Ishikawajima-Harima Heavy Industries Co. Ltd. (IHI) is one of Japan's leading heavy machinery manufacturers, providing technology-oriented products and services to the nation's industrial, private and public sectors. IHI researches, consults, engineers, manufactures and supplies a range of machinery, equipment, plants, structures, ships and offshore facilities. IHI and its group of companies actively promote the selection and development of business to improve profitability in such fields as manufacturing, energy production, marine transportation, distribution and aerospace and environmental technologies. IHI is a national leader in the production of jet aircraft engines. IHI collaborates with Toshiba Corporation in the building of power plants, especially nuclear power plants.

Market Data

Market Data (as of May 7, 2001)
Price per share: ¥ 298
52-week high: ¥ 313
52-week low: ¥ 117
Total shares outstanding: 1,298.5mn
Market cap: ¥ 386,953mn

Financial Highlights for FY2000 (YoY)

• Net sales increased by ¥ 119,754mn to ¥ 1,114,817mn.
• Operating income increased by ¥ 45,772mn to ¥ 39,947mn.
• Ordinary income increased by ¥ 36,612mn to ¥ 28,055mn.
• Net income increased by ¥ 88,203mn to ¥ 9,205mn.
• Fully diluted EPS increased by ¥ 67.92 to ¥ 7.09.
• ROE was 5.1% for FY2000.

Net sales by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2000/03</th>
<th>2001/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Machinery &amp; Steel Structure Operations</td>
<td>△11,919</td>
<td>△819</td>
</tr>
<tr>
<td>Energy, Environment &amp; Plant Operations</td>
<td>△7,345</td>
<td>21,291</td>
</tr>
<tr>
<td>Standard Machinery &amp; Other Operations</td>
<td>8,060</td>
<td>7,372</td>
</tr>
<tr>
<td>Aero-Engine &amp; Space Operations</td>
<td>10,478</td>
<td>8,030</td>
</tr>
<tr>
<td>Shipbuilding &amp; Offshore Operations</td>
<td>∆5,428</td>
<td>4,356</td>
</tr>
<tr>
<td>Elimination &amp; Corporate</td>
<td>329</td>
<td>△283</td>
</tr>
<tr>
<td>Total</td>
<td>△5,825</td>
<td>39,947</td>
</tr>
</tbody>
</table>

Cash-Flows

<table>
<thead>
<tr>
<th>Activity</th>
<th>2000/03</th>
<th>2001/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Activities</td>
<td>27,537</td>
<td>22,611</td>
</tr>
<tr>
<td>Investing Activities</td>
<td>△30,489</td>
<td>△60,613</td>
</tr>
<tr>
<td>Financing Activities</td>
<td>40,669</td>
<td>40,281</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>119,092</td>
<td>122,391</td>
</tr>
</tbody>
</table>

Key Strengths

• Abundant capital: an excellent financial standing that is indispensable for restructuring
• Aero-engine and space operations: medium-term growth potential and high profitability, especially in jet-engine maintenance where IHI dominates the market

Business Strategy

Target for FY2003

<table>
<thead>
<tr>
<th>Metric</th>
<th>2000/03</th>
<th>2001/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC*</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>¥ 450bn</td>
<td></td>
</tr>
</tbody>
</table>

* Return on Invested Capital
= (Operating income + interest income and dividend received) after tax / (shareholders' equity + interest-bearing liabilities)
Improvements in cash-flow and reductions in interest-bearing liabilities

Improvements in cash-flow management and reductions in interest-bearing liabilities have been implemented as an index of performance evaluation in every business division. This should reduce the interest-bearing liabilities to an expected 450 billion yen on a consolidated base at the end of FY2003, with further reductions expected in FY2004.

Restructuring

a) Fields of growth through the concentration of management resources
   • Aero-Engine and Space Operations
   • Dispersion of electric power supplies: GT, MGT, fuel cells, wind power generation, etc.
   • Environmental and Recycling Systems: pyrolysis gasification, refuse-derived fuel (RDF), waste incinerators, etc.
   • Physical Distribution Systems and Intelligent Traffic System (ITS): automated warehouses, ITS, parking systems, etc.
   • Standard Machinery: turbochargers, packaged compressors, etc.

b) Fields for spin-out or business tie-up
   • Shipbuilding
   • Industrial Machinery: paper-making machines, transfer feed presses, etc.

Recent Events

• IHI names Mototsugu Ito as President (2001/4/27): IHI announced its intention to appoint Mototsugu Ito, presently Senior Managing Director and General Manager of Aero-Engine and Space Operations (AESCO), to the position of President of the Company, effective June 28, 2001. Mr. Ito, 64, joined the Company in 1959 and has been served throughout the period in the field of Aerospace business. His past positions with the Company include Manager of Civil Aircraft Engines Development, Deputy General Manager of AESO, and Managing Director. Mr. Ito's contribution to the Company for developing V2500 engines and making its business successful has been remarkable.

• A joint venture company between IHI and Voith Paper Company in Germany was established on April 1, 2001. The company covers activities from engineering through erection and after service in the field of Fiber Systems, Paper Machine, Coating machine, and Finishing Equipment. Of the capital of 500 million yen, IHI holds 70% and Voith 30%.

• Capital and business tie-ups in information systems fields with CRC Research Institute (CRC) and IHI Systems (ISS), a subsidiary of IHI (2001/3): 30% of IHI's share of ISS stocks was assigned to CRC. Main fields for business tie-up: system integration (retails, manufacturing, financials), internet-related, commercialization of products owned by CRC and IHI group companies

• Expansion of private jet engine maintenance business (2000/4): Sales are expected to increase by 50% to JPY25billion by FY2002. The process-line maintenance of the V2500 engine, which was jointly developed by IHI and international companies, has been extended. Total production will be 120 units a year. Delivery periods will be cut by 25% due to advanced assembly and disassembly process automations.

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Cautionary Statement

Statements made in this release 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 you should not place undue reliance on them. IHI cautions you 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.