

## CONSOLIDATED FINANCIAL REPORT FOR THE FIRST QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2009

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

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This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures are in Japanese yen rounded to the nearest millions.

### PERFORMANCE

#### (1) Business Results

	(Millions of yen)							
	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
<b>Three months ended June 30, 2008</b>	<b>¥286,876</b>	<b>—%</b>	<b>¥3,283</b>	<b>—%</b>	<b>¥5,161</b>	<b>—%</b>	<b>¥3,369</b>	<b>—%</b>
Three months ended June 30, 2007	250,490	8.9	(14,822)	—	(15,323)	—	(10,339)	—

(Yen)

	Net Income per Share	Diluted Net Income per Share
<b>Three months ended June 30, 2008</b>	<b>¥2.30</b>	<b>¥—</b>
Three months ended June 30, 2007	(7.05)	—

#### (2) Financial Position

	(Millions of yen)			
	Total Assets	Net Assets	Shareholders' Equity to Total Assets (%)	Net Assets per Share of Common Stock (Yen)
<b>June 30, 2008</b>	<b>¥1,496,264</b>	<b>¥237,997</b>	<b>15.0%</b>	<b>¥152.61</b>
June 30, 2007	1,542,295	234,406	14.3	149.96

## DIVIDENDS

(Yen)

(Record Date)	Dividends per Share					Annual (Yen)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Period		
<b>Year ending March 31, 2009</b>	—	—	—	—	—	—
Year ended March 31, 2008	—	—	—	4.00		4.00
Year ending March 31, 2009 (Forecast)	—	—	—	4.00		4.00

## CONSOLIDATED RESULTS FORECAST FOR THE YEAR ENDING MARCH 31, 2009

Percentages show the rate of increase or decrease from the previous corresponding period

	Net Sales		Operating Income		Ordinary Income		Net Income for the Period		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2nd Quarter	630,000	—	1,000	—	(5,000)	—	(4,000)	—	(2.73)
Full Fiscal Year	1,450,000	—	37,000	—	23,000	—	11,000	—	7.50

## NOTE

### Numbers of Common Stock Issued and Retired

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

1st quarter fiscal year ending March 31, 2009	1,467,058,482
Fiscal year ended March 31, 2008	1,467,058,482

(ii) Number of treasury stock at end of period

1st quarter fiscal year ending March 31, 2009	607,565
Fiscal year ended March 31, 2008	536,481

(iii) Average number of shares of common stock outstanding during period (total consolidated quarterly period)

1st quarter fiscal year ending March 31, 2009	1,466,488,858
Fiscal year ended March 31, 2008	1,466,694,415

## QUALITATIVE DATA

### (1) Qualitative Data Concerning Consolidated Business Results

Although there was a lull in after the yen's appreciation in March 2008, in the first quarter of the fiscal year ending March 31, 2009, the three-month period ended June 30, 2008, economic conditions globally entered a leveling-off phase, with the slowdown in the U.S. economy spreading to Europe and Asia and weakening exports on the one hand, and significant downward pressure on corporate profits and consumer spending due to additional rises in price for global energy, raw materials and agricultural produce on the other hand. Overall the global economy maintained steady growth, but there was a heightened feeling of uncertainty brought about by such factors as sudden rises in some countries' inflation rates coupled with the financial unease triggered by the U.S. subprime crisis.

Under these conditions, the IHI Group worked hard to strengthen its profit-earning capabilities and implement structural reforms, but orders received for the period under review declined 41.8% compared with the corresponding period of the previous fiscal year to ¥234.3 billion. However, as Energy and Plant Operations recovered after a significant deterioration in their performance in the previous period, consolidated net sales increased 14.5% compared with the corresponding period of the previous fiscal year to ¥286.8 billion, operating income totaled ¥3.2 billion, and after factoring in gain on foreign currency translations, for example, ordinary income was ¥5.1 billion. Under special gains and losses, a special gain of ¥3.7 billion was recorded on gain on sales of noncurrent assets, and a special loss of ¥1.5 billion was administrative fine. As a result, net income for the quarter totaled ¥3.3 billion.

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

June. 30, 2008

March. 31, 2008

**Assets****Current assets**

Cash and deposits	57,434	72,080
Notes and accounts receivable-trade	296,433	358,945
Short-term investment securities	22,946	46,455
Finished goods	22,241	20,102
Raw materials and supplies	101,457	102,196
Partly-finished work	333,854	289,788
Work in process	53,745	43,799
Other	156,293	153,325
Allowance for doubtful accounts	(4,080)	(4,066)
Total current assets	1,040,323	1,082,624

**Noncurrent assets**

Property, plant and equipment	260,847	261,761
Intangible assets		
Goodwill	5,211	1,450
Other	18,971	19,495
Total intangible assets	24,182	20,945
Investments and other assets		
Other	179,644	186,440
Allowance for doubtful accounts	(8,732)	(9,475)
Total investments and other assets	170,912	176,965
Total noncurrent assets	455,941	459,671

**Total assets**

1,496,264

1,542,295

**Liabilities****Current liabilities**

Notes and accounts payable-trade	305,131	315,008
Short-term loans payable	125,026	131,706
Current portion of bonds	28,000	28,000
Income taxes payable	5,219	16,188
Advances received	259,318	226,838
Provision for bonuses	12,117	21,420
Provision for construction warranties	21,306	19,122
Provision for loss on construction contracts	30,665	32,690
Other provision	103	254
Other	80,657	107,456
Total current liabilities	867,542	898,682

**Noncurrent liabilities**

Bonds payable	70,000	85,000
Long-term loans payable	120,903	123,216
Provision for retirement benefits	139,951	140,409
Other provision	1,646	1,930
Other	58,225	58,652
Total noncurrent liabilities	390,725	409,207

**Total liabilities**

1,258,267	1,307,889
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**Net assets****Shareholders' equity**

Capital stock	95,762	95,762
Capital surplus	43,036	43,037
Retained earnings	59,199	56,012
Treasury stock	(150)	(135)
Total shareholders' equity	197,847	194,676

**Valuation and translation adjustments**

Valuation difference on available-for-sale securities	23,726	22,104
Deferred gains or losses on hedges	(710)	1,518
Revaluation reserve for land	3,787	3,787
Foreign currency translation adjustment	(854)	(2,168)
Total valuation and translation adjustments	25,949	25,241

**Subscription rights to shares**

111	114
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**Minority interests**

14,090	14,375
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**Total net assets**

237,997	234,406
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**Total liabilities and net assets**

1,496,264	1,542,295
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# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Apr. 1, 2008 to June. 30, 2008	Apr. 1, 2007 to June. 30, 2007
<b>Net sales</b>	286,876	250,490
<b>Cost of sales</b>	251,530	236,459
<b>Gross profit</b>	35,346	14,031
Selling, general and administrative expenses	32,063	28,853
<b>Operating income</b>	3,283	(14,822)
Non-operating income		
Interest income	362	276
Dividends income	1,139	1,066
Foreign exchange gains	2,363	824
Equity in earnings of affiliates	436	215
Other	1,403	1,070
Total non-operating income	5,703	3,451
Non-operating expenses		
Interest expenses	1,352	1,358
Other	2,473	2,594
Total non-operating income	3,825	3,952
<b>Ordinary income</b>	5,161	(15,323)
Extraordinary income		
Gain on sales of noncurrent assets	3,732	—
Total extraordinary income	3,732	—
Extraordinary loss		
Administrative fine	1,594	—
Other	—	1,603
Total extraordinary losses	1,594	1,603
<b>Income before income taxes and minority interests</b>	7,299	(16,926)
<b>Income taxes</b>	4,026	(6,542)
<b>Minority interests in loss</b>	(94)	45
<b>Net income</b>	3,369	(10,339)

# CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

April 1, 2008 to

June 30, 2008

## Net cash provided by (used in) operating activities

Income before income taxes and minority interests	7,299
Depreciation and amortization	9,602
Depreciation and amortization on other	1,365
Increase (decrease) in allowance for doubtful accounts	(229)
Increase (decrease) in provision for bonuses	(9,297)
Increase (decrease) in provision for construction warranties	2,078
Increase (decrease) in provision for loss on construction contracts	(1,937)
Increase (decrease) in provision for retirement benefits	(413)
Interest and dividends income	(1,501)
Interest expenses	1,352
Foreign exchange losses (gains)	(70)
Loss (gain) on valuation of short-term and long term investment securities	25
Equity in (earnings) losses of affiliates	(436)
Loss (gain) on sales and retirement of noncurrent assets	(3,445)
Decrease (increase) in notes and accounts receivable-trade	61,489
Increase (decrease) in advances received	34,212
Decrease (increase) in advance payments	777
Decrease (increase) in inventories	(55,508)
Increase (decrease) in notes and accounts payable-trade	(8,602)
Increase (decrease) in accrued expenses	(19,224)
Increase (decrease) in lease and guarantee deposits received	15
Other, net	5,820
Subtotal	23,372
Interest and dividends income received	1,614
Interest expenses paid	(1,500)
Income taxes paid	(16,849)
Net cash provided by (used in) operating activities	6,637

## Net cash provided by (used in) investment activities

Decrease (increase) in time deposits	(314)
Purchase of short-term and long term investment securities	(2,550)
Proceeds from sales of short-term and long term investment securities	3,573
Purchase of property, plant and equipment and intangible assets	(8,490)
Proceeds from sales of property, plant and equipment	2,101
Payments for retirement of property, plant and equipment	(102)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,772)

Decrease (increase) in short-term loans receivable	(87)
Payments of long-term loans receivable	(63)
Collection of long-term loans receivable	40
Cancellation return of long-term investment	10,161
Other, net	(1,556)
Net cash provided by (used in) investment activities	(3,059)
<b>Net cash provided by (used in) financing activities:</b>	
Net increase (decrease) in short-term loans payable	(5,264)
Proceeds from long-term loans payable	490
Repayment of long-term loans payable	(3,597)
Redemption of bonds	(15,000)
Decrease (increase) in treasury stock	(16)
Cash dividends paid	(5,436)
Cash dividends paid to minority shareholders	(164)
Other, net	(123)
Net cash provided by (used in) financing activities	(29,110)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(2,501)
<b>Net increase (decrease) in cash and cash equivalents</b>	(28,033)
<b>Cash and cash equivalents at beginning of period</b>	130,428
<b>Cash and cash equivalents, at end of period</b>	102,395