IHI Corporation
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February 25, 2008

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 2007

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 million.

1. PERFORMANCE

(1) Business Results

(Millions of yen)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Nine months ended Dec. 31, 2007	**¥858,836**	**11.5%**	**¥(47,563)**	**—%**	**¥(55,064)**	**—%**	**¥11,223**	**—%**
Nine months ended Dec. 31, 2006	770,169	11.9	(6,214)	—	(8,488)	—	(8,678)	—
Fiscal year ended Mar. 31, 2007	1,221,016		(5,626)		(8,732)		(4,593)	

(Yen)

	Net Income per Share	Diluted Net Income per Share
Nine months ended Dec. 31, 2007	**¥7.65**	**¥—**
Nine months ended Dec. 31, 2006	(6.67)	—
Fiscal year ended Mar. 31, 2007	(3.46)	—

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

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets (%)	Net Assets per Share of Common Stock (Yen)
Dec. 31, 2007	**¥1,605,482**	**¥234,850**	**13.7%**	**¥149.75**
Dec. 31, 2006	1,544,709	171,810	10.2	120.62
Mar. 31, 2007	1,536,078	227,047	13.8	144.70

2. DIVIDENDS

(Yen)

	Dividends per Share		
(Record Date)	Interim Dividend	Fiscal Year-End Dividend	Annual Dividend
Fiscal year ended Mar. 31, 2007	—	4.00	4.00
Fiscal year ending Mar. 31, 2008	—		4.00
Fiscal year ending Mar. 31, 2008 (Forecast)		4.00	

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2008

(April 1, 2007 to March 31, 2008)

(Millions of yen, except per share figures)

	Net Sales		Operating Loss		Ordinary Loss		Net Income		Net Income per Share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	%
Fiscal year ending Mar. 31, 2008	1,320,000	8.1	(15,000)	—	(25,000)	—	26,000	—	17.73	—

4. OTHER IMPORTANT INFORMATION

(1) Changes to significant subsidiaries during the period under review (Changes to specified subsidiaries accompanying changes in the scope of consolidation):

None

(2) Use of the simplified accounting method:

Yes

(3) Changes in accounting policies from the most recent consolidated fiscal year:

Yes

Note: Please refer to “Qualitative Information / Financial Statements and Others, (4) Others” on page 5 for details.

Caution:

The aforementioned forecasts are based on management’s assumptions and beliefs in light of the information currently available to it. Readers are therefore advised not to place undue reliance on the forecasts provided. IHI cautions that a number of important factors, such as changes in general economic conditions and exchange rates, could cause actual results to differ materially from those disclosed in the forecasts.

BUSINESS RESULTS AND FINANCIAL POSITION

(1) Analysis of Business Results

In the nine-month period ended December 31, 2007, domestic operating conditions were mixed. On the one hand, Japan continued to enjoy steady economic recovery. This was mainly attributable to an increase in private-sector capital investment that reflected robust results in the corporate sector. On the other hand, Japan’s economic outlook was characterized by growing uncertainty owing to financial and capital market volatility due to the impact of sub-prime loan issues in the United States, the sharp rise in prices for such raw material as crude oil and other factors.

In this economic environment, the amount of orders received for the nine-month period ended December 31, 2007 increased 19.5% year on year to ¥1,098.4 billion. And consolidated sales increased 11.5% year on year to ¥858.8 billion.

However, in earnings, the IHI Group incurred operating and ordinary losses of ¥47.5 billion and ¥55.0 billion, respectively, for the period under review. This was primarily attributable to the substantial downturn in Energy and Plant Operations-related results. Despite this weak performance, the IHI Group reported net income of ¥11.2 billion for the nine-month period ended December 31, 2007.

Results for each business segment are provided are summarized below.

1. *Logistics Systems and Structures Operations*

The amount of orders received in the Logistics Systems and Structures segment decreased 8% year on year to ¥119.0 billion owing to a drop in public works-related projects. Buoyed by steady results in transporting machinery and marine equipment to the private sector, however, segment sales increased 5% year on year to ¥109.4 billion. In earnings, IHI successfully narrowed its operating loss in Logistics Systems and Structures Operations to ¥3.4 billion. Despite a harsh business environment, this was attributable to the Group’s unwavering focus on profitability throughout its order activities.

2. *Industrial Machinery Operations*

Without the benefit of the large-scale blast furnace orders received during the nine-month period ended December 31, 2006, the amount of orders received in the Industrial Machinery segment fell 23% year on year to ¥125.5 billion. Driven by steady results in vehicular turbochargers, segment sales increased 11% to ¥135.3 billion, generating operating income of ¥9.5 billion.

3. Energy and Plant Operations

The amount of orders received in the Energy and Plant segment surged 41% year on year to ¥310.9 billion while segment sales increased 12% year on year to ¥235.0 billion. Buffeted by an increase in construction expenses that reflected difficulties surrounding installation and a lull in the Group's cost reduction activities, profitability significantly deteriorated. As a result, IHI reported an operating loss of ¥75.6 billion in Energy and Plant Operations for the period under review.

4. Aero-Engine and Space Operations

Results in aero-engines were steady on the back of firm private-sector demand for aircraft. The amount of orders received in Aero-Engine and Space Operations increased 13% year on year to ¥163.1 billion while segment sales rose 15% year on year to ¥208.0 billion. This was mainly due to robust shipments of engine components. From a profit perspective, operating income amounted to ¥15.5 billion.

5. Shipbuilding and Offshore Operations

Buoyed by continued strong demand for the construction of new vessels and generally sound conditions in the field of marine transportation, the amount of orders received in Shipbuilding and Offshore Operations jumped 116% year on year to ¥262.7 billion. Segment sales increased 3% year on year to ¥101.0 billion. Operating income totaled ¥0.5 billion.

6. Other Operations

Results in Other Operations were mixed. The amount of orders decreased 17% year on year to ¥117.0 billion, reflecting the absence of the large-scale condominium orders recorded in the nine-month period ended December 31, 2006. Supported by robust results in diesel engines and contributions from a redevelopment project in Toyosu (Koto-ku, Tokyo), segment sales rose 24% to ¥134.8 billion and operating income was ¥5.5 billion.

(2) Analysis of Financial Position

Total assets stood at ¥1,605.4 billion as of December 31, 2007, with consolidated net assets amounting to ¥234.8 billion. Reflecting these factors, shareholders' equity to total assets was 13.7%.

(3) Forecasts of Consolidated Results

Forecasts of results for the fiscal year ending March 31, 2008 identified in the press release “Notice Concerning Revisions to Forecasts of Results,” issued on December 14, 2007, remain unchanged.

(4) Others

1. Changes to significant subsidiaries during the period under review (Changes to specified subsidiaries accompanying changes in the scope of consolidation):
   None
2. Use of the simplified accounting method:
   The simplified accounting method has been applied to taxation expenses and certain accounting standards relating to allowances.
3. Changes in accounting policies from the most recent consolidated fiscal year:
   From the fiscal year ending March 31, 2008, IHI Corporation and its domestic consolidated subsidiaries have adopted the depreciation method for property, plant and equipment acquired after April 1, 2007 that conforms with revisions to the Corporation Tax Law.