



February 2, 2007

**CONSOLIDATED FINANCIAL REPORT  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2006**

Ishikawajima-Harima Heavy Industries Co., Ltd. (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.

Representative: President and Chief Executive Officer Mototsugu Ito  
For further information contact: Executive Officer Makoto Serizawa, Finance & Accounting Division  
Tel: +81-3-6204-7067

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

**MATTERS CONCERNING PREPARATION OF QUARTERLY FINANCIAL INFORMATION****(1) Use of simple accounting methods: Yes**

Content: The simplified accounting method has been applied to tax expenses and the recording of certain reserves, etc.

**(2) Recent changes in consolidated accounting method: Yes****(3) Changes in scope of consolidation and application of the equity method: Yes**

Number of consolidated subsidiaries: 84

Newly consolidated companies: 1 Consolidated companies removed: 2

Number of affiliated companies accounted for by the equity method: 25

Newly companies accounted for by the equity method: — Companies accounted for by the equity method removed: —

**PERFORMANCE****(1) Business Results**

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Nine months ended Dec. 31, 2006</b>	<b>¥ 772,261</b>	<b>12.2%</b>	<b>¥ 3,866</b>	<b>—%</b>	<b>¥ 1,592</b>	<b>—%</b>
Nine months ended Dec. 31, 2005	688,538	1.7	(3,711)	—	(9,349)	—
Year ended March 31, 2006	1,127,075		21,771		15,908	

(Millions of yen)

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Nine months ended Dec. 31, 2006</b>	¥ (1,248)	—%	¥ (0.96)	¥—
Nine months ended Dec. 31, 2005	(18,044)	—	(13.90)	—
Year ended March 31, 2006	5,283		3.93	—

Note: Percentage changes shown for net sales, operating income and other accounting line items represent the rates of increase and decrease compared with the corresponding period of the previous fiscal year.

### Qualitative Data Concerning Business Results

Despite sluggish growth in domestic personal consumption, the Japanese economy experienced a steady recovery during the nine-month period ended December 31, 2006, on the back of increased production and capital expenditure supported by the improvement in corporate earnings. Overseas, the European and Asian economies staged expansion while the U.S. economy also underwent a soft recovery.

Under these conditions, consolidated net sales for the nine-month period ended December 31, 2006 rose 12.2% compared with the corresponding period of the previous year to ¥772.2 billion. On the earnings front, the Company recorded operating income of ¥3.8 billion, ordinary income of ¥1.5 billion and a net loss of ¥1.2 billion.

The completion and delivery of the IHI Group's projects, such as government projects, are concentrated in the fourth quarter.

### (2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets (%)	Net Assets per Share of Common Stock (Yen)
<b>Dec. 31, 2006</b>	<b>¥1,543,167</b>	<b>¥179,240</b>	<b>10.7%</b>	<b>¥126.33</b>
Dec. 31, 2005	1,456,838	152,917	10.5	117.79
March 31, 2006	1,461,796	169,237	11.6	130.36

Note: Data for the nine months ended December 31, 2006 and the year ended March 31, 2006, previously presented as "shareholders' equity" and "shareholders' equity per share of common stock" are shown as "net assets" and "net assets per share of common stock," respectively.

## FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2007

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Year ending March 31, 2007	1,200,000	25,000	15,000

Reference: Estimated net income per share for the year: Consolidated: ¥10.38

Note: For the calculation of the estimated net income per share for the year presented above the Company factored in the public offering of 143,000,000 shares that the Company undertook in January 2007. However, the Company has excluded from the calculation the third-party allotment of 21,450,000 shares, which shall be fully underwritten in February 2007.

**Qualitative Data Concerning Forecasts**

There are no changes to forecasts of results for the year ending March 31, 2007, which were presented in the Company's "Consolidated Financial Report for the Six Months Ended September 30, 2006" released on November 6, 2006.

**Cautionary Statement**

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.