

**CONSOLIDATED FINANCIAL REPORT
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012
 <Japanese GAAP>**

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

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Submission of Quarterly Securities Report: November 13, 2012 (planned)
 Preparing supplementary material on quarterly financial results: Yes
 Holding quarterly financial results presentation meeting: Yes

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.

1. PERFORMANCE

(1) Business Results

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the previous corresponding period)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Six months ended September 30, 2012	564,994	7.4%	14,522	(23.9)%	11,638	(14.1)%
Six months ended September 30, 2011	525,905	(6.7)%	19,094	(34.4)%	13,555	(45.9)%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended September 30, 2012	11,842	135.5%	8.09	7.65
Six months ended September 30, 2011	5,028	(62.7)%	3.43	3.23

(Note) Comprehensive income

Six months ended September 30, 2012: ¥11,288 million 105.0%

Six months ended September 30, 2011: ¥5,506 million (48.3)%

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
September 30, 2012	1,317,408	266,589	19.4%
March 31, 2012	1,338,131	258,475	18.7%

(Reference) Shareholders' equity at the end of the period (consolidated)

September 30, 2012: ¥255,946 million

March 31, 2012: ¥250,139 million

2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2012	—	0.00	—	4.00	4.00
Fiscal year ending March 31, 2013	—	0.00	—	—	—
Fiscal year ending March 31, 2013 (Forecast)	—	—	—	4.00	4.00

(Note) Revisions to the dividend forecasts most recently announced: None

3. FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2013

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the previous corresponding period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full-year	1,240,000	1.5%	35,000	(19.2)%	28,000	(32.9)%	19,000	(20.2)%	12.98

(Note) Revisions to the forecast of results most recently announced: Yes

4. NOTES

- (1) **Changes in significant subsidiaries during the six months under review**
(Changes in specified subsidiaries accompanying changes in scope of consolidation): None
- (2) **Application of special accounting for preparing quarterly consolidated financial statements:** Yes
- (3) **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**
 - (i) Changes in accounting policies due to revisions to accounting standards: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: Yes
 - (iv) Restatement of prior period financial statements after error corrections: None
- (4) **Number of shares issued (Common stock):**
 - (i) Number of shares issued at the end of the period (including treasury stock)

As of September 30, 2012	1,467,058,482 shares
As of March 31, 2012	1,467,058,482 shares
 - (ii) Number of shares of treasury stock owned at the end of the period

As of September 30, 2012	3,794,681 shares
As of March 31, 2012	2,853,236 shares
 - (iii) Average number of shares outstanding during the period (cumulative quarterly period)

Six months ended September 30, 2012	1,463,500,139 shares
Six months ended September 30, 2011	1,466,469,994 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of forecast of results, and other special matters

Earnings estimates made in this report 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 political and general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.

QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

In the Japanese economy during the six months under review, although a gradual recovery was underway partly thanks to demand for restoration from the Great East Japan Earthquake, there was a growing sense of slowdown due to the ending of eco-car subsidies, economic slowdown overseas, and sluggishness in exports amid the continuing strength of the yen and a deterioration in relations between Japan and China.

The overseas economy faced several considerable challenges, including the prolongation of the debt problem in Europe and balance sheet adjustments in the U.S. and other developed countries. Furthermore, emerging countries, which were previously a major driving force behind global economic growth, experienced slower growth due to issues including declining exports to developed countries.

Amid these conditions, through the three-year medium-term management plan, Group Management Policies 2010, for which the final year is fiscal year 2012, the IHI Group worked to achieve three paradigm shifts: towards a business model focused on product lifecycles, a product strategy focused on customers, and global management of its business. As a result, the Group achieved a certain degree of stability in its business base, including recording a profit in all business segments for three consecutive years, as well as for the six months under review. As part of these efforts, the following key measures are being implemented.

On September 25, 2012, IHI entered into a share transfer agreement to acquire 100% of the shares of the Swiss coating provider Ionbond, from the current major shareholders Barclays Ventures and Credit Suisse AG, as well as other minority shareholders. By making Ionbond a group company, and combining the capability to provide its coating process with the IHI Group's existing capability to provide heat and coating equipment, the Group will construct a global structure capable of meeting the diverse needs of customers.

Preparations are underway for the November 2012 establishment of a joint venture for civil aircraft engine repair in the U.S. with a U.S. company, International Component Repair, LLC, which is a specialist in the repair of aircraft components. This joint venture will carry out repairs of the main components of V2500 engines, with which the Airbus A320 is equipped. By using the foothold provided by this joint venture, IHI aims to develop its jet engine maintenance business on a global scale.

In addition to the above, the following measures have been put in place for the purpose of survival in the intense competitive environment in Japan and overseas.

The Group is focusing on initiatives in renewable energy fields including algae fuel development and biomass power generation. It is also working to expand orders in Energy & Resources Operations by such means as overseas business development of high-efficiency ultra-supercritical pressure boilers, as well as the acquisition of EPC Center Houston of major U.S. engineering company Kvaerner Americas and development of an aluminum SPB tank production facility in the natural gas field, in which demand is expected to continue growing.

In addition, the Group is aiming to speed up its growth strategy for turbochargers to realize further expansion in Europe, China and Southeast Asia. It is also seeking further business expansion for jet engines by such means as enhancing and expanding the product lineup and strengthening the maintenance structure.

The Group will accelerate the global management of its operations, chiefly through business expansion in Southeast Asia using its Asia and Oceania regional headquarter in Singapore and the promotion of global procurement.

Regarding the management integration of IHI Marine United Inc. and Universal Shipbuilding Corporation, for which basic agreement was reached on January 30, 2012, a merger agreement was concluded on August 27, 2012. The effective date of the integration has been postponed from October 1, 2012 to December 1, 2012 because overseas competition law examinations and approval processes are still underway.

On October 1, 2012, the IHI Group announced its corporate message, "Realize your dreams," making clear its mission to contribute to the realization of the dreams of society.

The IHI Group formulated its new three-year medium-term management plan, Group Management Policies 2013, for which the final year is fiscal year 2015, after considering how to achieve future growth based on the internal management system it has constructed so far. These Group Management Policies have been established as a means for the Group, as a corporate group that contributes to the development of society, to realize the dreams of society through the creation of value for customers based on tireless efforts to improve quality and productivity by focusing on the three principles of place, product and pragmatism, and to become a global leader. Management

targets of consolidated net sales of ¥1,400 billion and consolidated operating income of ¥70 billion have been set for the new Group Management Policies.

Orders received during the six months under review decreased 5.6% from the same period of the previous fiscal year to ¥589.0 billion owing to a large decline in Social Infrastructure Operations. Net sales increased 7.4% from the same period of the previous fiscal year to ¥564.9 billion as a result of increases in Logistics Systems & Industrial Machinery Operations and Aero Engine & Space Operations, despite a sales decrease in Ships & Offshore Facilities Operations. In terms of profit, despite an increase in Logistics Systems & Industrial Machinery Operations, there were declines in Rotating Equipment & Mass-Production Machinery Operations, Social Infrastructure Operations and others. As a result, operating income decreased 23.9% from the same period of the previous fiscal year to ¥14.5 billion and ordinary income declined 14.1% to ¥11.6 billion. Net income increased 135.5% from the same period of the previous fiscal year to ¥11.8 billion, mainly because of the recording of ¥13.5 billion from the sale of a co-ownership interest in land at Toyosu 3-chome under extraordinary income.

MATTERS REGARDING SUMMARY INFORMATION (NOTES)

1. Changes in significant subsidiaries during the six months under review

None

2. Application of special accounting for preparing quarterly consolidated financial statements

Tax expense calculation

Tax expenses on income before income taxes and minority interests for the six months under review are calculated by multiplying income before income taxes and minority interests for the six months under review by the reasonably estimated effective tax rate for the fiscal year including the six months under review after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for income before income taxes and minority interests for the six months under review.

The deferred income taxes amount is shown inclusive of income taxes.

3. Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

Change in accounting policy that is difficult to distinguish from change in accounting estimate

In the first quarter ended June 30, 2012, IHI and its major domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 in line with the revision of the Corporate Tax Act. The effect of this change on financial statements for the six months under review is minimal.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**1. CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	September 30, 2012	March 31, 2012
Assets		
Current assets		
Cash and deposits	70,859	63,914
Notes and accounts receivable-trade	292,287	348,671
Short-term investment securities	505	2,736
Finished goods	22,494	23,320
Work in process	244,657	218,224
Raw materials and supplies	107,760	109,500
Other	81,663	84,281
Allowance for doubtful accounts	(6,194)	(6,282)
Total current assets	814,031	844,364
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	150,838	153,596
Other, net	194,650	181,149
Total property, plant and equipment	345,488	334,745
Intangible assets		
Goodwill	8,322	5,073
Other	17,747	18,539
Total intangible assets	26,069	23,612
Investments and other assets		
Other	135,741	141,557
Allowance for doubtful accounts	(3,921)	(6,147)
Total investments and other assets	131,820	135,410
Total noncurrent assets	503,377	493,767
Total assets	1,317,408	1,338,131

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2012	March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	271,550	293,493
Short-term loans payable	130,229	124,194
Commercial papers	10,000	–
Current portion of bonds payable	–	10,000
Income taxes payable	11,902	13,208
Advances received	116,927	104,393
Provision for bonuses	24,268	24,700
Provision for construction warranties	17,932	15,526
Provision for loss on construction contracts	29,629	29,189
Other provision	483	868
Other	68,075	74,122
Total current liabilities	680,995	689,693
Noncurrent liabilities		
Bonds payable	53,393	53,450
Long-term loans payable	120,084	141,967
Provision for retirement benefits	129,218	129,037
Other provision	3,335	4,392
Other	63,794	61,117
Total noncurrent liabilities	369,824	389,963
Total liabilities	1,050,819	1,079,656
Net assets		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,046	43,044
Retained earnings	123,415	116,083
Treasury stock	(744)	(547)
Total shareholders' equity	261,479	254,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,423)	(361)
Deferred gains or losses on hedges	106	(55)
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	(7,881)	(8,452)
Total accumulated other comprehensive income	(5,533)	(4,203)
Subscription rights to shares	575	462
Minority interests	10,068	7,874
Total net assets	266,589	258,475
Total liabilities and net assets	1,317,408	1,338,131

2. CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2012 to Sep. 30, 2012	Apr. 1, 2011 to Sep. 30, 2011
Net sales	564,994	525,905
Cost of sales	476,999	435,273
Gross profit	87,995	90,632
Selling, general and administrative expenses	73,473	71,538
Operating income	14,522	19,094
Non-operating income		
Interest income	284	404
Dividends income	1,042	1,398
Equity in earnings of affiliates	551	297
Other	3,897	3,549
Total non-operating income	5,774	5,648
Non-operating expenses		
Interest expenses	2,282	2,648
Foreign exchange losses	2,501	3,447
Other	3,875	5,092
Total non-operating expenses	8,658	11,187
Ordinary income	11,638	13,555
Extraordinary income		
Gain on sales of noncurrent assets	13,863	–
Total extraordinary income	13,863	–
Extraordinary loss		
Loss on valuation of investment securities	3,873	3,547
Impairment loss	10	430
Total extraordinary losses	3,883	3,977
Income before income taxes and minority interests	21,618	9,578
Income taxes	8,955	4,174
Income before minority interests	12,663	5,404
Minority interests	821	376
Net income	11,842	5,028

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2012 to Sep. 30, 2012	Apr. 1, 2011 to Sep. 30, 2011
Income before minority interests	12,663	5,404
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,063)	(264)
Deferred gains or losses on hedges	174	228
Foreign currency translation adjustment	539	48
Share of other comprehensive income of associates accounted for using equity method	(25)	90
Total other comprehensive income	(1,375)	102
Comprehensive income	11,288	5,506
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,425	5,170
Comprehensive income attributable to minority interests	863	336

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2012 to Sep. 30, 2012	Apr. 1, 2011 to Sep. 30, 2011
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	21,618	9,578
Depreciation and amortization	23,210	21,638
Depreciation and amortization on other	1,833	2,566
Impairment loss	10	430
Increase (decrease) in allowance for doubtful accounts	(605)	(2,226)
Increase (decrease) in provision for bonuses	(569)	(1,248)
Increase (decrease) in provision for construction warranties	2,269	(2,361)
Increase (decrease) in provision for loss on construction contracts	436	51
Increase (decrease) in provision for retirement benefits	(1,268)	(1,902)
Increase (decrease) in provision for loss on disaster	(30)	(3,415)
Interest and dividends income	(1,326)	(1,802)
Interest expenses	2,282	2,648
Foreign exchange losses (gains)	(582)	319
Loss (gain) on sales of short-term and long term investment securities	(26)	(4)
Loss (gain) on valuation of short-term and long term investment securities	3,875	3,592
Equity in (earnings) losses of affiliates	(551)	(297)
Loss (gain) on disposal of property, plant and equipment	(12,897)	716
Decrease (increase) in notes and accounts receivable-trade	61,068	25,873
Increase (decrease) in advances received	12,372	1,247
Decrease (increase) in advance payments	1,618	(5,057)
Decrease (increase) in inventories	(25,569)	(44,264)
Increase (decrease) in notes and accounts payable-trade	(23,702)	(8,060)
Increase (decrease) in accrued expenses	342	(3,880)
Decrease (increase) in other current assets	(3,613)	(2,403)
Increase (decrease) in other current liabilities	(1,984)	(3,605)
Decrease (increase) in consumption taxes refund receivable	1,273	(1,306)
Other, net	(367)	655
Subtotal	59,117	(12,517)
Interest and dividends income received	1,414	2,730
Interest expenses paid	(2,335)	(2,657)
Income taxes paid	(9,599)	(3,324)
Net cash provided by (used in) operating activities	48,597	(15,768)

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2012 to Sep. 30, 2012	Apr. 1, 2011 to Sep. 30, 2011
Net cash provided by (used in) investing activities:		
Decrease (increase) in time deposits	42	(992)
Purchase of short-term and long term investment securities	(3,220)	(581)
Purchase of investments in subsidiaries	(811)	–
Proceeds from sales and redemption of short-term and long term investment securities	3,565	2,501
Purchase of property, plant and equipment and intangible assets	(27,960)	(19,196)
Proceeds from sales of property, plant and equipment and intangible assets	16,511	750
Payments for disposal of property, plant and equipment and intangible assets	(202)	(581)
Purchase of newly consolidated subsidiaries	(6,059)	–
Decrease (increase) in short-term loans receivable	(236)	(291)
Payments of long-term loans receivable	(203)	(16)
Collection of long-term loans receivable	43	70
Decrease (increase) in other investments	(1,223)	(1,477)
(Decrease) increase in other fixed liabilities	(224)	(1,256)
Other, net	(18)	(20)
Net cash provided by (used in) investing activities	(19,995)	(21,089)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(726)	(15,108)
Net increase (decrease) in commercial papers	10,000	–
Proceeds from long-term loans payable	11,145	31,874
Repayment of long-term loans payable	(25,076)	(28,181)
Redemption of bonds	(10,000)	–
Repayments of lease obligations	(1,819)	(1,328)
Decrease (increase) in treasury stock	(209)	(484)
Cash dividends paid	(5,815)	(4,366)
Cash dividends paid to minority shareholders	(427)	(280)
Net cash provided by (used in) financing activities	(22,927)	(17,873)
Effect of exchange rate change on cash and cash equivalents	631	248
Net increase (decrease) in cash and cash equivalents	6,306	(54,482)
Cash and cash equivalents at beginning of period	63,498	115,025
Increase in cash and cash equivalents from newly consolidated subsidiary	598	1,273
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	67	–
Cash and cash equivalents at end of period	70,469	61,816

SEGMENT INFORMATION

I Six months ended September 30, 2011

1. Information about sales and profit or loss by reportable segment

(Millions of yen)

	Reportable Segment							Total	Adjustment (Note)	Consolidated
	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass- Production Machinery	Aero Engine & Space	Others			
Sales:										
(1) Sales to outside customers	119,591	83,755	44,766	51,063	73,364	116,298	37,068	525,905	–	525,905
(2) Intersegment sales and transfers	12,453	834	3,942	2,791	5,607	2,772	15,164	43,563	(43,563)	–
Total	132,044	84,589	48,708	53,854	78,971	119,070	52,232	569,468	(43,563)	525,905
Segment profit (loss) (Operating income (loss))	(529)	5,176	3,565	(236)	5,753	5,431	1,731	20,891	(1,797)	19,094

Note: Adjustment of segment profit (loss) represents intersegment transactions of negative ¥249 million and unallocated corporate expenses of negative ¥1,548 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

2. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

In the segment of “Social Infrastructure,” impairment losses of assets for rent were recognized in the amount of ¥406 million for the six months ended September 30, 2011.

In the segment of “Others,” impairment losses of assets for business were recognized in the amount of ¥24 million for the six months ended September 30, 2011.

Material change in goodwill amount

None

Material gain on negative goodwill

None

II Six months ended September 30, 2012

1. Information about sales and profit or loss by reportable segment

(Millions of yen)

	Reportable Segment							Total	Adjustment (Note)	Consolidated
	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass- Production Machinery	Aero Engine & Space	Others			
Sales:										
(1) Sales to outside customers	124,403	72,943	38,693	79,693	77,597	133,970	37,695	564,994	–	564,994
(2) Intersegment sales and transfers	17,425	1,396	2,413	1,145	4,345	5,692	11,467	43,883	(43,883)	–
Total	141,828	74,339	41,106	80,838	81,942	139,662	49,162	608,877	(43,883)	564,994
Segment profit (Operating income)	1,877	4,123	1,099	3,257	1,561	6,261	1,160	19,338	(4,816)	14,522

Note: Adjustment of segment profit represents intersegment transactions of negative ¥299 million and unallocated corporate expenses of negative ¥4,517 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

Main products and services belonging to each segment

- (1) Energy & Resources
Boilers, gas turbines, components for nuclear power plants, storage facilities, process plants, power systems and floating LNG storage facilities
- (2) Ships & Offshore Facilities
Shipbuilding, ship repairs and offshore structures
- (3) Social Infrastructure
Bridges, construction materials and real estate sales and rental
- (4) Logistics Systems & Industrial Machinery
Material handling systems, physical distribution and factory automation systems, parking systems, traffic systems, steel manufacturing equipment, paper production machines and environmental control systems
- (5) Rotating Equipment & Mass-Production Machinery
Compressors and vehicular turbochargers
- (6) Aero Engine & Space
Jet engines, space-related equipment and defense machinery
- (7) Others
Diesel engines, agricultural machinery, construction machinery and other services

2. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

None

Material change in goodwill amount

In the Others segment, Meisei Electric Co., Ltd. was made IHI's subsidiary through a tender offer for stock on June 12, 2012. ¥3,703 million of gain on goodwill was recognized by this event in the six months ended September 30, 2012.

Material gain on negative goodwill

None