%
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	1.92%
IHI Customer Stock Ownership Association	1.55%
Mitsui Sumitomo Insurance Co., Ltd	1.51%

*1 The shares of IHI Corporation stock held by Toshiba Corporation are part of that company's retirement benefit trust and are deposited as trust assets at Chuo Mitsui Asset Trust and Banking Co., Ltd. Retirement Benefit Trust (for Toshiba Corporation). Voting rights for the shares are exercised in accordance with Toshiba Corporation instructions.

*2 The shares of IHI Corporation stock held by Mizuho Bank, Ltd. are part of that company's retirement benefit trust and are deposited as trust assets at Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Mizuho Bank, Ltd.). Voting rights for the shares are exercised in accordance with Mizuho Bank, Ltd. instructions.

Investor Relations

If you have any questions or would like copies of any of our reports, please contact:

Investor Relations Division

IHI Corporation

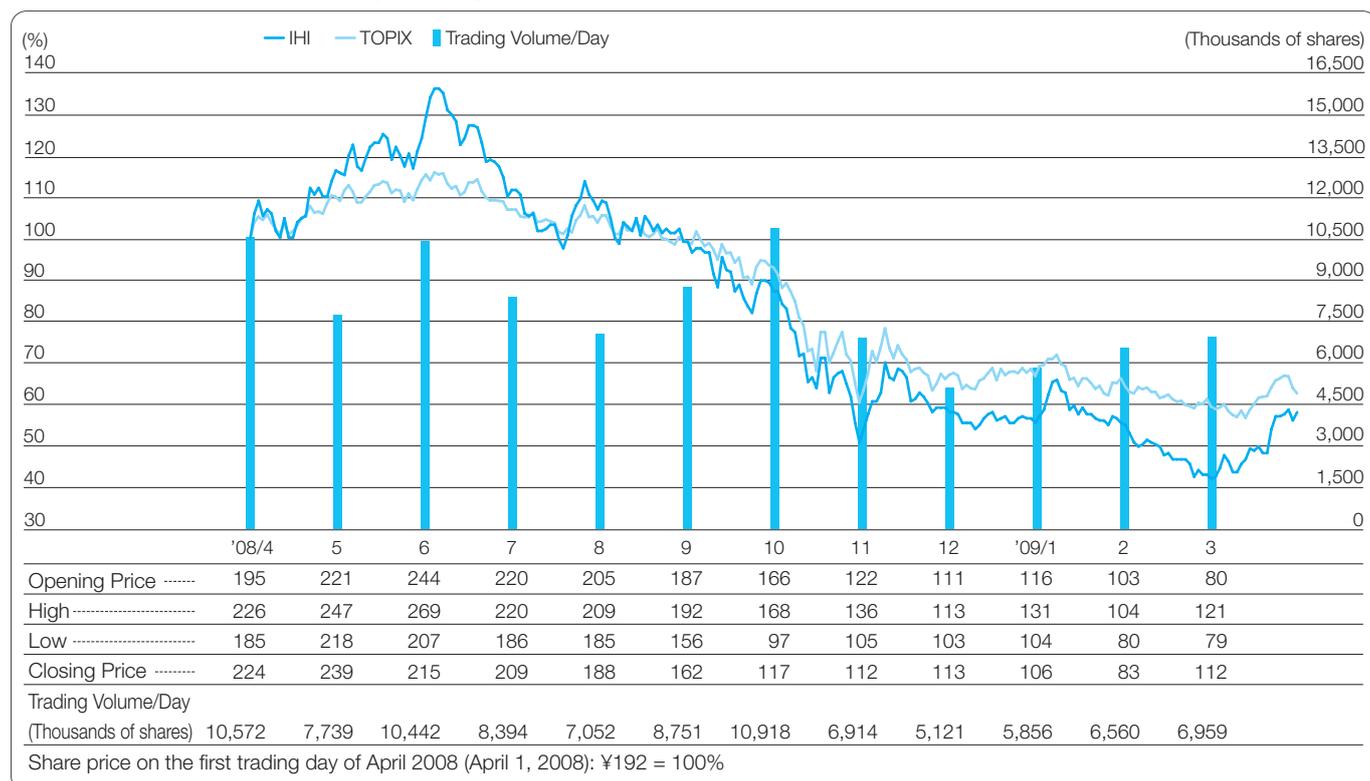
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IHI Stock Performance and Average Trading Volume Per Day



IHI Corporation

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