

**CONSOLIDATED FINANCIAL REPORT  
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011  
 <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 11, 2011 (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
<b>Six months ended September 30, 2011</b>	<b>525,905</b>	<b>(6.7)%</b>	<b>19,094</b>	<b>(34.4)%</b>	<b>13,555</b>	<b>(45.9)%</b>
Six months ended September 30, 2010	563,683	3.2%	29,105	78.4%	25,069	227.1%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Six months ended September 30, 2011</b>	<b>5,028</b>	<b>(62.7)%</b>	<b>3.43</b>	<b>3.23</b>
Six months ended September 30, 2010	13,494	236.8%	9.20	9.20

(Note) Comprehensive income

Six months ended September 30, 2011:	¥5,506 million	(48.3)%
Six months ended September 30, 2010:	¥10,657 million	—%

### (2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
<b>September 30, 2011</b>	<b>1,333,069</b>	<b>256,627</b>	<b>17.9%</b>
March 31, 2011	1,361,441	253,640	17.5%

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

September 30, 2011:	¥238,992 million
March 31, 2011:	¥238,086 million

## 2. DIVIDENDS

(Record Date)	Dividends per Share					(Yen)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual	
Fiscal year ended March 31, 2011	—	0.00	—	3.00	3.00	
Fiscal year ending March 31, 2012	—	0.00	—	—	—	
Fiscal year ending March 31, 2012 (Forecast)	—	—	—	3.00	3.00	

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

## 3. FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2012

(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	1,200,000	1.1%	43,000	(30.0)%	33,000	(35.9)%	28,000	(5.9)%	19.09

(Note) Revisions to the forecast of results most recently announced: None

## 4. OTHERS

- (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: None
  - (ii) Changes in accounting policies due to other reasons: None
  - (iii) Changes in accounting estimates: None
  - (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, 2011	1,467,058,482 shares
As of March 31, 2011	1,467,058,482 shares
  - (ii) Number of shares of treasury stock owned at the end of the period

As of September 30, 2011	2,897,669 shares
As of March 31, 2011	408,509 shares
  - (iii) Average number of shares outstanding during the period (cumulative consolidated quarterly period)

Six months ended September 30, 2011	1,466,469,994 shares
Six months ended September 30, 2010	1,466,612,772 shares

### \* Indication regarding execution of quarterly review procedures

This quarterly financial report is not subject to 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

During the six months under review, the Japanese economy, as a result of the restoration of the supply chain, began to recover from the slump caused by the Great East Japan Earthquake. However, from summer onward, exports were sluggish owing to the impact of the strong yen and slowdown in the overseas economy, and movements in the recovery of production activity were slow. Although the overseas economy is firming up, mainly in emerging countries, uncertainty is heightening with the balance sheet adjustments in the US, confusion in the financial and capital markets against the backdrop of fiscal problems in Europe and concerns of an economic slowdown in China. It appears that the economy will continue its decelerating trend, particularly in Europe and North America. Owing to this and other factors, it is possible that the current level of yen appreciation could continue for some time. Therefore, the severe operating environment, particularly for export-oriented industries, is expected to continue.

In response to these conditions, based on the Group Management Policies 2010, the IHI Group is promoting concentration and selection in its businesses, accelerating the global management of operations, and making efforts to achieve its management benchmarks, which include consolidated net sales of ¥1,400 billion and consolidated ordinary income of ¥60 billion. In order to achieve these management benchmarks, the Group has designated business areas such as floating LNG storage facilities and vehicular turbochargers as “growing and staple business,” and by such means as preferentially allocating its resources to them, the Group is working to develop these businesses aggressively as pillars of profit for the next generation.

The IHI Group will do our utmost to work for the recovery of Japan as a group of companies that plays a part in the development of social infrastructure through the restoration of infrastructure damaged by the Earthquake. We were making efforts to recover the production quickly especially in two operation, jet engines operation which has the Works fully restored from the serious damage of the Earthquake and vehicular turbochargers operation which is decreased in production from original plan caused by the changing for the production plan of the customers. As a result we assume that these impacts to the business performance will be lightened from first forecast.

Orders received during the six months under review increased 27.4% from the same period of the previous fiscal year to ¥624.2 billion owing to increasing in Social Infrastructure Operations. Net sales decreased 6.7% from the same period of the previous fiscal year to ¥525.9 billion, as a result of substantial declines in Energy & Resources Operations and Ships & Offshore Facilities Operations, despite a sales increase in Rotating Equipment & Mass-Production Machinery Operations. In terms of profit, factors such as the worsened results in Energy & Resources Operations contributed to decreases in operating income, ordinary income and net income to ¥19.0 billion, ¥13.5 billion and ¥5.0 billion, respectively.

## MATTERS REGARDING SUMMARY INFORMATION (OTHERS)

### 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 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.

# QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

## 1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2011	March 31, 2011
Assets		
Current assets		
Cash and deposits	64,224	116,422
Notes and accounts receivable-trade	266,951	291,033
Short-term investment securities	1,964	1,183
Finished goods	23,812	20,733
Work in process	264,114	231,560
Raw materials and supplies	121,180	110,806
Other	92,842	90,098
Allowance for doubtful accounts	(6,258)	(8,430)
Total current assets	828,829	853,405
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	156,229	154,851
Other, net	177,098	173,888
Total property, plant and equipment	333,327	328,739
Intangible assets		
Goodwill	3,603	3,933
Other	17,840	17,123
Total intangible assets	21,443	21,056
Investments and other assets		
Other	155,581	168,659
Allowance for doubtful accounts	(6,111)	(10,418)
Total investments and other assets	149,470	158,241
Total noncurrent assets	504,240	508,036
Total assets	1,333,069	1,361,441

**1. CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

September 30, 2011

March 31, 2011

	September 30, 2011	March 31, 2011
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	264,271	269,445
Short-term loans payable	116,815	134,885
Current portion of bonds payable	20,000	10,000
Income taxes payable	7,719	10,273
Advances received	124,904	123,603
Provision for bonuses	23,923	25,073
Provision for construction warranties	13,686	16,037
Provision for loss on construction contracts	31,292	31,240
Provision for loss on disaster	1,449	4,864
Other provision	136	540
Other	62,736	65,171
Total current liabilities	666,931	691,131
Noncurrent liabilities		
Bonds payable	43,508	53,565
Long-term loans payable	169,517	162,151
Provision for retirement benefits	130,458	132,347
Other provision	4,210	4,469
Other	61,818	64,138
Total noncurrent liabilities	409,511	416,670
Total liabilities	1,076,442	1,107,801
<b>Net assets</b>		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,042	43,037
Retained earnings	97,237	95,973
Treasury stock	(555)	(88)
Total shareholders' equity	235,486	234,684
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,232	6,508
Deferred gains or losses on hedges	189	(75)
Revaluation reserve for land	3,872	3,872
Foreign currency translation adjustment	(6,787)	(6,903)
Total accumulated other comprehensive income	3,506	3,402
Subscription rights to shares	474	388
Minority interests	17,161	15,166
Total net assets	256,627	253,640
Total liabilities and net assets	1,333,069	1,361,441

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

### CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2011 to Sep. 30, 2011	Apr. 1, 2010 to Sep. 30, 2010
Net sales	525,905	563,683
Cost of sales	435,273	462,303
Gross profit	90,632	101,380
Selling, general and administrative expenses	71,538	72,275
Operating income	19,094	29,105
Non-operating income		
Interest income	404	292
Dividends income	1,398	1,627
Equity in earnings of affiliates	297	186
Other	3,549	4,944
Total non-operating income	5,648	7,049
Non-operating expenses		
Interest expenses	2,648	3,080
Foreign exchange losses	3,447	5,113
Other	5,092	2,892
Total non-operating expenses	11,187	11,085
Ordinary income	13,555	25,069
Extraordinary income		
Gain on sale of affiliate stock	–	898
Total extraordinary income	–	898
Extraordinary loss		
Loss on valuation of investment securities	3,547	3,309
Impairment loss	430	953
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	295
Total extraordinary losses	3,977	4,557
Income before income taxes and minority interests	9,578	21,410
Income taxes	4,174	7,521
Income before minority interests	5,404	13,889
Minority interests	376	395
Net income	5,028	13,494

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)**

(Millions of yen)

	Apr. 1, 2011 to Sep. 30, 2011	Apr. 1, 2010 to Sep. 30, 2010
Income before minority interests	5,404	13,889
Other comprehensive income		
Valuation difference on available-for-sale securities	(264)	(2,454)
Deferred gains or losses on hedges	228	150
Foreign currency translation adjustment	48	(567)
Share of other comprehensive income of associates accounted for using equity method	90	(361)
Total other comprehensive income	102	(3,232)
Comprehensive income	5,506	10,657
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,170	10,312
Comprehensive income attributable to minority interests	336	345

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2011 to Sep. 30, 2011	Apr. 1, 2010 to Sep. 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,578	21,410
Depreciation and amortization	21,638	21,112
Depreciation and amortization on other	2,566	2,942
Impairment loss	430	953
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	295
Increase (decrease) in allowance for doubtful accounts	(2,226)	(689)
Increase (decrease) in provision for bonuses	(1,248)	(856)
Increase (decrease) in provision for construction warranties	(2,361)	(997)
Increase (decrease) in provision for loss on construction contracts	51	3,145
Increase (decrease) in provision for retirement benefits	(1,902)	(1,962)
Increase (decrease) in provision for loss on disaster	(3,415)	–
Interest and dividends income	(1,802)	(1,919)
Interest expenses	2,648	3,080
Foreign exchange losses (gains)	319	480
Loss (gain) on sales of short-term and long term investment securities	(4)	(1,003)
Loss (gain) on valuation of short-term and long term investment securities	3,592	3,398
Equity in (earnings) losses of affiliates	(297)	(186)
Loss (gain) on sales and retirement of noncurrent assets	716	443
Decrease (increase) in notes and accounts receivable-trade	25,873	48,497
Increase (decrease) in advances received	1,247	(7,873)
Decrease (increase) in advance payments	(5,057)	1,408
Decrease (increase) in inventories	(44,264)	2,257
Increase (decrease) in notes and accounts payable-trade	(8,060)	(26,534)
Increase (decrease) in accrued expenses	(3,880)	(6,644)
Other, net	(6,659)	(7,021)
Subtotal	(12,517)	53,736
Interest and dividends income received	2,730	2,807
Interest expenses paid	(2,657)	(3,151)
Income taxes paid	(3,324)	(5,609)
Net cash provided by (used in) operating activities	(15,768)	47,783
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(992)	19
Purchase of short-term and long term investment securities	(581)	(2,425)
Proceeds from sales and redemption of short-term and long term investment securities	2,501	3,098
Purchase of property, plant and equipment and intangible assets	(19,196)	(27,857)
Proceeds from sales of property, plant and equipment	750	605
Payments for retirement of property, plant and equipment	(581)	(82)
Sale of consolidated subsidiary	–	1,544
Decrease (increase) in short-term loans receivable	(291)	(169)
Payments of long-term loans receivable	(16)	(72)
Collection of long-term loans receivable	70	131
Other, net	(2,753)	(2,228)
Net cash provided by (used in) investing activities	(21,089)	(27,436)



### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2011 to Sep. 30, 2011	Apr. 1, 2010 to Sep. 30, 2010
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(15,108)	999
Proceeds from long-term loans payable	31,874	15,530
Repayment of long-term loans payable	(28,181)	(22,301)
Repayments of lease obligations	(1,328)	(1,525)
Decrease (increase) in treasury stock	(484)	(2)
Cash dividends paid	(4,366)	(2,900)
Cash dividends paid to minority shareholders	(280)	(323)
Net cash provided by (used in) financing activities	(17,873)	(10,522)
Effect of exchange rate change on cash and cash equivalents	248	(1,773)
Net increase (decrease) in cash and cash equivalents	(54,482)	8,052
Cash and cash equivalents at beginning of period	115,025	124,870
Increase in cash and cash equivalents from newly consolidated subsidiary	1,273	129
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	169
Cash and cash equivalents at end of period	61,816	133,220

## SEGMENT INFORMATION

### I Six months ended September 30, 2010

#### 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	Physical Distribution Systems & Social Infrastructure	Rotating & Industrial Machinery	Aero Engine & Space	Others			
<b>Sales:</b>									
Sales to outside customers	141,867	98,809	82,172	77,747	119,307	43,781	563,683	–	563,683
Intersegment sales and transfers	16,912	594	5,292	6,711	2,320	15,799	47,628	(47,628)	–
Total	158,779	99,403	87,464	84,458	121,627	59,580	611,311	(47,628)	563,683
Segment profit (loss)									
(Operating income (loss))	15,416	4,588	2,967	3,876	2,381	1,776	31,004	(1,899)	29,105

Note: Adjustment of segment profit (loss) represents adjustment regarding intersegment transactions of ¥141 million and unallocated corporate expenses of negative ¥2,040 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 “Physical Distribution Systems & Social Infrastructure,” impairment losses of idle land were recognized in the amount of ¥953 million for the six months ended September 30, 2010.

##### *Material change in goodwill amount*

None

##### *Material gain on negative goodwill*

None

### II 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
<b>Sales:</b>										
Sales to outside customers	119,591	83,755	44,766	51,063	73,364	116,298	37,068	525,905	–	525,905
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 adjustment regarding 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 change in reportable segments  
 Effective from the first quarter ended June 30, 2011, in accordance with an entity conversion by the IHI Group, two of its reportable segments, Physical Distribution Systems & Social Infrastructure, and Rotating & Industrial Machinery, have been changed to three reportable segments: Social Infrastructure, Logistics Systems & Industrial Machinery, and Rotating Equipment & Mass-Production Machinery.

Main products and services belonging to each segment after the change are as follows:

- (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

In terms of the six months corresponding to the previous fiscal year, information about sales and profit or loss by reportable segment newly changed is as follows:

**Six months ended September 30, 2010**

(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			
<b>Sales:</b>										
Sales to outside customers	141,867	99,809	47,395	55,359	57,165	119,307	43,781	563,683	–	563,683
Intersegment sales and transfers	16,912	594	3,442	3,044	5,517	2,320	15,799	47,628	(47,628)	–
<b>Total</b>	<b>158,779</b>	<b>99,403</b>	<b>50,837</b>	<b>58,403</b>	<b>62,682</b>	<b>121,627</b>	<b>59,580</b>	<b>611,311</b>	<b>(47,628)</b>	<b>563,683</b>
Segment profit (loss)										
(Operating income (loss))	15,416	4,588	3,637	(137)	3,343	2,381	1,776	31,004	(1,899)	29,105

Note: Adjustment of segment profit (loss) represents adjustment regarding intersegment transactions of ¥141 million and unallocated corporate expenses of negative ¥2,040 million.

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

3. 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