



Results for the Fiscal Year Ended March 31, 2012 Management Overview

May 8, 2012

Tamotsu Saito, President and Chief Executive Officer

IHI Corporation

Management Overview

- Review of Fiscal Year Ended March 31, 2012
- Review of Second Year of Group Management Policies 2010
- Earnings Outlook for Fiscal Year Ending March 31, 2013
- Numerical Targets for Group Management Policies 2010
- Priority Issues for the Fiscal Year Ending March 31, 2013

Progress of Group Management Policies 2010

- Action for Restoration and Reconstruction Following Great East Japan Earthquake
- Energy & Resources Operations
- Ships & Offshore Facilities Operations
- Social Infrastructure Operations
- Logistics Systems & Industrial Machinery Operations
- Rotating Equipment & Mass-Production Machinery Operations
- Aero Engine & Space Operations
- Other Operations
- New Business Development

Management Overview

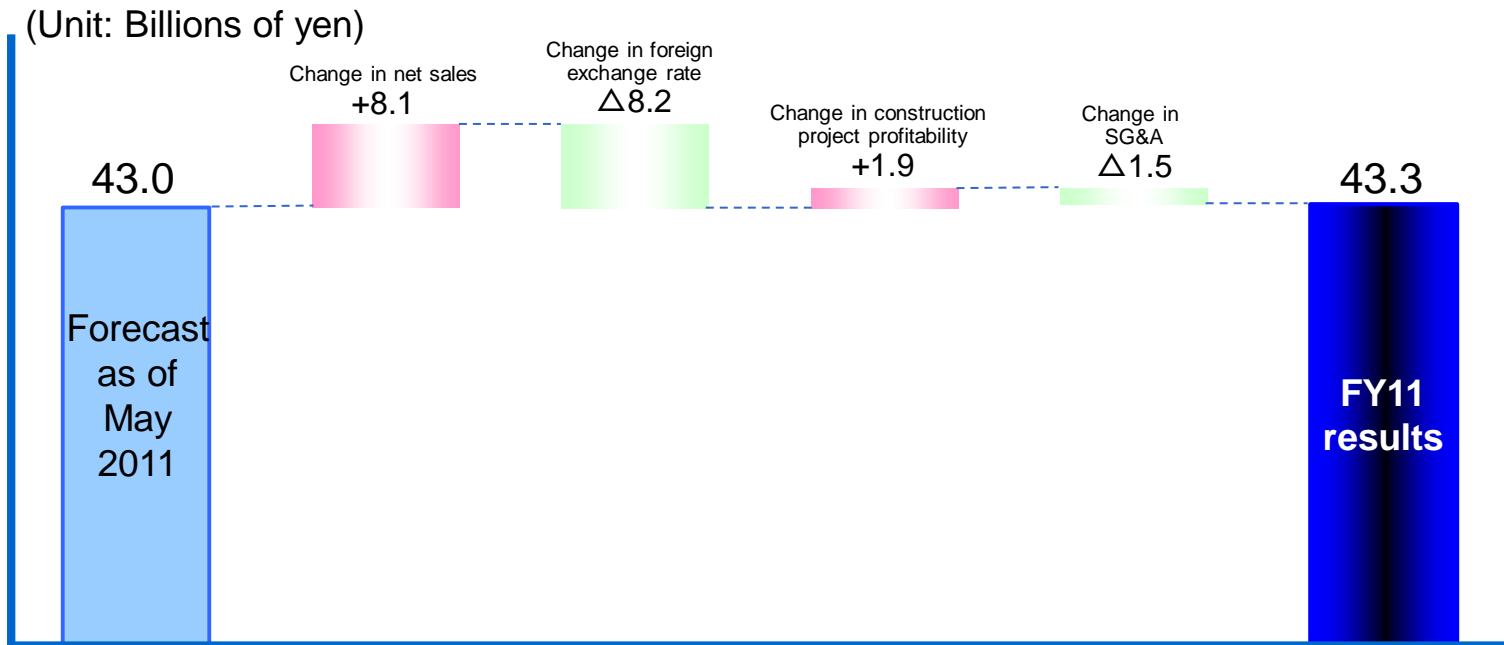
■ Analysis of change in operating income in the fiscal year ended March 31, 2012 (compared to forecast as of May 2011)

➤ Change in net sales (Including change in composition)

- Energy & Resources Operations
- Aero Engine & Space Operations
- Logistics Systems & Industrial Machinery Operations

➤ Change in construction project profitability (Including early restoration following earthquake)

- Aero Engine & Space Operations
- Logistics Systems & Industrial Machinery Operations



* Forecast as of May 2011: Announced May 6, 2011 (assumed foreign exchange rate: ¥85/US\$)

* FY11 average foreign exchange rate for net sales: ¥79.3/US\$

■ Analysis of change in operating income (by segment, compared to forecast as of May 2011) * Forecast as of May 2011: Announced May 6, 2011 (assumed foreign exchange rate: ¥85/US\$)

| | (+) | (-) |
|--|--|---|
| Energy & Resources Operations | + Increase in construction related to the earthquake | - Appreciation of yen |
| Ships & Offshore Facilities Operations | + Improvement in profitability of ongoing construction projects | - Appreciation of yen, - Provision for losses related to new shipbuilding orders |
| Social Infrastructure Operations | _____ | - Decrease in sales |
| Logistics Systems & Industrial Machinery Operations | + Increase in construction related to the earthquake, + Improvement in profitability of ongoing construction projects | _____ |
| Rotating Equipment & Mass-Production Machinery Operations | + Early restoration following the earthquake, + Improvement in compressor profitability | - Increase in expenses related to increase in turbocharger production |
| Aero Engine & Space Operations | + Improvement in civil aero engine profitability, + Early restoration following the earthquake | - Appreciation of yen |
| Other Operations | _____ | - Appreciation of yen, - Increase in SG&A |

| | FY12 Target | FY11 Results | Assessment |
|---|--|--|---|
| Net Sales | Approx. ¥1,400.0 billion | ¥1,221.8 billion | <p>Improved internal control system and made investments to establish path to growth</p> <ul style="list-style-type: none"> ■ Mostly completed internal control system <ul style="list-style-type: none"> ✓ Achieved profit in all business segments for 3 consecutive years ✓ Decided annual dividend increase policy (¥3/share for FY10 ⇒ ¥4/share for FY11) ✓ Operational Structure Improvement Monitoring Committee closed as planned after accomplishment of its role ■ Continuously attained target level of interest-bearing debt balance ■ Made investments with emphasis on businesses of growth and focus, core businesses, and new businesses <ul style="list-style-type: none"> ✓ Participation in development of engine for Airbus' A320neo ✓ Made further investment in turbochargers on a global basis ✓ Started sales of lithium-ion battery products ✓ Started construction of plant for commercial production of biopharmaceuticals |
| Ordinary Income (Operating Income) | ¥60.0 billion (Approx. ¥70.0 billion) | ¥41.7 billion (¥43.3 billion) | |
| Balance of interest-bearing debt | Below ¥400.0 billion DER: 1.5 or less | ¥345.2 billion DER: 1.34 | |
| Capital and R&D investment | Approx. ¥200.0 billion during the term | ¥83.5 billion (FY10 ¥115.5 billion) | |
| Dividends | Early return to ¥6 per share | ¥4 per share (planned) | |

Paradigm Shifts

Assessment

Business model

Focus on product lifecycles

- Steadily received after-sales service orders including emergency projects relating to Japanese earthquake and Thai floods
- Established Thai subsidiary that provides heat treatment furnace maintenance
- Opened a ship service base in Istanbul

Product strategy

Focus on market requirements

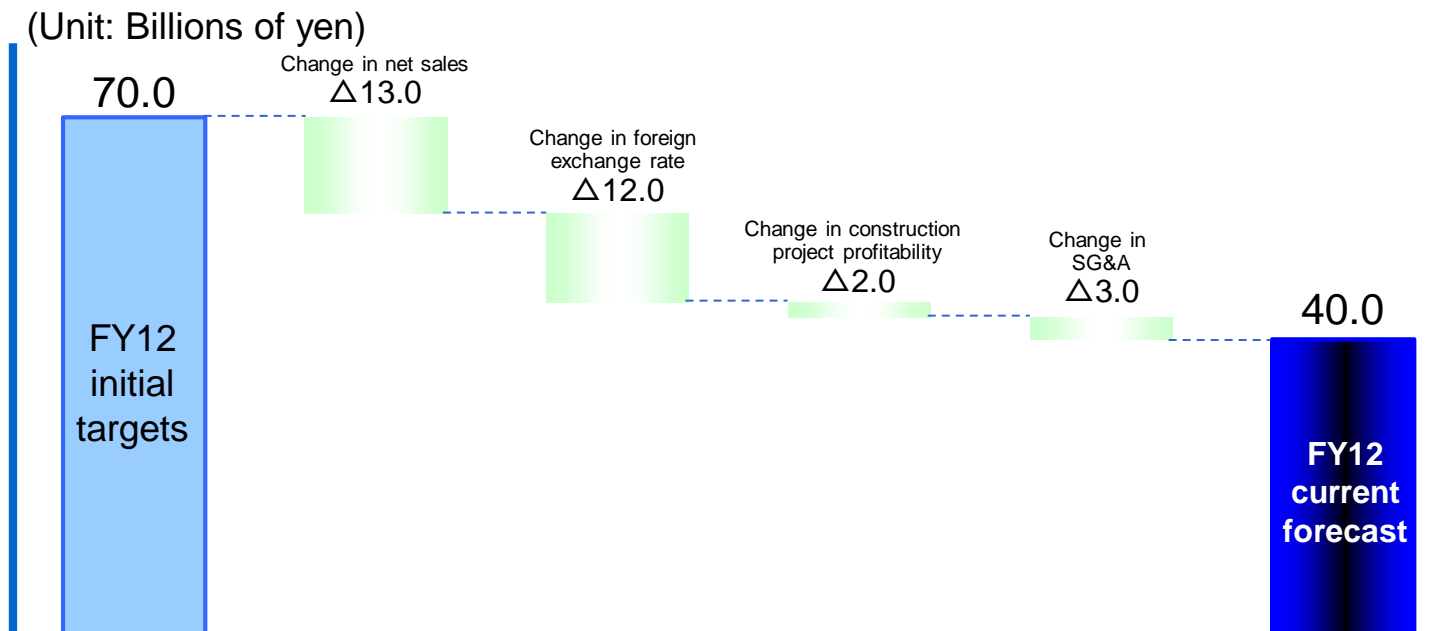
- Making proposals to customers relating to post-earthquake reconstruction
- Testing Twin IHI Gasifier, which can effectively use low-grade coal such as lignite coal
- Started joint development of wireless charging system for electric vehicles used at detached houses
- Completed construction of new factory to establish production technology for safe, reliable and internationally competitive steam generators for PWRs
- Worked to develop jet engine parts using composite for next-generation aircrafts

Business management

Global management approach

- Established supervising company for China (Shanghai) and supervising company for Asia and Oceania (Singapore)
- Started upgrading procurement capability in Singapore to strengthen global procurement
- Steadily expanded overseas production
- Received order for construction of Izmit Bay Bridge in Turkey through public-private partnership

- **Objective of the fiscal year ending March 31, 2013**
Focus on establishing business group that grows based on stable business foundations
- **Analysis of change in operating income forecasts (compared to initial targets)**
 - **Change from initial targets**
 - **Appreciation of yen**
 - **Shortfall in sales (including sales excluded from consolidation due to shipbuilding business integration)**



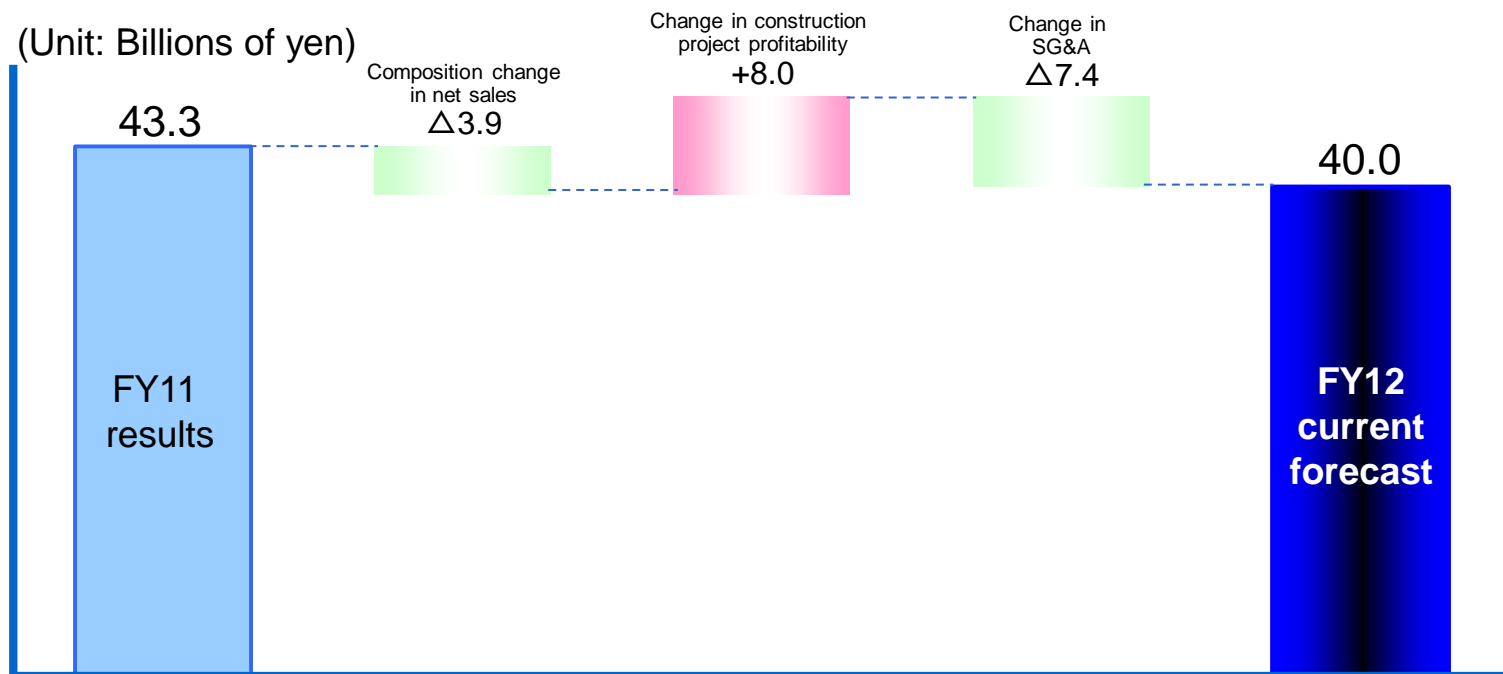
* FY12 initial targets: Announced May 7, 2010 (assumed foreign exchange rate: ¥90/US\$)

* The assumed exchange rate for FY12 in the current forecast is ¥80/US\$.

■ Analysis of change in operating income forecasts (compared to FY11 results)

➤ Change from FY11 results

- Improvement in construction project profitability
- Increase in SG&A
- Composition change in net sales (including net sales excluded from consolidation due to shipbuilding business integration)



* FY11 average foreign exchange rate for net sales: ¥79.3/US\$

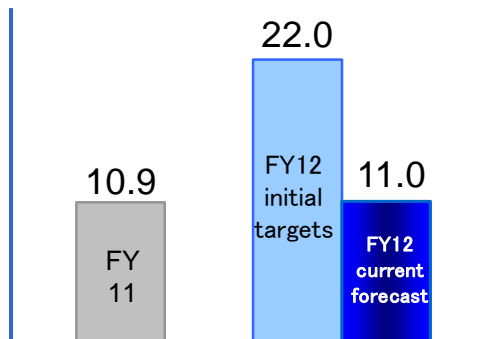
* The assumed exchange rate for FY12 in the current forecast is ¥80/US\$.

■ Analysis of change in operating income by segment (Unit: Billions of yen)

* FY12 initial targets: Announced May 7, 2010 (assumed foreign exchange rate: ¥90/US\$)

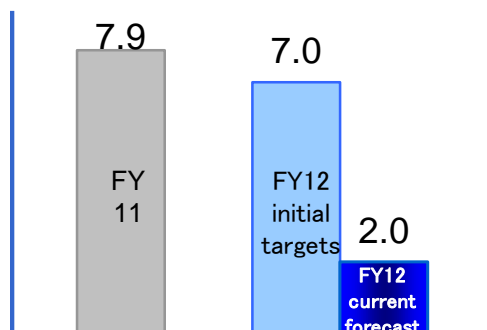
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Energy & Resources Operations



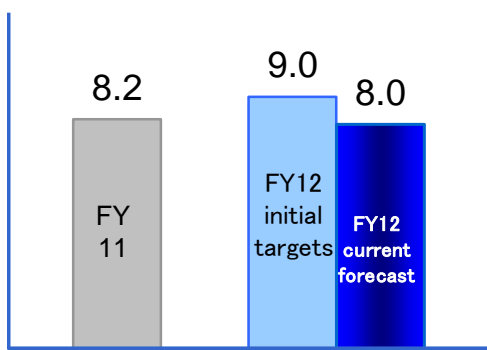
- Compared to FY11 results
 - + Improvement in construction project profitability
 - Increase in SG&A
- Compared to initial target
 - + _____
 - Decrease in sales, Appreciation of yen

Ships & Offshore Facilities Operation



- Compared to FY11 results
 - + _____
 - Exclusion from consolidation due to shipbuilding business integration
- Compared to initial target
 - + _____
 - Exclusion from consolidation due to shipbuilding business integration

Social Infrastructure Operations



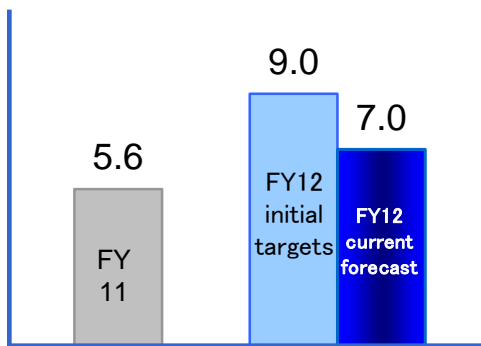
- Compared to FY11 results
 - + _____
 - _____
- Compared to initial target
 - + _____
 - Decrease in sales

■ Analysis of change in operating income by segment (Unit: Billions of yen)

* FY12 initial targets: Announced May 7, 2010 (assumed foreign exchange rate: ¥90/US\$)

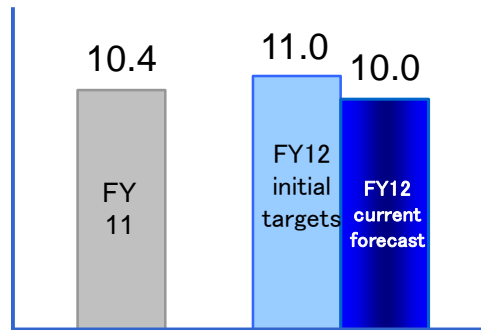
* The assumed exchange rate for FY12 in the current forecast is ¥80/US\$.

Logistics Systems & Industrial Machinery Operations



- Compared to FY11 results
 - + Increase in sales
 - Increase in SG&A
- Compared to initial target
 - + _____
 - Decrease in sales

Rotating Equipment & Mass-Production Machinery Operations

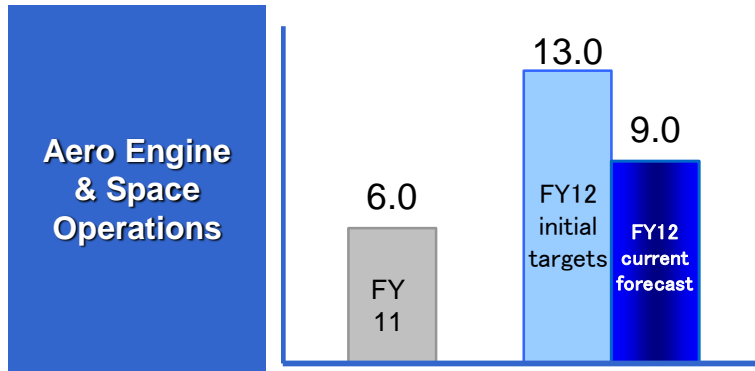


- Compared to FY11 results
 - + Increase in sales
 - Increase in SG&A
- Compared to initial target
 - + Increase in construction projects
 - Appreciation of yen

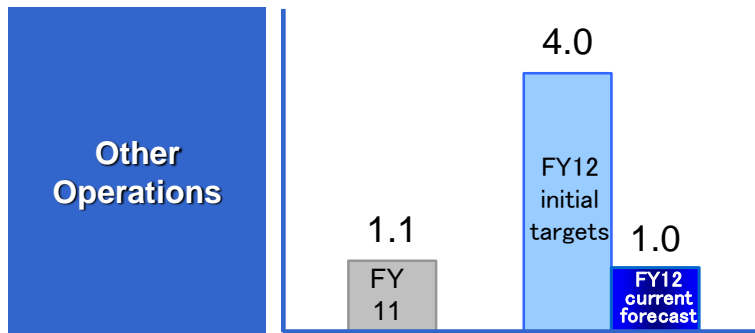
■ Analysis of change in operating income by segment (Unit: Billions of yen)

* FY12 initial targets: Announced May 7, 2010 (assumed foreign exchange rate: ¥90/US\$)

* The assumed exchange rate for FY12 in the current forecast is ¥80/US\$.



- **Compared to FY11 results**
 - + Increase in sales,
 - Improvement in construction project profitability
 - _____
- **Compared to initial target**
 - + Increase in construction projects
 - Appreciation of yen, GEnx Engine launch



- **Compared to FY11 results**
 - + _____
 - _____
- **Compared to initial target**
 - + _____
 - Decrease in sales

Numerical Targets for Group Management Policies 2010 (Net Sales, Operating Income)



■ Revision of FY12 numerical targets (net sales, operating income) to forecasts below

(Unit: Billions of yen)

| | Net Sales | | | | Operating Income | | | |
|--|--------------------------------------|--------------------------------------|----------------|----------------|--------------------------------|--------------------------------|-------------|-------------|
| | FY10 | FY11 | FY12e | | FY10 | FY11 | FY12e | |
| | | | Initial | Current | | | Initial | Current |
| Energy & Resources | 306.4 | 312.3 | 380.0 | 330.0 | 22.4 | 10.9 | 22.0 | 11.0 |
| Ships & Offshore Facilities | 189.9 | 176.2 | 150.0 | 80.0 | 10.9 | 7.9 | 7.0 | 2.0 |
| Social Infrastructure | 122.4 | 114.7 | 130.0 | 120.0 | 11.9 | 8.2 | 9.0 | 8.0 |
| Logistics Systems & Industrial Machinery | 141.9 | 152.9 | 210.0 | 190.0 | 2.9 | 5.6 | 9.0 | 7.0 |
| Rotating Equipment & Mass-Production Machinery | 140.3 | 165.8 | 170.0 | 170.0 | 9.4 | 10.4 | 11.0 | 10.0 |
| Aero Engine & Space | 273.7 | 299.4 | 320.0 | 310.0 | 5.8 | 6.0 | 13.0 | 9.0 |
| Others | 114.3 | 107.3 | 140.0 | 100.0 | 2.1 | 1.1 | 4.0 | 1.0 |
| Adjustment | -101.9 | -107.0 | -100.0 | -80.0 | -4.3 | -7.1 | -5.0 | -8.0 |
| Total | 1,187.2 (Initial: 1,180.0) | 1,221.8 (Initial: 1,300.0) | 1,400.0 | 1,220.0 | 61.3 (Initial: 35.0) | 43.3 (Initial: 54.0) | 70.0 | 40.0 |

* FY12 initial targets: Announced May 7, 2010 (assumed foreign exchange rate: ¥90/US\$)

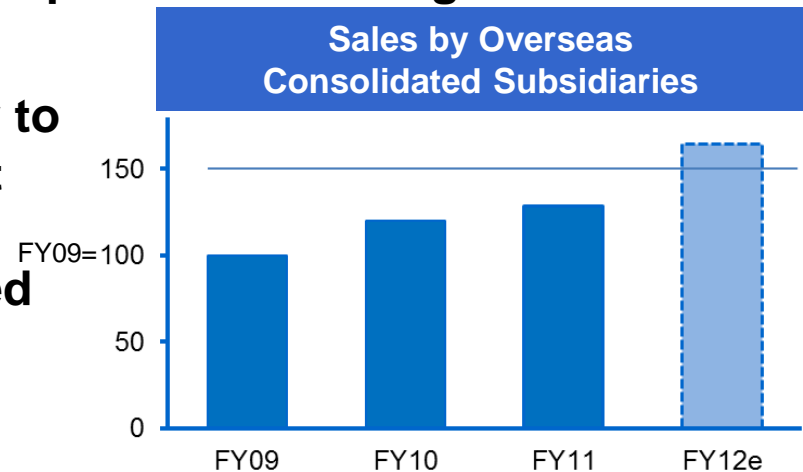
* The assumed exchange rate for FY12 in the current forecast is ¥80/US\$.

* Ships & Offshore Facilities Operations are outside the scope of consolidation from FY12 second half

* The total of the figures by segment for FY10 and FY11 is different to the figure in the row for the total due to rounding.

■ **Further acceleration of global business management**

- **Establish a supervising company for Asia and Oceania (Singapore) on May 1, 2012 and focus on business expansion centering on Southeast Asia**
- **Invest necessary resources in order to ensure to attain Group Management Policies 2010 target “50% increase in net sales of overseas consolidated subsidiaries (compared to FY09)”**



■ **Increase orders received**

- **Strengthen general operating activities across business sections, including action on projects for reconstruction from the earthquake**
- **Secure steady receipt of orders in after-sales services as a business base**
- **Continue to focus on receipt of orders for large projects such as power-generating boilers, motors, and LNG tanks by restructuring EPC-related organizations to enhance project-handling capabilities**

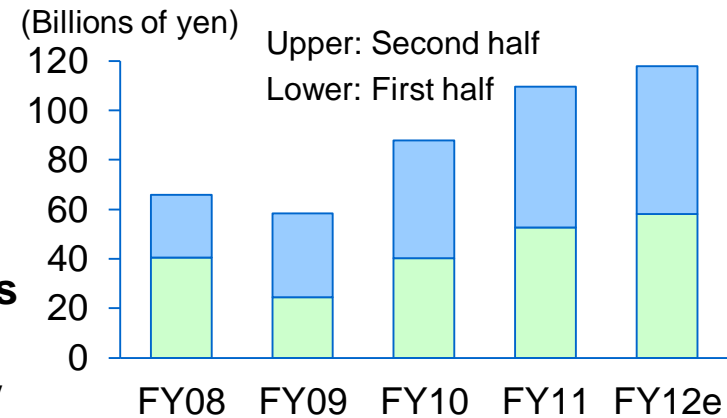
■ Improvement of competitiveness

- Accelerate upstream activities including an increase in global procurement using Singapore business base and making plan to realize this
- Increase productivity through improvement and development of manufacturing process by boosting precision of process control and sharing risk examples across segments, etc.

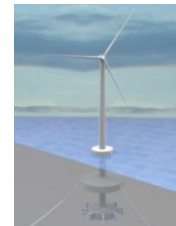
■ Establishment of growth strategies

- Further expand sales and profits of turbochargers and jet engines
 - Continue investment to increase turbocharger production
 - Participate in development of new types of jet engines
- Formulate growth strategies for energy & resources operations based on trends in policies, marketability, and our strong points regarding energy
 - Push ahead with activities in the field of renewable energy (biofuel from algae, lithium-ion batteries, biomass power generation, offshore wind farm power generation, and ocean current power generation)

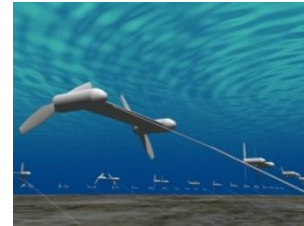
Sales of Turbochargers



Manufacture of biofuel through mass cultivation of algae



Floating offshore wind farm



Floating ocean current power generation system

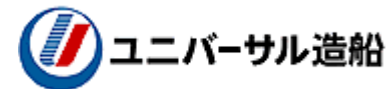
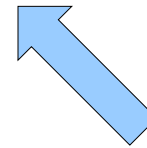
■ Integration of shipbuilding

- Plan to merge with Universal Shipbuilding Corporation to form “Japan Marine United Corporation” in Oct 2012. Sales to be ¥400.0 billion.
- Seek to be a world leading company by collective strengths of technologies, quality and low costs
- Examine improvement of synergies between the new company after integration and other IHI group companies

New company “Japan Marine United Corporation”



株式会社 アイ・エイチ・アイ マリンユナイテッド



Progress of Group Management Policies 2010

IHI's proposals on restoration and reconstruction

- Debris incineration and biomass gasification generation using wood-based fuel
- Tsunami sludge disposal using construction machinery and batcher plant
- Response to customer requests for in-house power generation, emergency power, etc.
- Development and manufacture of storage containers for low-level radioactive waste
- Tsunami countermeasures through coastal levees and movable bulwarks

Specific initiatives for reconstruction projects

- Selection of Turf Stripper system for stripping away contaminated soil by Ministry of the Environment as government grant-supported experimental decontamination technology project
- Co-development of “SARRY-Aqua” transportable radiation-contaminated water treatment system with Toshiba
- Sale of radioactive waste storage containers
- Establishment of “Reconstruction Implementation Group” at Tohoku branch to complement activities of organizations devoted to post-earthquake reconstruction
- Receipt of orders for hybrid caissons for ports and harbors
- Working to secure orders for debris incineration



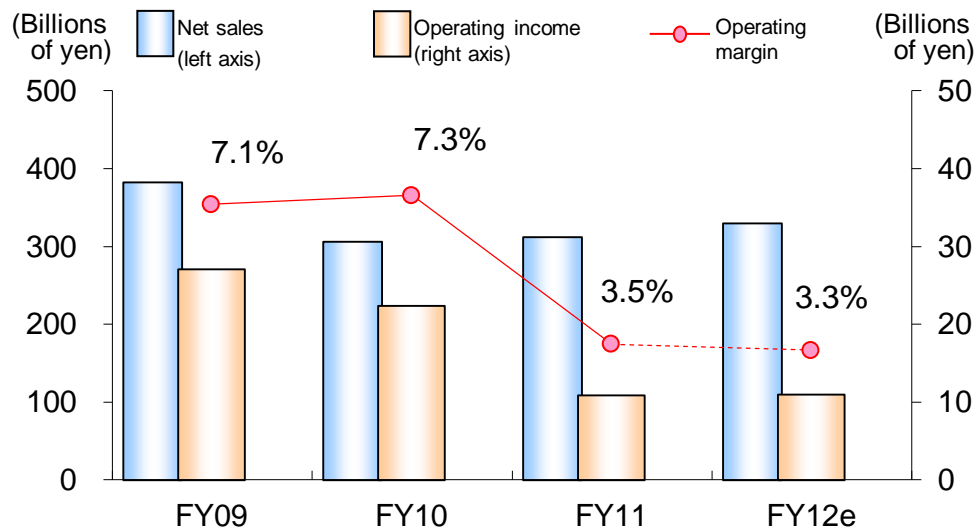
Turf Stripper



SARRY-Aqua



Radioactive waste storage container



LM6000 gas turbine combined power generation facility

Expansion of orders received in accordance with energy demand from customers

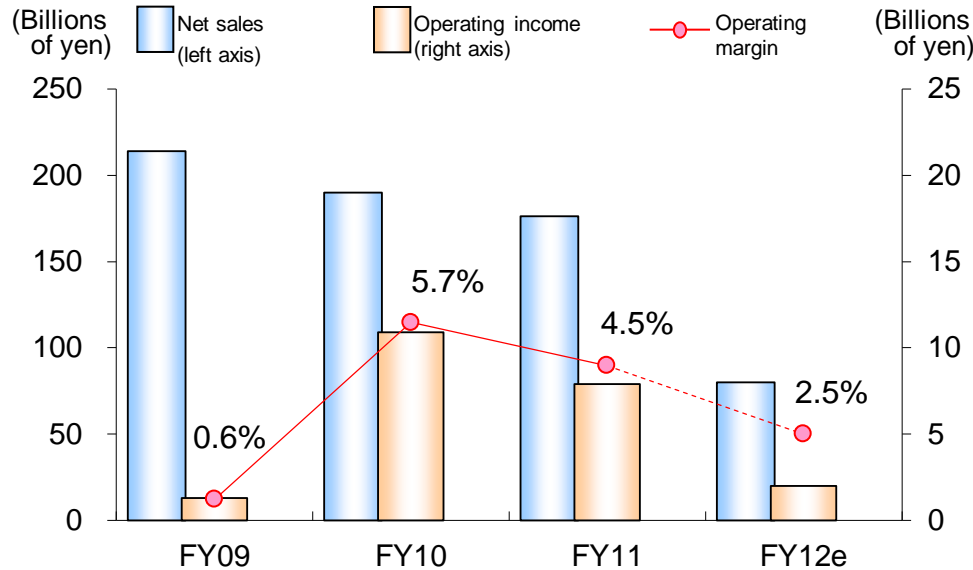
- Receipt of orders for 1 million kilowatt large supercritical coal-fired thermal power boilers for US market
- Receipt of order for gas turbine power generation facility for Niigata factory of Hokuetsu Kishu Paper Co., Ltd.

Action for restoration and reconstruction following Great East Japan Earthquake

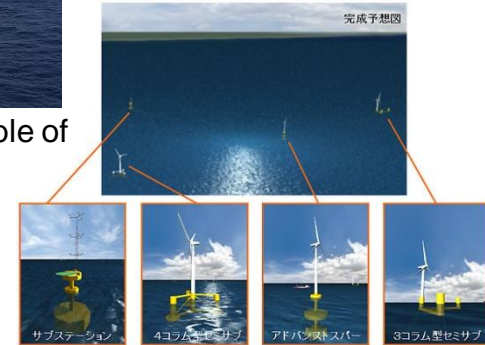
- Completion of co-development of “SARRY-Aqua” transportable radiation-contaminated water treatment system with Toshiba
- Steadfast execution of emergency construction work at Fukushima Daiichi Nuclear Power Plant. Construction for earthquake resistance and tsunami countermeasures at nuclear power plants now underway

Development of life cycle business

- Provision of T3PM motor preventive maintenance service to customers in Australia. Plan to expand to customers in Thailand and other countries in future



Large container ship capable of carrying 8,600 containers (delivered Jan 2012)



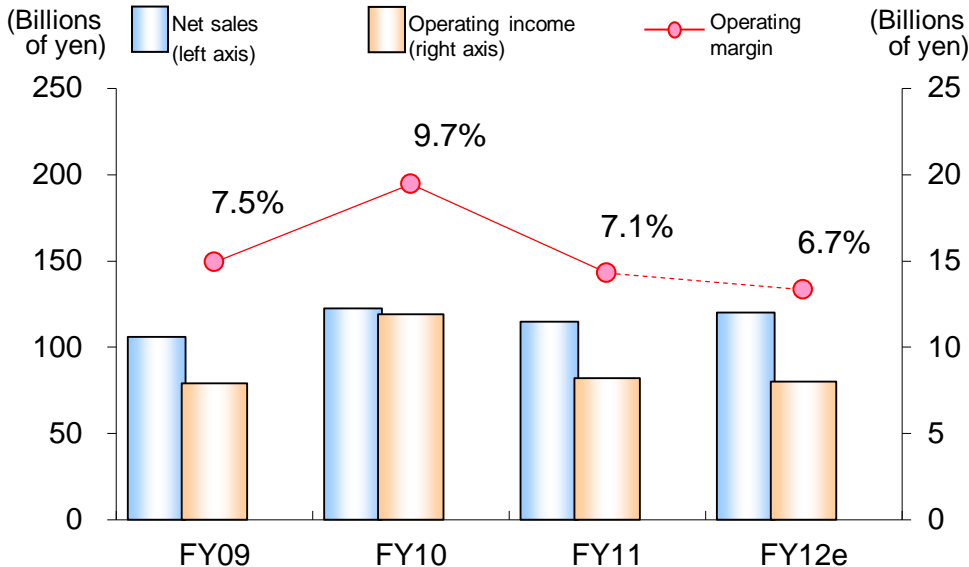
Conceptual diagram of completed floating offshore wind farm off coast of Fukushima Prefecture

Conclusion of MOU on management integration (merger) of Universal Shipbuilding Corporation and IHI Marine United

- Agreement on management integration (merger) in Jan 2012, and establishment of Japan Marine United Corporation planned for Oct 2012
- Aiming to gain top collective strength in industry and realize strategy for further growth, work for balanced strengthening of competitive edge and earning capacity of businesses including merchant ship business, naval ship business, engineering business and life cycle business

Initiatives in offshore wind power generation business

- Obtainment of AIP (Approval In Principle) for turbines and floatation for Japan's first floating offshore power generation facility
- Selection of consortium including IHI Marine United for floating offshore wind farm off Fukushima Prefecture coast as experimental research project



Okozu movable dam (completed Jan 2012)



Conceptual diagram of completed Kagoshima Nanatsujima Mega Solar Power Plant (provisional name)

Development of measures to improve domestic profitability of bridge and water gate businesses

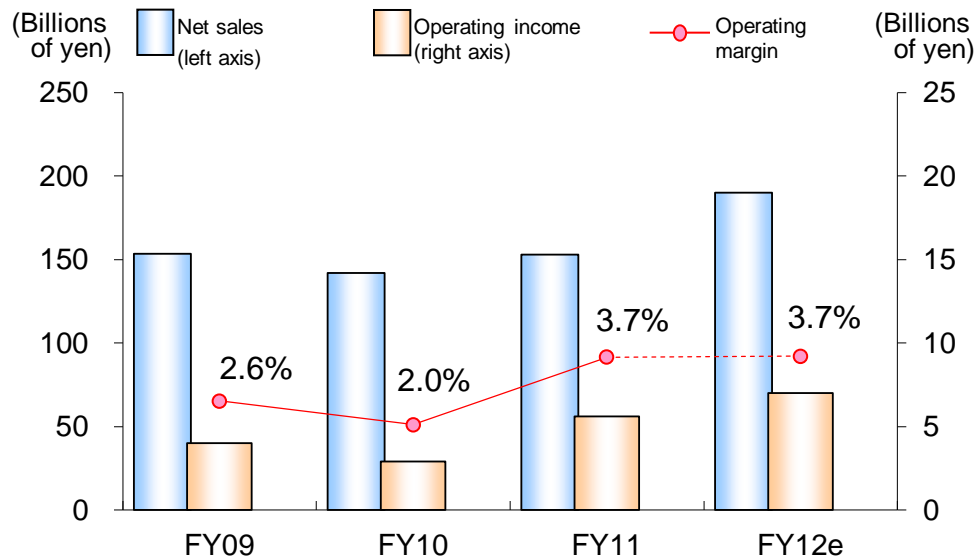
- Integration of three subsidiaries to strengthen maintenance business in bridge and water gate fields. Provision of maintenance for structures made of either steel or concrete
- Expansion of IHI Infrastructure Systems' Sakai Works to improve production efficiency

Implementation of takeover bids for listed subsidiaries

- Implementation of tender offer for shares of Ishikawajima Construction Materials for effective use of IHI's group-wide management resources. Conversion into a wholly owned subsidiary

Participation in Kagoshima Mega Solar Power Plant

- Participation in Japan's largest mega solar power plant for effective use of the Company's land in Kagoshima. In addition, examination of use of plant to pilot and test renewable energy



In-line heat treatment furnace

Implementation of takeover bids for listed subsidiaries

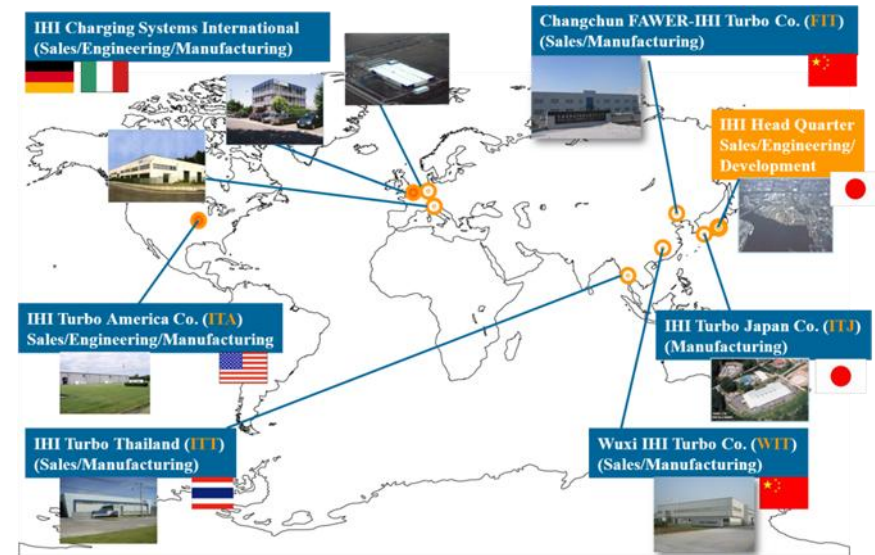
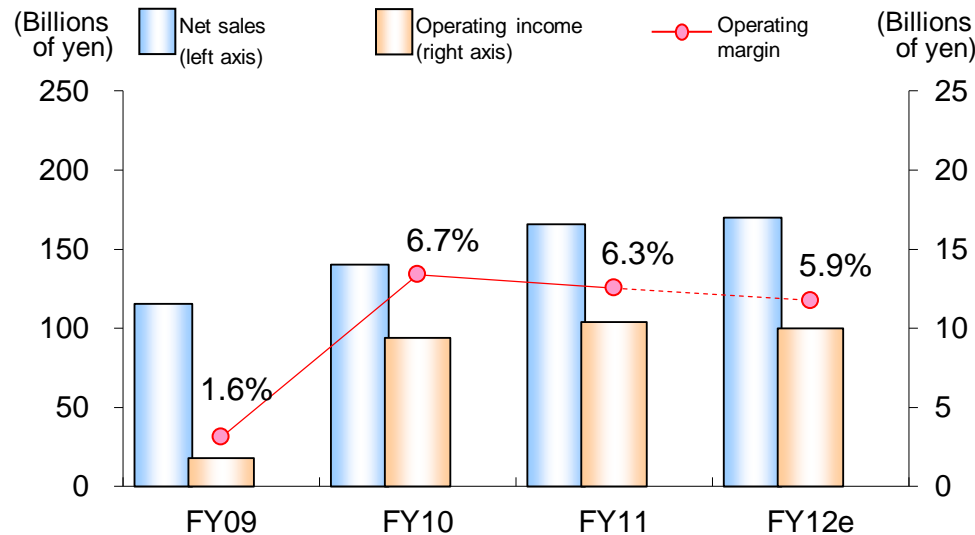
- Implementation of tender offer for shares of IHI Transport Machinery for further global development through effective use of IHI's group-wide management resources. Conversion into a wholly owned subsidiary

Development of in-line heat treatment furnace and start of sales

- Development of in-line heat treatment furnace, a next-generation vacuum heat treatment system that can be incorporated in the processing line for heat treatment of metal parts, and start of full-scale sales

Development of measures to heighten competitive edge of domestic parking business

- Acquisition of shares of Fuso Engineering Co., Ltd. as well as enhancement of product lineup and strengthening of maintenance business
- Expansion of types of electric cars that can be recharged at multistory car parks and development of new ways of increasing energy efficiency and cost reductions



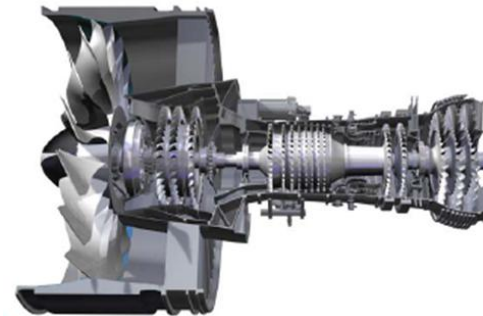
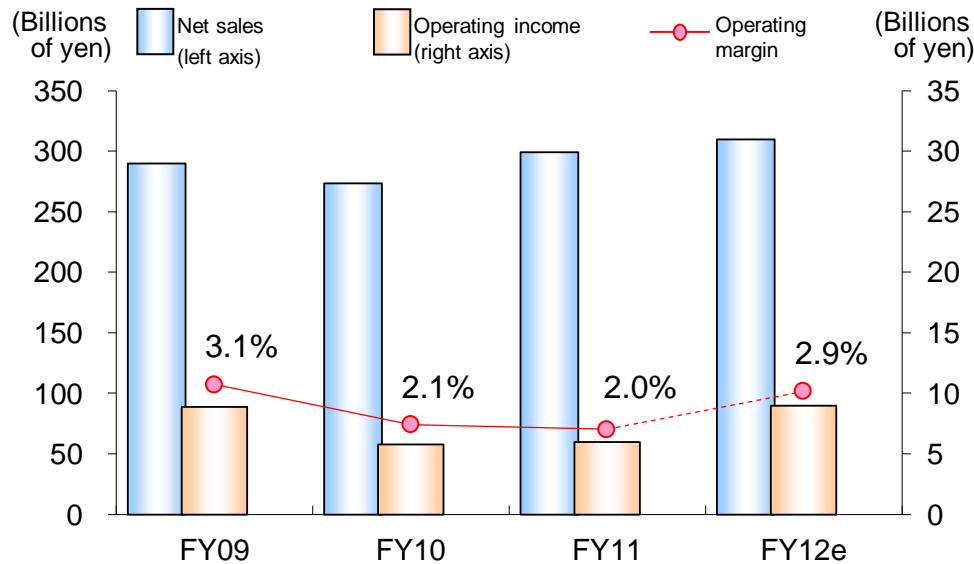
Overseas business bases for turbochargers

Further acceleration of development of global turbocharger operations

- Continuation of investment into production bases in China, Germany and Thailand
- Aim for sales of ¥130.0 billion in FY2013 and ¥150.0 billion in FY2015.

Expansion of compressor business

- Sales of compressors to Chinese market are strong. Planning to strengthen production capability of bases in China and strengthening maintenance structure from FY2012
- Investment in processing center for high-speed precision gears for compressors to establish global key parts supply structure



Cross section of PW1100G-JM engine (from Pratt & Whitney's website)



Epsilon rocket ©JAXA

Favorable progress in delivery and development of civil engines

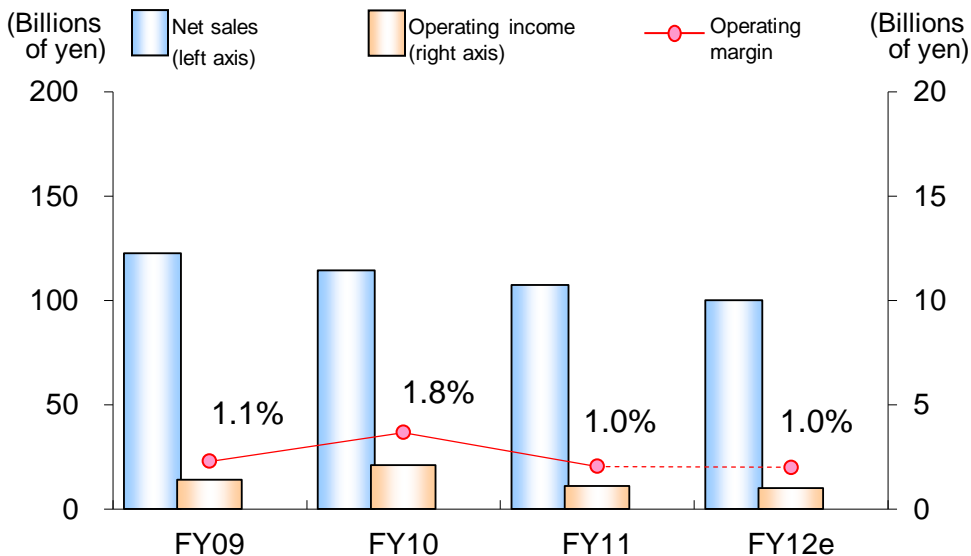
- Total deliveries of V2500 components made by IHI reached 5000. Start of sales of GENx
- Participation in development program for PW1100G-JM engine for Airbus' A320neo (successor of V2500)

Selection as procurement counterparty for next-generation fighter planes' engines

- Selected as procurement counterparty for F135 engine for next-generation F-35 fighter plane
- Working with Japan Ministry of Defense in approaching US side to improve ratio made in Japan

Focusing efforts on rocket system development and business expansion through public-private partnership

- Development of small solid-fuel rocket (Epsilon rocket) roughly on track for planned launch in FY2013
- Export and launch of satellites and public-private partnerships to meet space needs of emerging countries (overseas infrastructure development in packaged form)



Diesel engine for Tier IV



Forwarder (forestry machinery)



GPS Naviliner



Ozone sterilizing locker



Agricultural machinery and small motors, and construction machinery

Deployment of product strategy focused on market needs

- Start of delivery of sample Tier IV engines (small motors) for next-generation environmental regulations
- Launch of GPS Naviliner simple GPS guidance system for agricultural machinery
- Development of wireless-controlled debris removal machine (construction machinery)
- Delivery of ozone sterilizing lockers to Animal Quarantine Services in airports in response to revision of Act on Domestic Animal Infectious Diseases Control

Lithium-ion batteries (LiB) Expected sales in FY2015: ¥30.0 billion

- Tie-up with A123 Systems, which has highly safe, long-lasting LiBs
- Provision of LiB system standardized for various industry fields

Results and future initiatives

- Receipt of bulk order for 83 lithium-ion charger systems from Tokyo Fire Department
- Delivery of lithium-ion battery for Hino Motors' small-sized electric bus
- Start of deliveries of sample standard battery pack for industrial use, and enhancement of battery system production bases for start of mass production in FY2012



Lithium-ion charger system for Tokyo Fire Department

Influenza vaccine pharmaceutical ingredient

Expected sales in FY2016:
¥7.5 billion (vaccine sales)

- Tie-up with UMN Pharma, which has cell culture technology (vaccine manufacturing period is one third of previous method)
- Manufacture of influenza vaccine pharmaceutical ingredient using cell culture technology

Results and future initiatives

- Completion of Akita Plant of UNIGEN, a joint venture company that manufactures pharmaceutical ingredients established with UMN Pharma, and start of operations as research facility for production techniques
- Start of construction by UNIGEN of world-class biopharmaceutical manufacturing plant in Gifu Prefecture as an actual production facility for influenza vaccine pharmaceutical ingredients. Aiming for vaccine approval.



Conceptual diagram of UNIGEN Gifu plant

Biofuel from algae

- Establishment of IHI NeoG Algae with Gene & Gene Technology and Neo-Morgan Laboratory, aiming to manufacture and sell biofuel through mass cultivation of enomoto algae, the algae type with the highest fuel production capability



Forward-looking figures shown in this material with respect to IHI's performance outlooks and other matters are based on management's assumptions and beliefs in light of the information currently available to it, and therefore contain risks and uncertainties. Consequently, you should not place undue reliance on these performance outlooks in making judgments. IHI cautions you that actual results could differ materially from those discussed in these performance outlooks due to a number of important factors. These important factors include political environments in areas in which IHI operates, general economic conditions, and the yen exchange rate including its rate against the US dollar.