

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

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.

1. PERFORMANCE

(1) Business Results

| | (Millions of yen) | | | | | | | |
|--|-------------------|----------------------|-------------------------------|----------------------|------------------------------|----------------------|----------------------|----------------------|
| | Net Sales | Percentage Change | Operating Income (loss) | Percentage Change | Ordinary Income (loss) | Percentage Change | Net Income (loss) | Percentage Change |
| Six months ended September 30, 2008 | ¥610,494 | —% | ¥ 10,401 | —% | ¥ 7,344 | —% | ¥ 4,022 | —% |
| Six months ended September 30, 2007 | 546,401 | 5.6 | (54,419) | — | (59,743) | — | (37,257) | — |

(Yen)

| | Net Income (loss) per Share | Diluted Net Income per Share |
|--|-----------------------------|------------------------------|
| Six months ended September 30, 2008 | ¥ 2.74 | ¥— |
| Six months ended September 30, 2007 | (25.40) | — |

(2) Financial Position

| | (Millions of yen) | | | |
|---------------------------|-------------------|-----------------|---|---|
| | Total Assets | Net Assets | Shareholders' Equity to Total Assets (%) | Net Assets per Share of Common Stock (Yen) |
| September 30, 2008 | ¥1,542,285 | ¥233,334 | 14.2% | ¥148.82 |
| March 31, 2008 | 1,542,295 | 234,406 | 14.3 | 149.96 |

Note: Shareholders' equity at:

September 30, 2008: ¥218,239 million
 March 31, 2008: ¥219,917 million

2. DIVIDENDS

| (Record Date) | Dividends per Share | | | | |
|---------------------------------------|---------------------|--------------------|--------------------|---------------|--------------|
| | End of 1st Quarter | End of 2nd Quarter | End of 3rd Quarter | End of Period | Annual (Yen) |
| Year ended March 31, 2008 | — | ¥0.00 | — | ¥4.00 | ¥4.00 |
| Year ending March 31, 2009 | — | 0.00 | — | — | — |
| Year ending March 31, 2009 (Forecast) | — | — | — | — | — |

3. CONSOLIDATED RESULTS FORECAST FOR THE YEAR ENDING MARCH 31, 2009

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

| Full Fiscal Year | Net Sales | | Operating Income | | Ordinary Income | | Net Income for the Period | | Dividends per Share for the Period |
|------------------|-----------------|------|------------------|---|-----------------|---|---------------------------|---------|------------------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Year | ¥1,440,000 | 6.6% | ¥29,000 | — | ¥18,000 | — | ¥8,000 | (68.2)% | ¥5.46 |

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. The Company and its consolidated subsidiaries have adopted the simplified method for calculating certain tax expenses and allowances. For more details see “Notes to the Consolidated Financial Report” under Qualitative Information and Notes, on page 4.

(3) Changes in accounting settlement rules, procedures, labeling methods, etc. pertaining to the preparation of quarterly reports (changes in significant matters concerning the preparation of the consolidated financial report):

(i) Changes in accordance with revisions to accounting standards: Yes

(ii) Changes other than (i): None

For more details see “Notes to the Consolidated Financial Report” under Qualitative Information and Notes, on page 4.

(4) Number of Shares outstanding (common shares):

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

Six months ended September 30, 2008: 1,467,058,482

Fiscal year ended March 31, 2008: 1,467,058,482

(ii) Number of treasury stock at end of period

Six months ended September 30, 2008: 629,681

Fiscal year ended March 31, 2008: 536,481

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

Six months ended September 30, 2008: 1,466,465,248

First six months of fiscal year ended March 31, 2008: 1,466,666,394

Cautionary Statements with Respect to Forward-Looking Statements, Other Important Matters

1. Statements made in this financial report 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 readers should not place undue reliance on them. IHI cautions that a number of important factors, such as political and general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

2. The Accounting Standards Board of Japan (ASBJ) Statement No. 12 (*Accounting Standard for Quarterly Financial Reporting*), dated March 14, 2007, and its Implementation Guidance and ASBJ Guidance No. 14 (*Guidance on Accounting Standard for Quarterly Financial Reporting*), dated March 14, 2007, have been applied from the accounting period under review. Quarterly consolidated financial reports in Japanese version are prepared in accordance with *Quarterly Consolidated Financial Statement Regulations*.

1. Qualitative Information Regarding Consolidated Business Results

In the six-month period ended September 30, 2008, the Japanese economy clearly moved from a temporary lull into a period of stagnation. Exports tailed off, impacted by financial turmoil sparked off by the sub-prime loan crisis and increasing prices for energy and raw materials. The financial turmoil in the United States and Europe seems to have developed into a real financial crisis, bringing about a spate of shakeouts and restructuring among major financial institutions. Coordinated political measures are being implemented to halt an economic situation that is progressively deteriorating amid continued destabilization on the financial markets. As the situation continues to be unclear whether negative synergies in the financial sector and the real economy would diminish, there remains the possibility that the stagnation in Japan's economy would become protracted and deepen.

Under these circumstances, the IHI Group have strengthened marketing activities to attract customers' investment demands for upgrading and retrofitting work at existing facilities with deliberative review and assessment of profitability and risks. In the result, however, the IHI Group have received orders amounting to ¥604.9 billion, a 15.9% fall compared with the six-month period of the previous fiscal year when a huge-scale order of chemical plant was placed. Nevertheless, due to such factors as a remarkable recovery in Energy and Plant Operations, which in the previous fiscal year had exerted a significant negative impact on consolidated performance, consolidated sales increased 11.7% to ¥610.4 billion, with operating income and ordinary income amounting to ¥10.4 billion and ¥7.3 billion, respectively. Adding extraordinary income and loss, which include a gain on sale of fixed assets and charges under Financial Securities and Exchange Law, net income after income taxes marked ¥4.0 billion for the six-month period of the current fiscal year.

2. Notes to the Consolidated Financial Report

- (1) Changes in important subsidiaries changes during the period under review (changes in the scope of consolidation resulting from changes in specified subsidiaries)

None

- (2) Application of simplified accounting and special accounting methods used for preparing quarterly consolidated financial statements

- (i) Simplified accounting method

Calculation method for depreciation and amortization of fixed assets

With regard to the fixed assets to which the Company and its consolidated subsidiaries apply the declining balance method, depreciation and amortization items pertaining to the consolidated fiscal year are calculated using the method of dividing up the fiscal year into periods. However, the method used by some consolidated subsidiaries involves dividing up an annual forecast of the depreciation amount based on a fixed asset budget.

Method of calculating deferred tax assets and deferred tax liabilities

In determining the recoverability of deferred tax assets, operating performance forecasts and tax planning methods used during the fiscal year ended March 31, 2008 were applied to the period under review if no significant changes in the operating environment or sudden and significant changes in conditions were recognized.

- (ii) Specific accounting procedures in the preparation of quarterly consolidated financial statements

Tax expense calculation

Tax expenses related to net income before income taxes for the consolidated accounting fiscal year, including the consolidated second-quarter accounting period under review, are estimated at reasonable amounts based on the estimated effective tax rate after applicable tax accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for quarterly net income before income taxes.

The deferred corporate income tax amount is shown inclusive of Income taxes.

- (3) Changes in accounting principles, procedures and disclosures for quarterly consolidated financial statements

(Matters concerning changes in accounting standards)

- (i) The Accounting Standards Board of Japan (ASBJ) Statement No. 12 (*Accounting Standard for Quarterly Financial Reporting*) and its Implementation Guidance and the ASBJ Guidance No. 14 (*Guidance on Accounting Standard for Quarterly Financial Reporting*) have been applied from the accounting period under review. And, quarterly consolidated financial statements are prepared in accordance with *Regulations on Quarterly Consolidated Financial Statements*.
- (ii) Until the previous fiscal year, with regard to inventories held for ordinary sales purposes, finished goods, work in process and partly-finished work were stated principally at identified acquisition cost, and raw materials and supplies were stated at the lower of cost or market, cost being determined by the moving-average method. Effective as of the first quarter of the current fiscal year, however, inventories held for ordinary sales are calculated in accordance with *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, dated July 5, 2006) with moving average or identified cost used as the cost accounting methods (for balance sheet values, the book value devaluation method based on decline in value is applied).

As a result of this change, figures for operating income, ordinary income and net income before income taxes and minority interests for the six-month period of the current fiscal year all decreased by ¥3,162 million.

- (iii) Effective as of the first quarter of the current fiscal year, the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (PITF No. 18, May 17, 2006) is applied and the necessary adjustments are made to consolidated financial statements.

The impact of this change on profit and loss for the six-month period of the current fiscal year was none.

(Additional information)

Changes in the useful service lives of tangible fixed assets

In line with a revision to Japanese Corporation Tax Law, effective as of the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries have changed the statutory useful service lives applied to certain plant and equipment.

As a result of this change, operating income, ordinary income and net income before income taxes and minority interests for the six-month period of the current fiscal year all decreased by ¥467 million.

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

September. 30, 2008

March. 31, 2008

Consolidated quarterly balance sheets

Assets

Current assets

| | | |
|-------------------------------------|-----------|-----------|
| Cash and deposits | 58,774 | 72,080 |
| Notes and accounts receivable-trade | 295,964 | 358,945 |
| Short-term investment securities | 15,947 | 46,455 |
| Finished goods | 23,504 | 20,102 |
| Raw materials and supplies | 103,347 | 102,196 |
| Work in process | 358,838 | 289,788 |
| Partly-finished work | 58,418 | 43,799 |
| Other | 176,691 | 153,325 |
| Allowance for doubtful accounts | (4,582) | (4,066) |
| Total current assets | 1,086,901 | 1,082,624 |

Fixed assets

| | | |
|------------------------------------|-----------|-----------|
| Property, plant and equipment | 265,119 | 261,761 |
| Intangible assets | | |
| Goodwill | 5,021 | 1,450 |
| Other | 18,669 | 19,495 |
| Total intangible assets | 23,690 | 20,945 |
| Investments and other assets | | |
| Other | 175,315 | 186,440 |
| Allowance for doubtful accounts | (8,740) | (9,475) |
| Total investments and other assets | 166,575 | 176,965 |
| Total fixed assets | 455,384 | 459,671 |
| Total assets | 1,542,285 | 1,542,295 |

Liabilities

Current liabilities

| | | |
|--|---------|---------|
| Notes and accounts payable-trade | 298,015 | 315,008 |
| Short-term loans payable | 153,920 | 131,706 |
| Current portion of bonds | 28,000 | 28,000 |
| Income taxes payable | 7,542 | 16,188 |
| Advances received | 269,666 | 226,838 |
| Provision for bonuses | 21,434 | 21,420 |
| Provision for construction warranties | 21,337 | 19,122 |
| Provision for loss on construction contracts | 31,724 | 32,690 |
| Other provision | 131 | 254 |
| Other | 74,302 | 107,456 |
| Total current liabilities | 906,071 | 898,682 |

Fixed liabilities

| | | |
|-----------------------------------|-----------|-----------|
| Bonds payable | 70,000 | 85,000 |
| Long-term loans payable | 136,726 | 123,216 |
| Provision for retirement benefits | 139,422 | 140,409 |
| Other provision | 1,659 | 1,930 |
| Other | 55,073 | 58,652 |
| Total fixed liabilities | 402,880 | 409,207 |
| Total liabilities | 1,308,951 | 1,307,889 |

Net assets

| | | |
|----------------------|--------|--------|
| Shareholders' equity | | |
| Capital stock | 95,762 | 95,762 |

| | | |
|---|-----------|-----------|
| Capital surplus | 43,035 | 43,037 |
| Retained earnings | 59,854 | 56,012 |
| Treasury stock | (153) | (135) |
| Total shareholders' equity | 198,498 | 194,676 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 15,517 | 22,104 |
| Deferred gains or losses on hedges | 2,012 | 1,518 |
| Revaluation reserve for land | 3,787 | 3,787 |
| Foreign currency translation adjustment | (1,575) | (2,168) |
| Total valuation and translation adjustments | 19,741 | 25,241 |
| Subscription rights to shares | 206 | 114 |
| Minority interests | 14,889 | 14,375 |
| Total net assets | 233,334 | 234,406 |
| Total liabilities and net assets | 1,542,285 | 1,542,295 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

| | Apr. 1, 2008 to Sept. 30, 2008 | Apr. 1, 2007 to Sept. 30, 2007 |
|--|-----------------------------------|-----------------------------------|
| Consolidated quarterly statements of income | | |
| Net sales | 610,494 | 546,401 |
| Cost of sales | 534,021 | 539,237 |
| Gross profit | 76,473 | 7,164 |
| Selling, general and administrative expenses | 66,072 | 61,583 |
| Operating income (loss) | 10,401 | (54,419) |
| Non-operating income | | |
| Interest income | 884 | 675 |
| Dividends income | 1,196 | 1,168 |
| Foreign exchange gains | 1,833 | — |
| Equity in earnings of affiliates | 757 | — |
| Other | 2,190 | 2,301 |
| Total non-operating income | 6,860 | 4,144 |
| Non-operating expenses | | |
| Interest expenses | 2,929 | 2,994 |
| Loss in earnings of affiliates | — | 364 |
| Foreign exchange losses | — | 1,007 |
| Other | 6,988 | 5,103 |
| Total non-operating expenses | 9,917 | 9,468 |
| Ordinary income (loss) | 7,344 | (59,743) |
| Extraordinary income | | |
| Gain on sales of fixed assets | 3,732 | 2,465 |
| Gain on transfer of business | 281 | — |
| Gain on liquidation of subsidiaries and affiliates | 148 | — |
| Gain on sale of investment securities | — | 732 |
| Extraordinary income | 4,161 | 3,197 |
| Extraordinary loss | | |
| Charges under Financial Securities and Exchange Law | 1,594 | — |
| Restructuring costs | 710 | — |
| Loss on valuation of investment securities | 247 | — |
| Impairment loss | 58 | 59 |
| Retirement benefits for directors in past fiscal years | — | 954 |
| Loss on evaluation of equity in affiliated companies | — | 540 |
| Other | 84 | 1,342 |
| Extraordinary loss | 2,693 | 2,895 |
| Income (Loss) before income taxes and minority interests | 8,812 | (59,441) |
| Income taxes | 5,019 | (22,157) |
| Minority interests in loss | (229) | (27) |
| Net income (loss) | 4,022 | (37,257) |

CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

April 1, 2008 to

Sept. 30, 2008

Consolidated quarterly statements of cash flows

| | |
|--|----------|
| Net cash provided by (used in) operating activities | |
| Income before income taxes and minority interests | 8,812 |
| Depreciation and amortization | 21,003 |
| Depreciation and amortization on other | 2,615 |
| Impairment loss | 58 |
| Increase (decrease) in allowance for doubtful accounts | 263 |
| Increase (decrease) in provision for bonuses | (22) |
| Increase (decrease) in provision for construction warranties | 2,100 |
| Increase (decrease) in provision for loss on construction contracts | (928) |
| Increase (decrease) in provision for retirement benefits | (975) |
| Interest and dividends income | (2,080) |
| Interest expenses | 2,929 |
| Foreign exchange losses (gains) | (81) |
| Loss (gain) on sales of short-term and long term investment securities | (5) |
| Loss (gain) on valuation of short-term and long term investment securities | 142 |
| Equity in (earnings) losses of affiliates | (757) |
| Loss (gain) on sales and retirement of fixed assets | (2,193) |
| Gain on transfer of business | (281) |
| Decrease (increase) in notes and accounts receivable-trade | 62,755 |
| Increase (decrease) in advances received | 43,411 |
| Decrease (increase) in advance payments | 1,288 |
| Decrease (increase) in inventories | (87,711) |
| Increase (decrease) in notes and accounts payable-trade | (16,253) |
| Increase (decrease) in accrued expenses | (17,546) |
| Increase (decrease) in lease and guarantee deposits received | 50 |
| Other, net | (13,338) |
| Subtotal | 3,256 |
| Interest and dividends income received | 2,169 |
| Interest expenses paid | (2,879) |
| Income taxes paid | (14,508) |
| Net cash provided by (used in) operating activities | (11,962) |
| Net cash provided by (used in) investment activities | |
| Decrease (increase) in time deposits | (307) |
| Purchase of short-term and long term investment securities | (6,997) |
| Proceeds from sales of short-term and long term investment securities | 3,584 |
| Purchase of property, plant and equipment and intangible assets | (17,246) |
| Proceeds from sales of property, plant and equipment | 4,347 |
| Payments for retirement of property, plant and equipment | (668) |
| Purchase of newly consolidated subsidiaries | (5,772) |
| Decrease (increase) in short-term loans receivable | 184 |
| Payments of long-term loans receivable | (546) |
| Collection of long-term loans receivable | 73 |
| Proceeds from termination of long-term investment | 10,161 |
| Other, net | (5,529) |
| Net cash provided by (used in) investment activities | (18,716) |

| | |
|---|----------|
| Net cash provided by (used in) financing activities | |
| Net increase (decrease) in short-term loans payable | 16,923 |
| Proceeds from long-term loans payable | 28,690 |
| Repayment of long-term loans payable | (9,903) |
| Redemption of bonds | (15,000) |
| Decrease (increase) in treasury stock | (20) |
| Cash dividends paid | (5,806) |
| Proceeds from stock issuance to minority shareholders | 824 |
| Cash dividends paid to minority shareholders | (359) |
| Other, net | (123) |
| Net cash provided by (used in) financing activities | 15,226 |
| Effect of exchange rate change on cash and cash equivalents | (1,209) |
| Net increase (decrease) in cash and cash equivalents | (16,661) |
| Cash and cash equivalents at beginning of period | 130,428 |
| Cash and cash equivalents at end of period | 113,767 |

Commencing with the current fiscal year, the *Accounting Standard for Quarterly Financial Reporting* (ASBJ Statement No. 12) and the *Guidance on Accounting Standard for Quarterly Financial Reporting* (ASBJ Guidance No. 14) are applied. Also, quarterly consolidated financial statements in Japanese version are prepared in accordance with the *Regulations on Quarterly Consolidated Financial Statements*.

SEGMENT INFORMATION

a. Performance by business segment

(Millions of yen)

| Six months ended September 30, 2008 | Logistics | | | | | | | Total |
|--|---|---------------------------------------|-----------------------------------|--|--|------------------------------|---------------------|----------|
| | Systems and Structures Operations | Industrial Machinery Operations | Energy and Plant Operations | Aero-Engine and Space Operations | Shipbuilding and Offshore Operations | Real Estate Operations | Other Operations | |
| | Sales and operating income: | | | | | | | |
| Sales to outside customers | ¥66,425 | ¥97,139 | ¥178,359 | ¥131,037 | ¥69,003 | ¥10,311 | ¥58,220 | ¥610,494 |
| Intersegment sales and transfers | 4,267 | 5,919 | 11,076 | 4,006 | 1,494 | 28 | 18,124 | 44,914 |
| Total | 70,692 | 103,058 | 189,435 | 135,043 | 70,497 | 10,339 | 76,344 | 655,408 |
| Operating expenses | 74,957 | 96,373 | 195,001 | 129,291 | 67,015 | 7,228 | 74,665 | 644,530 |
| Operating income (loss) | ¥ (4,265) | ¥ 6,685 | ¥ (5,566) | ¥ 5,752 | ¥ 3,482 | ¥ 3,111 | ¥ 1,679 | ¥ 10,878 |

| | Eliminations and | |
|------------------------------------|---------------------|--------------|
| | Corporate | Consolidated |
| Sales and operating income: | | |
| Sales to outside customers | ¥— | ¥610,494 |
| Intersegment sales and transfers | (44,914) | — |
| Total | (44,914) | 610,494 |
| Operating expenses | (44,437) | 600,093 |
| Operating income (loss) | ¥ (477) | ¥ 10,401 |

(Millions of yen)

| Six months ended September 30, 2007 | Logistics | | | | | | | Total |
|--|---|---------------------------------------|-----------------------------------|--|--|------------------------------|---------------------|------------|
| | Systems and Structures Operations | Industrial Machinery Operations | Energy and Plant Operations | Aero-Engine and Space Operations | Shipbuilding and Offshore Operations | Real Estate Operations | Other Operations | |
| | Sales and operating income: | | | | | | | |
| Sales to outside customers | ¥63,919 | ¥83,988 | ¥124,988 | ¥127,007 | ¥76,530 | ¥3,783 | ¥66,186 | ¥546,401 |
| Intersegment sales and transfers | 5,715 | 5,755 | 12,345 | 1,806 | 498 | 10 | 17,243 | 43,372 |
| Total | 69,634 | 89,743 | 137,333 | 128,813 | 77,028 | 3,793 | 83,429 | 589,773 |
| Operating expenses | 72,629 | 82,992 | 211,753 | 116,752 | 77,136 | 2,216 | 80,873 | 644,351 |
| Operating income (loss) | ¥ (2,995) | ¥ 6,751 | ¥ (74,420) | ¥ 12,061 | ¥ (108) | ¥1,577 | ¥ 2,556 | ¥ (54,578) |

| | Eliminations | |
|------------------------------------|--------------|--------------|
| | and | |
| | Corporate | Consolidated |
| Sales and operating income: | | |
| Sales to outside customers | ¥— | ¥546,401 |
| Intersegment sales and transfers | (43,372) | — |
| Total | (43,372) | 546,401 |
| Operating expenses | (43,531) | 600,820 |
| Operating income (loss) | ¥ 159 | ¥ (54,419) |

Notes:

- Business segments are classified by products.
- Main products included in each segment:
 - Logistics Systems and Structures Operations
Material handling systems, logistics and factory automation systems, parking systems, bridges and construction material products
 - Industrial Machinery Operations
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
 - Energy and Plant Operations
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
 - Aero-Engine and Space Operations
Jet engines, space-related equipment and others
 - Shipbuilding and Offshore Operations
Shipbuilding, ship repairs, offshore structures and others
 - Real Estate Operations
Real estate sales, rental
 - Other Operations
Diesel engines, agricultural machinery, construction machinery, financing and service industry and others
- Operating expenses are entirely allocated to each business segment.
- Changes in accounting methods
(Accounting standards related to inventory assessments)
As mentioned in Qualitative Information and Notes, “Notes to the Consolidated Financial Report” (3)(ii), effective as of the first quarter of the current fiscal year, inventories have been calculated in accordance with *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, dated July 5, 2006). As a result of this change, in the six months ended September 30, 2008, the operating loss in Logistics Systems and Structures Operations increased ¥472 million; the operating income in Industrial Machinery Operations decreased ¥217 million; the operating loss in Energy and Plant Operations increased ¥1,769 million; and the operating income in Aero-Engine and Space Operations, Shipbuilding and Offshore Operations, Real Estate Operations and Other Operations decreased ¥222 million, ¥24 million, ¥80 million and ¥378 million, respectively.
- Changes in the statutory useful service lives of tangible fixed assets
As mentioned under Additional Information in Qualitative Information and Notes, “Notes to the Consolidated Financial Report” 2 (3), in line with a revision to Japanese Corporation Tax Law, effective as of the first quarter of the current fiscal year, the current statutory service lives of certain plant and equipment have been changed. As a result of this change, in the six months ended September 30, 2008, the operating loss in Logistics Systems and Structures Operations increased ¥28 million; the operating income in Industrial Machinery Operations decreased ¥134 million; the operating loss in Energy and Plant Operations increased ¥33 million; and the operating income in Aero-Engine and Space Operations, Shipbuilding and Offshore Operations, Real Estate Operations and Other Operations decreased ¥156 million, ¥76 million, ¥0 million and ¥40 million, respectively.

b. Segment information by region

In the six month period of the current fiscal year ended September 30, 2008, “Japan” segment accounted for more than 90% of the total net sales. Consequently, segment information by region has been omitted.

c. Overseas sales by region

(Millions of yen, %)

| Six months ended September 30, 2008 | Asia | North America | Central and South America | Europe | Others | Total |
|---|---------|------------------|------------------------------|---------|---------|----------|
| Overseas sales | ¥66,056 | ¥84,426 | ¥25,996 | ¥43,991 | ¥61,946 | ¥282,415 |
| Consolidated net sales | | | | | | ¥610,494 |
| Overseas sales as a percentage of consolidated net sales | 10.8% | 13.8% | 4.3% | 7.2% | 10.2% | 46.3% |

(Millions of yen, %)

| Six months ended September 30, 2007 | Asia | North America | Central and South America | Europe | Others | Total |
|---|---------|------------------|------------------------------|---------|---------|----------|
| Overseas sales | ¥63,609 | ¥82,365 | ¥24,872 | ¥36,134 | ¥40,509 | ¥247,489 |
| Consolidated net sales | | | | | | ¥546,401 |
| Overseas sales as percentage of consolidated net sales | 11.6% | 15.1% | 4.6% | 6.6% | 7.4% | 45.3% |

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries included in each segment are as follows:
 - (1) Asia: China, Taiwan, Korea, Thailand, Vietnam, Singapore, Malaysia, Indonesia, the Philippines, India, Sri Lanka, etc.
 - (2) North America: U.S.A., Canada
 - (3) Central and South America: Brazil, Panama, etc.
 - (4) Europe: U.K., Germany, France, Italy, Ireland, Greece, Bulgaria, etc.
3. Overseas sales represent sales amounts for IHI and its consolidated subsidiaries in countries or regions outside of Japan.