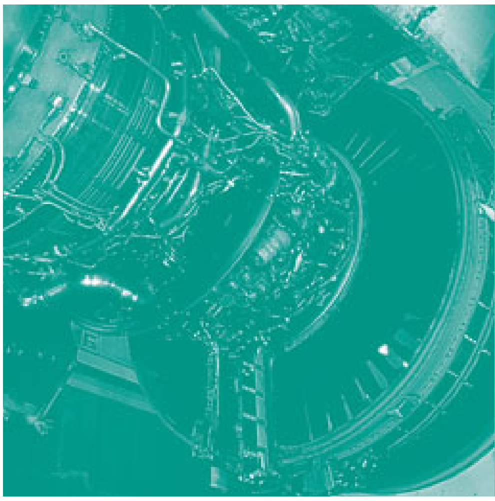



Annual Report 2002

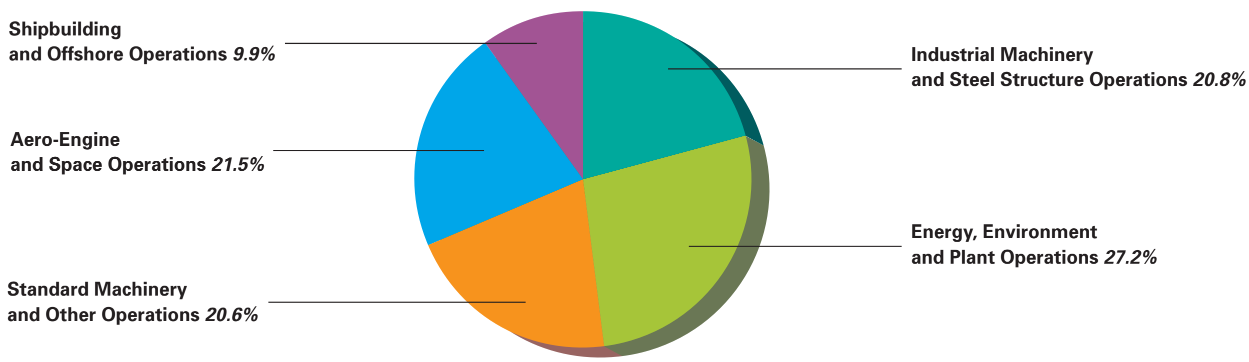
For the Year Ended March 31, 2002


Ishikawajima-Harima Heavy Industries Co., Ltd.

Profile

Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI), provides technology-oriented products and services to the industrial, private and public sectors. IHI researches, consults, engineers, manufactures and supplies an array of machinery, equipment, plants, structures, ships and offshore facilities. The Company is at the forefront of manufacturing, energy, marine transportation, distribution, mechatronics, aerospace and environmental technologies. IHI operates 14 domestic works and shipyards and maintains a domestic network of 10 branches and 25 sales offices. The IHI Group includes 101 companies in Japan and 43 subsidiaries and joint ventures overseas.

Net Sales By Segment



Contents

Financial Highlights

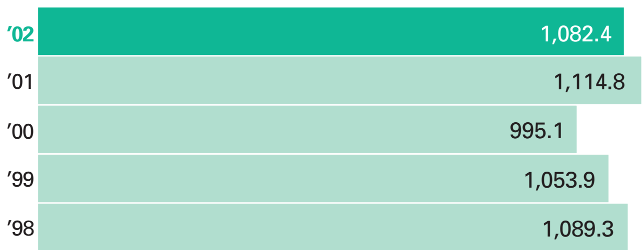
Years ended March 31, 2002, 2001 and 2000
Ishikawajima-Harima Heavy Industries Co., Ltd., and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Net sales	**¥1,082,402**	¥1,114,817	¥ 995,063	**$ 8,123,092**
Operating income (loss)	**27,233**	39,947	(5,825)	**204,375**
Net income (loss)	**5,539**	9,205	(78,998)	**41,568**
Total assets	**1,422,110**	1,481,841	1,413,453	**10,672,496**
Total shareholders' equity	**187,589**	201,349	162,796	**1,407,797**

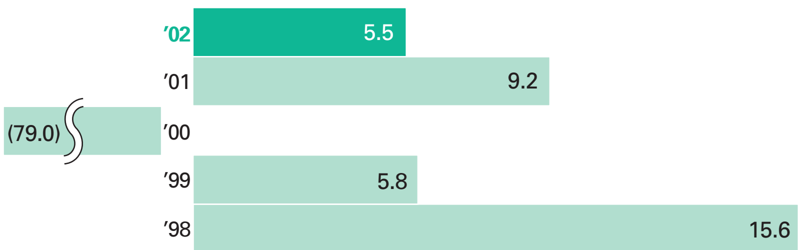
	Yen			U.S. dollars
Per common share:				
Net income (loss)	**¥ 4.27**	¥ 7.09	¥ (60.84)	**$ 0.032**
Cash dividends	**3.00**	3.00	—	**0.023**

Note: For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥133.25=US$1, the approximate rate of exchange prevailing on March 31, 2002.

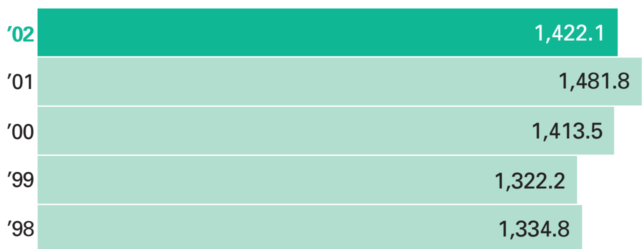
Net Sales
(billions of yen)



Net Income
(billions of yen)



Total Assets
(billions of yen)



Operating Results and Financial Position

In the fiscal year ended March 31, 2002, the Japanese economy continued its slowdown as exports fell chiefly in IT-related industries following the downturn of the U.S. economy. While signs of a leveling off in falling exports could be seen at fiscal year's end, concerns over the economy continued unabated amid uncertainty in the financial system and protracted deflation. In international markets, the U.S. economy, which was expected to further deteriorate following the September attacks, was spared as consumption grew beyond initial forecasts. The European market showed symptoms of a downturn, while parts of the Asian economy displayed indications of a recovery fueled by progress in inventory adjustments among IT-related products.

IHI has worked to bolster profitability through widespread cost reductions and enactment of structural business reforms to offset the fierce operating environment. Despite an increase in orders in aero-engine and space operations, however, a considerable drop-off in orders for industrial machinery and steel structure operations produced a 9.5% decline in aggregate orders to ¥942.6 billion, and net sales edged down 2.9% to ¥1,082.4 billion. As a consequence, orders on hand at fiscal year's end fell 9.9% to ¥1,435.5 billion.

Despite full-scale efforts to raise profitability through implementation of such initiatives as the Management Policy 2001, consolidated net income fell 39.8% to ¥5.5 billion.

Distribution of interim dividends for the first half of the fiscal year was postponed as in the previous period, since initially targeted profits could not be met and a sense of uncertainty grew over the future course of the operating environment, with year-end cash dividends totaling ¥3 per share upon consideration of such overriding actors as earnings.

Financial Position

Net cash provided by operating activities was ¥19.2 billion, net cash used in investing activities was ¥29.5 billion and net cash used in financing activities was ¥2.0 billion. In aggregate, cash and cash equivalents at year's end totaled ¥111.0 billion.

Forecasts for Fiscal Year Ending March 31, 2003

A projected recovery in the domestic economy on the back of bolstered exports in the second half of the year is expected to be mild. Private capital investment is forecast to slacken from the previous fiscal year over concerns of excess equipment. Prospects for major financing of public spending are also doubtful amid slashing of public financing budgets. Overseas, the U.S. economy is expected to enter a recovery faster than projected following further gains made in inventory adjustments. But the degree to which cutbacks in capital investment by companies are expected to hamper a full-blown recovery is as yet unpredictable.

The ease with which the European and Asian economies can be sent into a slowdown based on the conditions in the U.S. economy warrants more cautious study of potential future developments.

The above conditions are forecast to produce net sales of ¥1,020.0 billion, operating income of ¥34.0 billion and net income of ¥6.0 billion on a consolidated basis for the current fiscal year.

On a non-consolidated basis, projections call for net sales of ¥690.0 billion, operating income of ¥29.0 billion and net income of ¥6.0 billion.


Mototsugu Ito

Basic Management Policy

Based on the corporate philosophy of "Using technology for the benefit of society," IHI and Group companies have contributed to the creation of wealth in society by providing a diverse range of products and services that support social infrastructure through industrial machinery and transportation equipment in such areas as bridge building, materials handling machinery and logistics systems, steel manufacturing machinery, power plants, cement plants, environmental equipment, ships, aero-engines and aerospace development equipment.

With this philosophy in mind and based on its prime role of ensuring customer satisfaction, the Company aims to work in building stronger ties with customers in areas that afford direct contact to further refine technologies and product quality toward addressing the current needs of customers.

Management Policy 2002

In continuation with its Management Policy 2001 plan established last year, IHI established Management Policy 2002 as a three-year framework for the years spanning from April 1, 2002 to March 31, 2005 geared toward coping with the rapid changes affecting the Company's operations. The plan draws on the Company's core policies during this period of 1) raising corporate value with earnings-dominated management, 2) overhauling the operational structure centered on consolidated management, 3) bolstering efforts in promising new businesses by shifting management resources away from mature fields and 4) instituting a management approach that strives for satisfaction among its customers, shareholders and employees. Consolidated targets under this policy for the fiscal year ending March 31, 2005 call for orders of ¥1,220.0 billion, net sales of ¥1,200.0 billion, return on invested capital (ROIC) of 5% and a decrease in interest-bearing debt to ¥470.0 billion.

While the coming environment is bound to be a trying one, IHI intends to overcome these difficult times and pursue Companywide and Groupwide expansion by steadily implementing and advancing various measures at a more accelerated pace.

June 27, 2002

Mototsugu Ito

Mototsugu Ito
President and Chief Executive Officer

Q We would like to ask you about IHI's performance in each business segment. First, could you discuss the business results in your land-based operations, which serve as the core of your operations?

A In Industrial Machinery and Steel Structure Operations, overall sluggish conditions persisted in the domestic market, mirroring such factors as successive reviews of and delays in public works projects as well as continued lackluster private capital investment. Moreover, intensifying price competition created a generally harsh environment for securing orders in export markets. Although we engaged in vigorous activities to secure new orders under these conditions, new orders declined 29.6% from the previous fiscal year to ¥165.8 billion. Net sales retreated 2.5% to ¥225.1 billion. As a result, orders in hand declined 22.0% from the previous fiscal year-end to ¥273.8 billion, and an operating loss of ¥2.4 billion was recorded.

In Energy, Environment and Plant Operations, overall difficult conditions prevailed throughout the fiscal year, owing to intensifying price competition and a further contraction of the domestic market resulting from the long-term slump in the domestic economy as well as excess facilities. Harsh conditions also plagued export markets.

Amid this operating environment, although we worked energetically to secure orders, new orders shrank 17.4% from the previous fiscal year to ¥172.2 billion. Sales declined 4.4% to ¥294.0 billion. As a result, orders in hand declined 23.3% from the previous fiscal year-end to ¥432.6 billion. Operating income amounted to ¥14.8 billion.

In Standard Machinery and Other Operations, although we offered several types of promising products that are expected to buoy a large expansion of markets both in Japan and overseas, generally harsh conditions prevailed in these markets amid mounting price competition. Under these conditions, our aggressive activities to secure new orders yielded a 2.0% gain in new orders to ¥229.2 billion. However, net sales dipped 2.8% to ¥223.1 billion. Due to the above developments, orders in hand at the end of the fiscal year rose 11.3% from the end of the previous fiscal year to ¥86.4 billion. Operating income amounted to ¥6.6 billion.

Q How was your performance in Aero-Engine and Space Operations, a sector expected to achieve steady growth in the future?

A In Aero-Engine and Space Operations, there was a trend toward reducing defense budgets, while the terrorist attacks in the United States and the slowdowns in the U.S. and European economies dampened demand for aircraft in private-sector markets. However, the effects of these developments on our operations were relatively benign. Energetic efforts to obtain orders within this environment led to orders from the Japan Defense

Agency (JDA) for F110 engines and F100 engine parts. In private-sector markets, we obtained orders for V2500 engines, GE90 engines, and CF34 engines. These orders, coupled with orders for aerospace-related devices, buoyed a 7.9% increase in total orders from the previous fiscal year to ¥242.2 billion. In contrast, sales edged downward 0.4% to ¥232.9 billion. Orders in hand at the end of the fiscal year rose 4.4% from the end of the previous fiscal year-end to ¥392.1 billion. Operating income in this segment amounted to ¥6.3 billion.

Q Could you discuss the business results of the Shipbuilding and Offshore Operations, for which there is concern about a decline in international competitiveness?

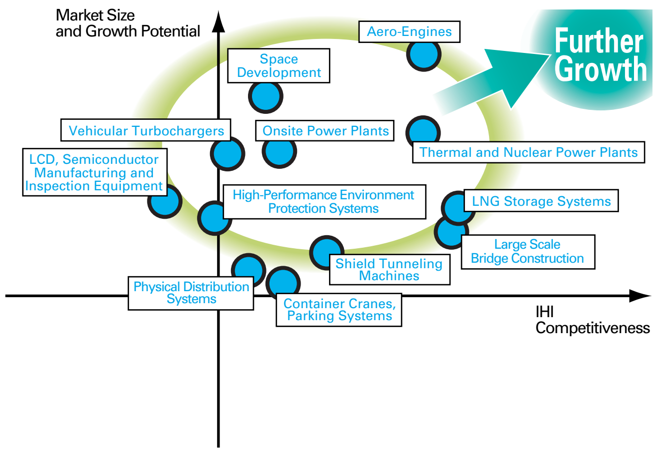
A In Shipbuilding and Offshore Operations, the volume of orders for new shipbuilding continued to be robust. Nevertheless, with the direction of the world economy becoming uncertain in the wake of the terrorist attacks in the United States, the volume of marine freight stagnated and shipping fees declined as ship owners began taking a wait-and-see approach and new orders declined.

Under these conditions, we secured orders for nine ships totaling 1.21 million deadweight tons. These orders included three large-scale tankers, four large-scale container ships and one destroyer. We also received orders for ship repairs and a floating LPG production facility. Total orders for the fiscal year declined 10.3% to ¥133.0 billion. Sales declined 5.0% to ¥107.0 billion. During the fiscal year we completed a total of 15 ships weighing 1.93 million deadweight tons. These included four large-scale tankers, three large-scale bulk carriers, one container ship and one destroyer. As a result, orders in hand, including work on 24 new ships with a weight of 2.82 million deadweight tons, increased 11.5% from the end of the previous fiscal year to ¥250.3 billion. Operating income for the fiscal year was ¥1.7 billion.

Q IHI is implementing structural reforms under Management Policy 2002. How is IHI progressing with these reforms of its business structure?

A In April 2002, IHI reorganized its five land-based business divisions into three business divisions. This reorganization was aimed at raising the efficiency of its operations and speeding decision-making while achieving various synergies to bolster technological and marketing capabilities. Also under this restructuring, IHI is strengthening lines of responsibility and authority in each business division and promoting greater independence and autonomy as well as raising profits in each division. As an additional measure, in fiscal 2003 we intend to introduce a new performance-based evaluation system for each division that will emphasize return on investment capital (ROIC), cash flows and income. We will also maintain our efforts to streamline our headquarters. The Company will place even greater emphasis on selection and concentration for each business unit, including consolidated subsidiaries and affiliated companies, and with a view to consolidated operations, will proceed with a reorganization of businesses of consolidated subsidiaries and affiliated companies that handle different functions. We are also considering tie-ups with other companies and are rebuilding our businesses to achieve optimal business structures for operation of business units.

Concentrating Principal Resources
in Promising New Fields



Q What are your plans for further developing your land-based operations?

A In our land-based operations, we demonstrated our determination to secure new orders and expand our market share in Asia for turbochargers by establishing a joint venture in Thailand in February 2002 with Toyota Motor Corporation. The joint venture will engage in the manufacture and sale of turbochargers.

On a different front, in March 2002 IHI and Nippon Steel Corporation concluded an agreement to establish a business tie-up aimed at strengthening competitiveness in businesses related to the construction and renovation of blast furnaces. In our onsite power supply business, in April we dispatched deputy preservation administrators to Niigata Engineering Co., Ltd., which has begun procedures to file for rehabilitation under the Corporate Rehabilitation Law. IHI is considering certain collaborations in the diesel engine and pharmaceutical plant business of Niigata Engineering under the previously mentioned law.

Q Could you explain your plans for achieving further growth in your Aero-Engine and Space Operations?

A In Aero-Engine and Space Operations, in fiscal 2003 IHI will merge its space development business—excluding a portion of this business—with the operations of IHI Aerospace Co., Ltd., which took over the Aerospace Division of Nissan Motor Co., Ltd. in 2000. By merging these businesses, we are intending to achieve synergies in this field.

Q Would you please discuss the future business activities of your Shipbuilding and Offshore Operations?

A On October 1, 2002, IHI will spin off its Shipbuilding and Offshore Operations, which has been facing a harsh environment, into a separate company. These operations will be taken over by Marine United Inc. (MU) (name to be changed to IHI Marine United Inc. (IHI MU)), a joint venture between IHI and Sumitomo Heavy Industries, Ltd. By spinning off these operations in this manner, IHI seeks to further rationalize its operations and strengthen its competitiveness.

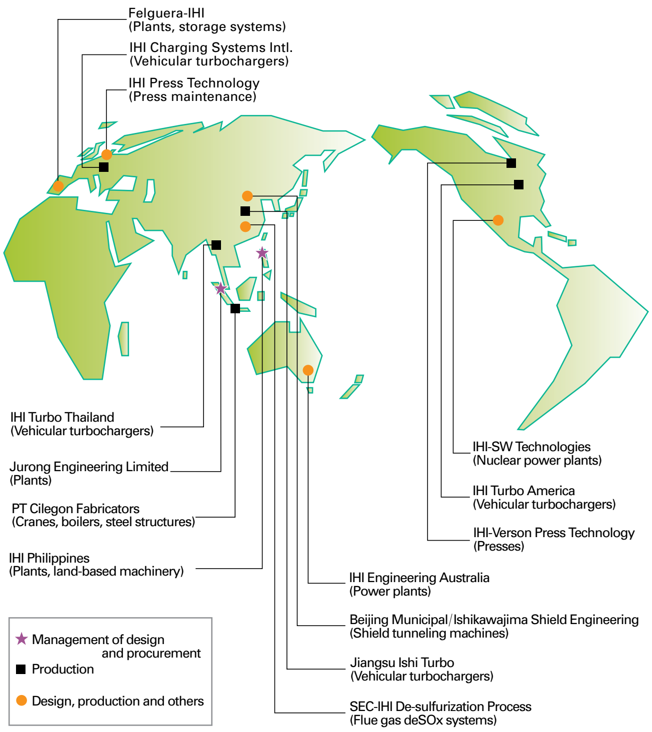
Q What measures is IHI taking to reinforce cost competitiveness?

A In April 2002, we established our Procurement Strategics as a Companywide procurement promotion center. During the three-year period until fiscal 2004, IHI aims to reduce its Companywide procurement costs by 20%. The department also functions as a center for securing information and promoting an expansion of overseas procurement. IHI also seeks to prune fixed costs by more than 15% over the three-year period to fiscal 2004.

Q Could you talk about your strategy for expanding orders amid a continued harsh business environment?

A IHI has designated such products as large-scale bridge construction, LNG shipping and receiving terminals, power plants and port-loading and unloading facilities as strategic product categories. Accordingly, we have formulated a team to expand orders for products in these categories as well as work to increase large-scale exports. We will also carry out proposal-oriented marketing for systems, centering on those for use in energy and environment fields as well as logistics. Concurrently, we will create solution businesses in response to the various problems facing our customers as well as expand our lifecycle business, which includes our components and maintenance businesses.

Further Utilizing Overseas Bases to Reduce Costs and Increase New Orders



Q What is IHI's approach to cultivating new businesses and rebuilding its technology development capabilities?

A IHI is progressing with M&A activities in businesses that extend beyond the domains of the IHI Group's business fields, with these activities being spearheaded by the Corporate Business Development Division. As part of our approach to new businesses, in fiscal 2001 we took an important step in expanding our vacuum heat-treating furnace business by acquiring JH Corporation, a top manufacturer of vacuum carburizing treatment furnaces, and made this company an IHI subsidiary. IHI also acquired solar-battery plasma chemical vapor deposition (CVD) equipment and related technologies from Anelva Corporation. The Technological Development and Engineering Center engages in research on basic technology while serving as the R&D center for the entire IHI Group. We are also accelerating our product development in overlapping fields as well as fields of leading-edge technologies. We are progressing with the use of IT and making greater use of IT in our business operations as well as proceeding with the development of businesses and products that utilize IT and create new businesses that use IT.

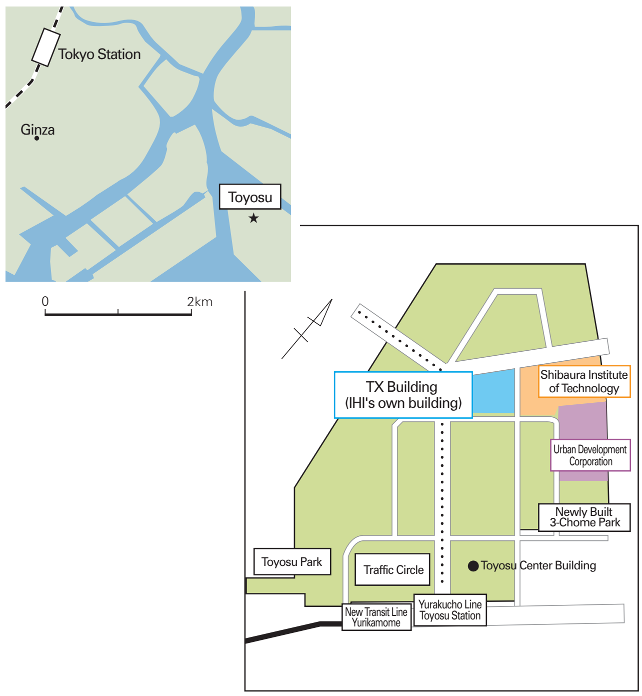
Q How is IHI improving and strengthening its financial structure?

A With an emphasis on cash flows and the efficiency of capital, we will improve and strengthen our financial structure and achieve our targets for ROIC and interest-bearing liabilities. Specific measures to be taken include reducing procurement and fixed costs, implementing close monitoring of cash receipts and payments, liquidating inventories and obligations, disposing of and efficiently using fixed assets and investments and financing, efficiently utilizing the Group's internal funds and selectively making investments.

Q IHI now possesses idle land near the center of Tokyo that represents a highly valuable asset. What are your plans for the reuse and redevelopment of this land?

A Based on the "Policy for the Redevelopment of IHI-Owned Land in the Toyosu District," which was formulated in November 2001, IHI formed a contract with the Urban Development Corporation and the Shibaura Institute of Technology to sell a portion of Company-owned land in Tokyo situated just over two kilometers from Tokyo's business and entertainment districts and occupying the site of a former IHI plant in Toyosu, which faces Tokyo Bay. The sale of this land paves the way for realizing the concept of the Toyosu-district redevelopment plan, namely creating a new 21st-century urban-type housing environment and establishing a base for facilitating ties between industry and academia. While utilizing an outstanding environment that includes close proximity to central Tokyo and excellent vistas, the large-scale waterfront project will create high-quality living space that responds to a diverse range of lifestyles, with the aim of promoting greater closeness between residential areas and workplaces. At the same time, IHI is aiming to create a novel 21st-century industrial base with an unprecedented range of original features that have never been part of any urban development project to date, as it works vigorously to promote an interchange between people, facilitate joint research and cultivate venture companies. With the formation of this contract, this project has now gotten under way, and the opening of the planned town is scheduled for 2006.

Expanding New Business Through Large-Scale Redevelopment of Former IHI Plant



Note: The amounts for sales, orders, orders in hand and operating income do not include intersegment transactions and transfers.

Consolidated Six-Year Summary

	Millions of yen					
	2002	2001	2000	1999	1998	1997
For the year:						
Net sales	**¥1,082,402**	¥1,114,817	¥ 995,063	¥1,053,896	¥1,089,321	¥1,071,857
Cost of sales	**932,415**	951,290	878,067	909,376	917,107	894,342
Gross profit	**149,987**	163,527	116,996	144,520	172,214	177,515
Operating income (loss)	**27,233**	39,947	(5,825)	17,895	42,144	49,851
Income (loss) before income taxes and minority interests	**11,487**	18,148	(127,630)	14,236	33,429	37,708
Net income (loss)	**5,539**	9,205	(78,998)	5,818	15,579	13,720
At year end:						
Total assets	**¥1,422,110**	¥1,481,841	¥1,413,453	¥1,322,216	¥1,334,800	¥1,333,463
Current assets	**886,738**	943,852	958,306	958,391	978,518	985,023
Net property, plant and equipment	**307,677**	295,775	275,738	268,711	266,607	258,518
Current liabilities	**791,496**	825,103	848,397	823,809	901,889	937,047
Long-term liabilities	**427,087**	439,179	386,221	270,815	203,300	174,757
Total shareholders' equity	**187,589**	201,349	162,796	210,801	212,960	205,443
Amount per share						
Net income (loss)	**¥ 4.27**	¥ 7.09	¥ (60.84)	¥ 4.48	¥ 12.00	¥ 10.57
Cash dividends	**3.00**	3.00	—	6.00	6.00	6.00
Shareholders' equity	**144.5**	155.1	125.4	162.4	164.1	158.3
Other data						
Number of employees	**22,980**	24,311	24,363	24,719	—	—
Number of shares issued (millions)	**1,298**	1,298	1,298	1,298	1,298	1,298

Contents

Operating Results

During the fiscal year under review, IHI's consolidated net sales slipped 2.9% to ¥1,082.4 billion. Sales fell in every business segment. Domestic sales decreased 6.3% to ¥835.3 billion, accounting for 77.2% of consolidated net sales, compared with 79.9% last term.

Cost of sales as a percentage of net sales rose from 85.3% in the previous year to 86.1%. Gross profit, however, decreased 8.3% to ¥150.0 billion. Selling, general and administrative expenses slipped 0.7% to ¥122.8 billion, and as a percentage of net sales were nearly constant at 11.3%, compared with 11.1% in the previous term. As a result of the foregoing, operating income fell 31.8% to ¥27.2 billion.

Turning to the performance of industry segments, sales of industrial machinery and steel structure operations totaled ¥246.5 billion, representing 22.8% of net sales. This segment posted an operating loss of ¥2.6 billion. In energy, environment and plant operations, sales were ¥301.8 billion, or 27.9% of net sales. Operating income for the segment was ¥15.7 billion. Standard machinery and other operations turned in sales of ¥247.8 billion, which was 22.9% of net sales. Operating income in this segment was ¥6.8 billion. Aero-engine and space operations recorded sales of ¥237.2 billion, accounting for 21.9% of net sales. Operating income for the segment was ¥6.4 billion. Sales in the shipbuilding and offshore operations segment were ¥108.4 billion, or 10.0% of net sales. Operating income totaled ¥1.7 billion.

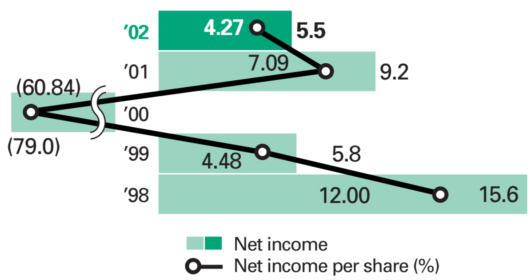
Interest expense exceeded interest and dividend income by ¥2.3 billion, down from ¥3.5 billion in the previous fiscal year. Other, net expenses declined again during the term under review, contracting from ¥18.3 billion in the previous fiscal year to ¥13.4 billion. Despite this, income before income taxes and minority interests fell 36.7% to ¥11.5 billion.

Current income taxes fell 41.3% to ¥6.6 billion, and deferred income taxes of ¥0.6 billion were recorded, down from ¥2.5 billion in the previous term. Net income fell 39.8% to ¥5.5 billion. Net income per share fell 39.8% to ¥4.27. Cash dividends for the fiscal year remained constant at ¥3.00 per share.

Cash Flows

Net cash provided by operating activities stood at ¥19.2 billion. Principal sources of cash included net income before income taxes of ¥11.5 billion, depreciation and amortization of ¥35.6 billion and decrease in inventories of ¥30.2 billion.

Net Income and
Net Income per Share
(billions of yen/%)



Net cash used in investing activities was ¥29.6 billion, down from ¥60.6 billion in the previous fiscal year. The largest use of cash was purchases of property, plant and equipment and intangible fixed assets of ¥44.3 billion.

Net cash used in financing activities totaled ¥2.1 billion. The most significant source of cash was proceeds from issuance of long-term debt of ¥48.6 billion, and the principle use of cash was repayment of long-term debt of ¥50.8 billion.

As a result of the factors outlined above, cash and cash equivalents at the end of the year totaled ¥111.1 billion.

Financial Position

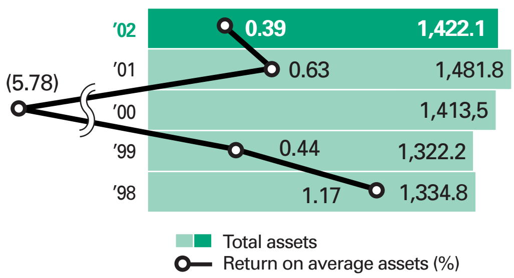
IHI's basic financial strategy is to maintain a sound financial position by covering investments with funds from operating activities, supplemented by external financing on a need basis.

IHI made capital expenditures of ¥50.2 billion during the fiscal year under review. Depreciation and amortization totaled ¥35.6 billion, and interest-bearing debt (defined as short-term loans and current portion of long-term loans and debentures, and long-term loans and debentures) declined 1.1% to ¥450.1 billion.

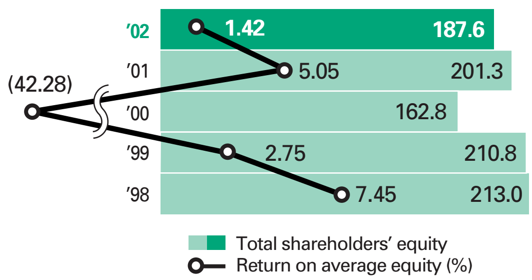
Cash and time deposits rose 42.2% to ¥92.7 billion, while marketable securities were reduced by 73.9% to ¥13.5 billion, and deferred income taxes in current assets edged down 7.4% to ¥20.8 billion. However, trade receivables decreased 9.8% to ¥320.4 billion, and together with the aforementioned reduction in marketable securities and an increase in the allowance for doubtful receivables, that resulted in a 6.1% contraction in total current assets to ¥886.7 billion. Following a 7.3% increase in the previous fiscal year, net property, plant and equipment grew 4.0% to ¥307.7 million. Total investments edged down 6.3% to ¥212.6 million as a result of the contraction in investment securities. Total assets, as a result of the above developments, edged down 4.0% to ¥1,422.1 billion.

Total current liabilities edged down 4.1% to ¥791.5 billion, chiefly as the result of declines in trade payables and advances from customers, but the contraction of long-term loans and debentures and of the allowance for employees' retirement benefits brought a 2.8% decline in total long-term liabilities to ¥427.1 billion. Total shareholders' equity edged down 6.8% to ¥187.6 billion.

Total Assets and Return on Average Assets
(billions of yen/%)



Total Shareholders' Equity and Return on Average Equity
(billions of yen/%)



Consolidated Balance Sheets

March 31, 2002 and 2001
Ishikawajima-Harima Heavy Industries Co., Ltd., and Consolidated Subsidiaries

	March 31		
	2002	2001	2002
	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS			
Current assets:			
Cash and time deposits (Note 7)	¥ 92,747	¥ 65,215	$ 696,038
Marketable securities (Note 3)	13,544	51,913	101,644
Trade receivables (Note 7)	320,426	355,189	2,404,698
Less allowance for doubtful receivables	(3,132)	(1,734)	(23,505)
Inventories (Notes 4 and 7)	378,728	403,921	2,842,235
Deferred income taxes (Note 9)	20,775	22,442	155,910
Other current assets	63,650	46,906	477,674
Total current assets	886,738	943,852	6,654,694
Property, plant and equipment (Notes 5 and 7):			
Buildings and structures	285,719	278,981	2,144,233
Machinery and equipment	413,196	398,576	3,100,908
Land (Note 13)	84,956	83,987	637,568
Construction in progress	7,522	6,026	56,450
Less accumulated depreciation	(483,716)	(471,795)	(3,630,139)
Net property, plant and equipment	307,677	295,775	2,309,020
Intangible assets	15,072	15,283	113,111
Investments:			
Investment securities (Notes 3 and 7)	118,014	146,310	885,659
Deferred income taxes (Note 9)	48,358	34,701	362,912
Other	60,369	60,281	453,051
Less allowance for doubtful receivables	(14,118)	(14,361)	(105,951)
Total investments	212,623	226,931	1,595,671
Total assets	¥1,422,110	¥1,481,841	$10,672,496

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	March 31		
	2002	2001	2002
	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade payables	¥ 299,209	¥ 308,471	$ 2,245,471
Short-term loans (Notes 6 and 7)	172,494	177,519	1,294,514
Current portion of long-term loans and debentures (Notes 6 and 7)	62,329	42,309	467,760
Commercial paper (Note 6)	10,000	—	75,047
Advances from customers	132,703	197,681	995,895
Accrued income taxes	3,568	10,060	26,777
Accrued expenses (Note 8)	55,451	54,414	416,143
Reserve for loss on sales contracts	2,483	1,926	18,634
Other current liabilities	53,259	32,723	399,692
Total current liabilities	791,496	825,103	5,939,933
Long-term liabilities:			
Long-term loans and debentures (Notes 6 and 7)	215,292	235,081	1,615,700
Allowance for employees' retirement benefits (Note 16)	165,480	172,053	1,241,876
Deferred tax liabilities from revaluation of land (Note 13)	4,189	4,189	31,437
Other long-term liabilities	42,126	27,856	316,143
Total long-term liabilities	427,087	439,179	3,205,156
Contingent liabilities (Note 11)			
Minority interests in consolidated subsidiaries	15,938	16,210	119,610
Shareholders' equity:			
Common stock			
Authorized: 3,300,000,000 shares			
Issued: 1,298,495,718 shares	64,925	64,925	487,242
Capital surplus	15,597	15,756	117,051
Retained earnings	89,725	88,073	673,358
Unrealized holding gain on other securities	18,867	34,509	141,591
Foreign exchange translation adjustments	(1,523)	(1,914)	(11,430)
Less treasury stock, at cost	(2)	(0)	(15)
Total shareholders' equity	187,589	201,349	1,407,797
Total liabilities and shareholders' equity	¥1,422,110	¥1,481,841	$10,672,496

Consolidated Statements of Income

Years ended March 31, 2002 and 2001
Ishikawajima-Harima Heavy Industries Co., Ltd., and Consolidated Subsidiaries

	Year ended March 31		
	2002	2001	**2002**
	Millions of yen		Thousands of U.S. dollars (Note 1)
Net sales	**¥1,082,402**	¥1,114,817	**$8,123,092**
Cost of sales (Note 10)	**932,415**	951,290	**6,997,486**
Gross profit	**149,987**	163,527	**1,125,606**
Selling, general and administrative expenses (Note 10)	**122,754**	123,580	**921,231**
Operating income	**27,233**	39,947	**204,375**
Other income (expense):			
Interest and dividend income	**3,486**	3,124	**26,161**
Interest expense	**(5,807)**	(6,584)	**(43,580)**
Other, net (Note 12)	**(13,425)**	(18,339)	**(100,750)**
Income before income taxes and minority interests	**11,487**	18,148	**86,206**
Income taxes:			
Current	**(6,644)**	(11,316)	**(49,861)**
Deferred	**625**	2,451	**4,690**
Income before minority interests	**5,468**	9,283	**41,035**
Minority interests in consolidated subsidiaries	**71**	(78)	**533**
Net income	**¥ 5,539**	¥ 9,205	**$ 41,568**

	Yen		U.S. dollars (Note 1)
Amounts per share:			
Net income	**¥ 4.27**	¥ 7.09	**$ 0.032**
Cash dividends	**3.00**	3.00	**0.023**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2002 and 2001
Ishikawajima-Harima Heavy Industries Co., Ltd., and Consolidated Subsidiaries

	(Thousands)	(Millions of yen)					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on other securities	Foreign exchange translation adjustments	Treasury stock, at cost
Balance at March 31, 2000	1,298,495	¥64,925	¥14,861	¥83,010	¥ —	¥ —	¥ 0
Net income for the year	—	—	—	9,205	—	—	—
Capitalization of revaluation excess	—	—	895	—	—	—	—
Increase resulting from inclusion of subsidiaries in consolidation	—	—	—	679	—	—	—
Decrease resulting from inclusion of affiliates accounted for by the equity method	—	—	—	(634)	—	—	—
Decrease resulting from exclusion of subsidiary accounted for by the equity method	—	—	—	(80)	—	—	—
Cash dividends	—	—	—	(3,895)	—	—	—
Change for the year	—	—	—	—	34,509	(1,914)	—
Bonuses to directors and corporate auditors	—	—	—	(212)	—	—	—
Balance at March 31, 2001	1,298,495	64,925	15,756	88,073	34,509	(1,914)	0
Net income for the year	—	—	—	5,539	—	—	—
Transfer from capital surplus	—	—	(159)	159	—	—	—
Decrease resulting from inclusion of subsidiaries in consolidation	—	—	—	(1)	—	—	—
Cash dividends	—	—	—	(3,895)	—	—	—
Change for the year	—	—	—	—	(15,642)	391	—
Purchase of treasury stock	—	—	—	—	—	—	(2)
Bonuses to directors and corporate auditors	—	—	—	(150)	—	—	—
Balance at March 31, 2002	**1,298,495**	**¥64,925**	**¥15,597**	**¥89,725**	**¥18,867**	**¥(1,523)**	**¥(2)**
		(Thousands of U.S. dollars) (Note 1)					
Balance at March 31, 2001		$487,242	$118,244	$660,962	$258,979	$(14,364)	$ 0
Net income for the year		—	—	41,568	—	—	—
Transfer from capital surplus		—	(1,193)	1,193	—	—	—
Decrease resulting from inclusion of subsidiaries in consolidation		—	—	(8)	—	—	—
Cash dividends		—	—	(29,231)	—	—	—
Change for the year		—	—	—	(117,388)	2,934	—
Purchase of treasury stock		—	—	—	—	—	(15)
Bonuses to directors and corporate auditors		—	—	(1,126)	—	—	—
Balance at March 31, 2002		**$487,242**	**$117,051**	**$673,358**	**$141,591**	**$(11,430)**	**$(15)**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001
Ishikawajima-Harima Heavy Industries Co., Ltd., and Consolidated Subsidiaries

	Year ended March 31		
	2002	2001	2002
	Millions of yen		Thousands of U.S. dollars (Note 1)
Operating Activities:			
Net income before income taxes	¥ 11,487	¥ 18,148	$ 86,206
Depreciation and amortization	35,552	38,914	266,807
Amortization of long-term prepaid expenses	3,567	3,563	26,769
Increase (decrease) in allowance for bad debts	1,299	(1,080)	9,749
Increase (decrease) in allowance for employees' bonuses	(1,275)	932	(9,568)
Increase (decrease) in reserve for guaranteed contracts	(1,074)	1,854	(8,060)
Increase (decrease) in accrued losses on sales contracts	557	(8,023)	4,180
Decrease in accrued employees' retirement allowances	(6,589)	(6,247)	(49,448)
Interest and dividends income	(3,486)	(3,124)	(26,161)
Interest expense	5,807	6,584	43,580
Loss (gain) on foreign exchange	(103)	125	(773)
Loss (gain) on disposal of property, plant and equipment	(4,644)	1,565	(34,852)
Gain on sale of marketable and investment securities	(230)	(2,186)	(1,726)
Loss on valuation of marketable and investment securities and golf club memberships	5,515	4,018	41,388
Equity in losses of affiliates	605	26	4,540
Changes in operating assets and liabilities			
Notes and accounts receivable	34,787	(49,897)	261,066
Advances received	(63,820)	(59,904)	(478,949)
Inventories	30,246	53,606	226,987
Advance payments	(8,223)	12,926	(61,711)
Notes and accounts payable	(9,331)	9,282	(70,026)
Other current assets	1,966	(1,455)	14,754
Other current liabilities	5,345	8,415	40,113
Accrued consumption taxes	(1,717)	2,516	(12,886)
Directors' and corporate auditors' bonuses	(236)	(156)	(1,771)
Others	(83)	(26)	(623)
Subtotal	35,922	30,376	269,585
Interest and dividends received	3,572	3,737	26,807
Interest paid	(5,616)	(6,341)	(42,146)
Income taxes paid	(14,645)	(5,161)	(109,906)
Net cash provided by operating activities	19,233	22,611	144,340
Investing Activities:			
Net increase in time deposits due in more than three months	(111)	(34)	(833)
Purchases of marketable and investment securities	(6,867)	(3,867)	(51,535)
Proceeds from sale of marketable and investment securities	598	4,492	4,488
Outlay from transfer of aerospace division from Nissan Motor Co., Ltd.	—	(30,592)	—
Purchases of property, plant and equipment and intangible fixed assets	(44,304)	(36,787)	(332,488)
Proceeds from sale of property, plant and equipment	17,045	2,274	127,917
Net increase in short-term loan receivables	(617)	(239)	(4,630)
Increase in long-term loan receivables	(1,460)	(2,234)	(10,957)
Decrease in long-term loan receivables	239	1,788	1,794
Decrease (increase) in other non-current assets	(2,206)	813	(16,555)
Increase in other fixed liabilities	8,099	3,773	60,780
Net cash used in investing activities	(29,584)	(60,613)	(222,019)

	Year ended March 31		
	2002	2001	2002
	Millions of yen		Thousands of U.S. dollars (Note 1)
Financing Activities:			
Net decrease in short-term debt	¥ (5,560)	¥ (4,047)	$ (41,726)
Net increase in commercial paper	10,000	—	75,047
Proceeds from issuance of long-term debt	48,602	71,170	364,743
Repayment of long-term debt	(50,815)	(46,507)	(381,351)
Proceeds from issuance of debentures	—	20,000	—
Purchase of treasury stock	(2)	—	(15)
Purchase of treasury stock of subsidiaries in consolidation	(113)	—	(848)
Dividends paid	(3,895)	—	(29,231)
Dividends paid to minority interests	(312)	(335)	(2,341)
Net cash provided by (used in) financing activities	(2,095)	40,281	(15,722)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	494	126	3,707
Net Increase (Decrease) in Cash and Cash Equivalents	(11,952)	2,405	(89,696)
Cash and Cash Equivalents, Beginning of Year	122,391	119,092	918,507
Increase in Cash and Cash Equivalents			
Due to Newly Consolidated Subsidiaries	624	894	4,683
Cash and Cash Equivalents, End of Year	¥111,063	¥122,391	$833,494

Note: A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets is as follows:

	March 31	
	2001	2000
	Millions of yen	
Cash and Cash Equivalents, Beginning of Year		
Cash and time deposits	¥ 65,215	¥100,507
Time deposits due in more than three months	(909)	(875)
Convertible time deposits included in marketable securities	21,700	—
Commercial paper including marketable securities	6,066	300
Investment trust including marketable securities	23,932	19,160
Sales under agreement to repurchase including marketable securities	6,387	—
Cash and Cash Equivalents	¥122,391	¥119,092

	March 31		
	2002	2001	2002
	Millions of yen		Thousands of U.S. dollars (Note 1)
Cash and Cash Equivalents, End of Year			
Cash and time deposits	¥ 92,747	¥ 65,215	$696,038
Time deposits due in more than three months	(1,020)	(909)	(7,655)
Convertible time deposits included in marketable securities	4,500	21,700	33,771
Commercial paper including marketable securities	1,498	6,066	11,242
Investment trust including marketable securities	7,339	23,932	55,077
Sales under agreement to repurchase included in other current assets (short-term loans)	5,999	6,387	45,021
Cash and Cash Equivalents	¥111,063	¥122,391	$833,494

1. Basis of financial statements

The accompanying consolidated financial statements of Ishikawajima-Harima Heavy Industries Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Companies") have been prepared from the financial statements filed with the Prime Minister as required by the Japanese Securities and Exchange Law in accordance with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan.

The Company has prepared the consolidated statements of shareholders' equity for the purpose of inclusion in this report, although such statements are not customarily prepared in Japan.

The Companies have adopted new accounting standards for consolidation, employees' retirement benefits, financial instruments and foreign currency transactions effective the year ended March 31, 2001, in the preparation of the consolidated financial statements.

The U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of U.S.$1=¥133.25, the rate of exchange prevailing on March 31, 2002. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. Significant accounting policies

(a) Scope of consolidation

The consolidated financial statements for the years ended March 31, 2002 and 2001 include the accounts of the Company and 52 and 51 subsidiaries, respectively.

For the years ended March 31, 2002 and 2001, 53 and 55 subsidiaries, respectively, were excluded from the scope of the consolidation. The exclusion of these subsidiaries has not had a material effect on the consolidated financial statements.

(b) Application of the equity method of accounting

The consolidated financial statements for the year ended March 31, 2002 and 2001, included 5 affiliates in the scope of the application of the equity method of accounting.

For the years ended March 31, 2002 and 2001, investments in 53 and 55 unconsolidated subsidiaries, respectively, and 34 affiliates for both years were stated at cost because they did not have a material effect on the consolidated financial statements.

(c) Consolidated subsidiaries having different fiscal year-ends

As Star Farm Machinery Mfg. Co., Ltd. closes its books of account annually on September 30, it prepares its interim financial statements for consolidation as of March 31.

IHI Inc., IHI Turbo America CO., KAISHO MARINE S.A., SOUTH-POINT MARINE S.A. and SUNNY RIVER LINE S.A. close their books of account annually on December 31, and no particular financial reports are prepared for consolidation to match the parent company's fiscal year. However, certain adjustments are made for important transactions occurring during the three months ended March 31.

(d) Sales recognition

Net sales from contracts are recognized at the time the contracts are completed, except that net sales for projects with construction lasting more than two years and revenue of more than ¥5 billion are recorded by the percentage-of-completion method.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.

(f) Inventories

Finished goods, work in process and contracts in process are stated principally at identified cost, and raw materials and supplies are stated at the lower of cost or market, cost being determined by the moving-average method.

(g) Securities

Held-to-maturity securities are either amortized or accumulated to face value by the straight-line method.

Investment securities in non-consolidated subsidiaries and affiliates are stated at cost as determined by the moving-average method.

Other securities with market prices available are carried at market value as of the balance-sheet data, with the cost of sale computed by the moving-average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of the shareholders' equity under "Net unrealized holding gain on the other securities."

Other securities without market price available are started at the cost by the moving-average method.

Effective the year ended March 31, 2001, the Companies adopted a new accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council (the "BADC") on January 22, 1999). The effect of this change was to decrease income before income taxes and minority interests by ¥845 million compared with the amount which would have been recorded by the method applied in the previous year.

This accounting standard for financial instruments requires the Companies to classify their securities into the following four categories: trading, held-to-maturity, non-consolidated affiliates and other. At the beginning of the year, the Companies reviewed the classification of all their securities. The Companies had no trading securities. Based on this classification, trading, held-to-maturity securities and other with a maturity of less than one year have been included in current assets. All other securities have been included in investment securities as non-current assets. As a result, securities in current assets decreased by ¥60,660 million and investment securities increased by ¥60,660 million at the beginning of the year.

(h) Property, plant and equipment and intangible assets
Depreciation of plant and equipment is principally computed by the declining-balance method.

However, depreciation of the Toyosu Center Building (office building for lease) held by the parent company, lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method. Previously computed by the declining-balance method, depreciation of lend-lease properties held by the parent company is now computed by the straight-line method from the period under review to more accurately reflect expenses and income. The effects of this change were immaterial. Amortization of intangible assets is computed by the straight-line method.

(i) Leases
Non-cancelable lease transactions of the Companies are accounted for by the operating lease accounting method regardless of whether such leases are classified as operating or finance leases, except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

(j) Financial instruments
The Companies do not hold derivative financial instruments for trading purposes. Derivative financial instruments held by the Companies are comprised principally of foreign exchange contacts to hedge currency risk and interest swaps to hedge interest risk.

Japanese GAAP provides for two general accounting methods for hedging financial instruments. One method is to recognize the changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The other method is to defer the gain or loss over the period of the hedging contract together with the offsetting loss or gain deferral of the hedged items. The Company and its consolidated subsidiaries have adopted the latter accounting method.

With forward foreign exchange contracts, however, the Company recognizes changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.

The amounts of interest income or expense under the swap agreements are accrued and recognized as interest related to the assets and liabilities over the contact period.

The Companies have entered into primarily interest-rate swap agreement and forward foreign exchange contacts, in order to hedge interest rate and foreign exchange risks.

The Companies use the above-defined method consistently throughout the hedge period, to assess at inception of the hedge and on an ongoing basis whether the ineffective part of the hedge is expected.

(k) Employees' retirement benefits
Allowance for employees' retirement benefits are provided for based on the projected retirement benefits obligation and the pension fund assets.

The transition differences from the initial adoption of the new accounting standard are amortized over five years in principle.

Actuarial losses (gains) are amortized (accumulated) from the next fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees.

Past service costs are amortized from the fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees.

Effective the year ended March 31, 2001, the Companies adopted a new accounting standard for retirement benefits ("Opinion Concerning Establishment of Accounting Standard for Retirement Benefits" issued by the BADC on June 1998). The effect of this charge was to decreases income before taxes and minority interests by ¥4,952 million compared with the amount which would have been recorded by the method applied in the previous year.

(l) Foreign currency translations
The assets, liabilities, income and expenses of overseas subsidiaries are translated at the exchange rates prevailing at the balance-sheet date. Translation differences are included as a component of shareholders' equity in foreign exchange translation adjustments.

Effective the year ended March 31, 2001, the Companies adopted a new accounting standard for foreign exchange translation ("Opinion Concerning Establishment of Accounting Standard for Retirement Benefits" issued by the BADC on October 1999). The effect of this charge was not material.

(m) Accrued losses on sales contracts

Among sales orders on hand at the balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, accrued losses on sales contracts are recognized at the estimated aggregate amount of such losses.

(n) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws, announced by the fiscal year-end.

(o) Elimination of intercompany investments and relevant shareholders' equity

At the date of acquisition, the cost of the Companies' investment in a subsidiary is allocated to the subsidiary's individual identifiable assets and liabilities on the basis of their fair value. Any difference between the cost of the Companies' investment and the Companies' share in the amount allocated to individual identifiable assets and liabilities is amortized through the estimated effective period of the investment, with the exception that when the amount of the resulting difference is immaterial, it is charged or credited to income as incurred.

(p) Appropriations of retained earnings

Appropriations of retained earnings with respect to each year ended March 31 are retroactively reflected in the consolidated financial statements for each applicable period on the assumption that the shareholders' approval relating to such appropriations is retroactively effective at each year end.

(q) Cash and cash equivalents

The Company and its subsidiaries substantially consider all highly liquid low risk investments purchased with original maturities of three months or less to be cash equivalents.

(r) Net income and dividends per share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each period. Cash dividends per share shown for each period in the consolidated statements of income represent the dividends applicable to the respective year.

3. Marketable securities and investment securities

A summary of held-to-maturity securities with market prices at March 31, 2001, was as follows:

	March 31		
	2001		
	Amount recorded in the balance sheet	Market prices	Difference
	(Millions of yen)		
Held-to-maturity securities whose market prices exceed their amount recorded in the balance sheet:			
Public bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	2,000	2,010	10
Total	¥2,000	¥2,010	¥10

A summary of held-to-maturity securities with market prices at March 31, 2002, was as follows:

	March 31					
	2002			**2002**		
	Amount recorded in the balance sheet	Market prices	Difference	Amount recorded in the balance sheet	Market prices	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Held-to-maturity securities whose market prices do not exceed their amount recorded in the balance sheet:						
Public bonds	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$ —**	**$ —**
Corporate bonds	**203**	**203**	**0**	**1,523**	**1,523**	**0**
Other	**2,000**	**1,964**	**(36)**	**15,009**	**14,739**	**(270)**
Total	**¥2,203**	**¥2,167**	**¥(36)**	**$16,532**	**$16,262**	**$(270)**

At March 31, 2001, other securities with stated market prices were summarized as follows:

	March 31 2001		
	Acquisition cost	Amount recorded in the balance sheet	Difference
	(Millions of yen)		
Others securities whose market values recorded in the balance sheet exceed their acquisition costs:			
Equity securities	¥52,423	¥113,881	¥61,458
Debt securities	3	4	1
Other	224	225	1
Subtotal	¥52,650	¥114,110	¥61,460
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:			
Equity securities	¥ 9,645	¥ 7,682	¥ (1,963)
Debt securities	2	2	0
Other	393	328	(65)
Subtotal	10,040	8,012	(2,028)
Total	¥62,690	¥122,122	¥59,432

At March 31, 2002, other securities with stated market prices were summarized as follows:

	March 31 2002			2002		
	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Others securities whose market values recorded in the balance sheet exceed their acquisition costs:						
Equity securities	¥30,444	¥69,385	¥38,941	$228,473	$520,713	$292,240
Debt securities	3	4	1	23	30	7
Other	—	—	—	—	—	—
Subtotal	¥30,447	¥69,389	¥38,942	$228,496	$520,743	$292,247
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities	¥27,847	¥21,339	¥ (6,508)	$208,983	$160,143	$ (48,840)
Debt securities	2	2	0	15	15	0
Other	297	296	(1)	2,229	2,221	(8)
Subtotal	28,146	21,637	(6,509)	211,227	162,379	(48,848)
Total	¥58,593	¥91,026	¥32,433	$439,723	$683,122	$243,399

A summary of other securities which were sold in the year ended March 31, 2001, was as follows:

	March 31, 2001		
	Selling prices	Amount of gain on sales	Amount of loss on sales
	(Millions of yen)		
Other securities	¥995	¥753	¥—

Because the total amounts of gains and losses on sales of securities for the year ended March 31, 2002 had little material effect, these amounts are omitted.

At March 31, 2002 and 2001, securities without stated market prices were mainly summarized as follows:

	March 31		
	2002	2001	2002
	Amount recorded in the balance sheet	Amount recorded in the balance sheet	Amount recorded in the balance sheet
	(Millions of yen)		(Thousands of U.S. dollars)
Held-to-maturity securities			
Negotiable certificates of deposit	¥ 4,500	¥20,700	$ 33,771
Commercial paper	1,498	3,466	11,242
Other	3,999	—	30,011
Other securities			
Bond investment trusts	3,137	23,232	23,542
Unlisted equity securities except for those traded on the over-the-counter market	13,689	10,101	102,732
Commercial paper	—	2,600	—
Negotiable certificates deposit	—	1,000	—
Other	¥ 8	¥ 499	$ 60

The contractual maturities of held-to-maturity and other securities as of March 31, 2001, were as follows:

	March 31		
	2001		
	Due within one year	Due after one year through five years	Due after five years
	(Millions of yen)		
Debt securities			
Public bonds	¥ —	¥ —	¥ —
Corporate bonds	—	2	4
Commercial paper	6,066	—	—
Other	—	—	2,000
Other			
Negotiable certificates of deposit	21,700	—	—
Other	499	138	100
Total	¥28,265	¥140	¥2,104

The contractual maturities of held-to-maturity and other securities as of March 31, 2002, were as follows:

	March 31					
	2002			2002		
	Due within one year	Due after one year through five years	Due after five years	Due within one year	Due after one year through five years	Due after five years
	(Millions of yen)			(Thousands of U.S. dollars)		
Debt securities						
Public bonds	¥ —	¥ —	¥ —	$ —	$ —	$ —
Corporate bonds	203	2	4	1,523	15	30
Commercial paper	1,498	—	—	11,242	—	—
Other	—	—	2,000	—	—	15,009
Other						
Negotiable certificates of deposit	4,500	—	—	33,771	—	—
Other	4,198	22	—	31,505	165	—
Total	¥10,399	¥24	¥2,004	$78,041	$180	$15,039

4. Inventories

Inventories at March 31, 2002 and 2001, were summarized as follows:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Finished goods	¥ 19,870	¥ 23,438	$ 149,118
Contracts in process	281,692	301,482	2,114,011
Work in process	20,084	23,672	150,724
Raw materials and supplies	57,082	55,329	428,383
Total	¥378,728	¥403,921	$2,842,236

5. Depreciation of plant and equipment

Depreciation of most plant and equipment is computed by the declining-balance method; however, the Company and certain consolidated subsidiaries partially adopt the straight-line method.

The estimated useful lives for depreciation of major items of plant and equipment are summarized as follows:

	March 31	
	2002	2001
	(Years)	
Buildings and structures:		
Metal-frame manufacturing buildings	31–38	31-38
Building berths	24	24
Docks	45	45
Machinery and equipment	10–12	10-12

6. Short-term bank loans, long-term loans, debentures and commercial paper

The weighted interest rates on short-term bank loans were 0.72 percent at March 31, 2002, and 0.98 percent at March 31, 2001.

Long-term loans and debentures at March 31, 2002 and 2001, consisted of the following:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Banks, insurance companies, bearing interest rates from 0.2 percent to 7.7 percent	¥161,452	¥160,232	$1,211,648
Government-owned banks, bearing interest rates from 2.1 percent to 5.8 percent	24,968	25,779	187,377
National and local government agencies, bearing interest rates from 0 percent to 0.3 percent	703	796	5,276
Debentures, bearing interest rates from 1.1 percent to 1.9 percent	90,000	90,000	675,422
Others, bearing interest rates from 0 percent to 5.6 percent	498	583	3,737
Commercial paper, bearing interest rates of 0.1 percent	10,000	—	75,047
Less current portion	(72,329)	(42,309)	(542,807)
Net long-term loans and debentures	¥215,292	¥235,081	$1,615,700

The aggregate annual maturities of long-term loans, debentures and commercial paper at March 31, 2002, were summarized as follows:

	March 31, 2002 (Millions of yen)	March 31, 2002 (Thousands of U.S. dollars)
Year ending March 31,		
2003	¥ 72,329	$ 542,807
2004	73,129	548,811
2005	41,787	313,598
2006	49,294	369,936
2007 and after	51,082	383,355
Total	¥287,621	$2,158,507

7. Assets pledged as collateral

The following assets were pledged as collateral at March 31, 2002 and 2001:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and time deposits	¥ 119	¥ 71	$ 893
Trade receivables	1,204	675	9,036
Inventories	3	3	23
Buildings and structures	1,880	1,803	14,109
Machinery and equipment	18,561	17,345	139,295
Land	9,100	9,016	68,293
Investment securities	658	788	4,938
Property, plant and equipment pledged as industrial factory foundation	17,111	16,376	128,413
Total	¥48,636	¥46,077	$365,000

The obligations collateralized by the above assets at March 31, 2002 and 2001, were as follows:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term bank loans	¥19,564	¥11,948	$146,822
Long-term debt	30,721	34,428	230,552
	¥50,285	¥46,376	$377,374

8. Accrued expenses

Included in accrued expenses were allowances for employees' bonuses of ¥21,086 million ($158,244 thousand) and ¥22,359 million at March 31, 2002 and 2001, respectively.

9. Deferred tax assets and liabilities

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2002 and 2001, were as follows:

	March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Allowances for employees' bonuses	**¥ 5,793**	¥ 4,837	**$ 43,475**
Accrued losses on sales contracts	**1,044**	810	**7,835**
Reserve for guaranteed contracts	**2,658**	3,086	**19,947**
Employees' retirement allowances	**53,094**	52,714	**398,454**
Elimination of unrealized profits	**6,516**	6,804	**48,901**
Net loss carried forward	**5,455**	4,594	**40,938**
Other	**18,598**	18,609	**139,572**
Valuation allowance	**(9,246)**	(8,938)	**(69,388)**
	83,912	82,516	**629,734**
Deferred tax liabilities:			
Depreciation	**372**	380	**2,792**
Unrealized holding gain on other securities	**13,567**	24,929	**101,816**
Other	**887**	142	**6,657**
	14,826	25,451	**111,265**
Net deferred tax assets	**¥69,086**	¥57,065	**$518,469**

10. Research and development expenses

Research and development expenses, included in product cost, and selling, general and administrative expenses, were ¥25,088 million ($188,278 thousand) and ¥22,644 million for the years ended March 31, 2002 and 2001, respectively.

11. Contingent liabilities

Contingent liabilities for trade notes receivable discounted and endorsed in the ordinary course of business amounted to ¥1,012 million ($7,595 thousand) and ¥1,090 million at March 31, 2002 and 2001, respectively.

Contingent liabilities for guarantees of debts of unconsolidated subsidiaries and others amounted to ¥19,681 million ($147,700 thousand) and ¥15,999 million at March 31, 2002 and 2001, respectively.

Contingent liabilities arising from similar guarantees of debts amounted to ¥26,283 million ($197,246 thousand) and ¥27,189 million at March 31, 2002 and 2001, of which ¥21,023 million ($157,771 thousand) and ¥20,314 million at March 31, 2002 and 2001, were for employee housing loans which were secured by life insurance and loan insurance, and therefore, the Companies were at low risk.

12. Other income (expense)—other, net

Other income (expense)—other, net consists of the following:

	Year ended March 31 2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Gain on sales of securities	¥ —	¥ 2,197	$ —
Gain on foreign exchange	2,364	3,957	17,741
Reversal of allowance for doubtful receivables	—	245	—
Write-downs of marketable and investment securities	(1,149)	(1,003)	(8,623)
Loss on disposal of property, plant and equipment	(5,046)	—	(37,869)
Equity in losses of unconsolidated subsidiaries and affiliates	(605)	(26)	(4,540)
Provision for allowance for doubtful receivables of affiliates	(894)	—	(6,709)
Provision for employees' retirement allowances for prior period	(4,511)	(5,476)	(33,854)
Extraordinary retirement benefits	(742)	(2,771)	(5,568)
Loss on valuation of investment securities	(4,353)	—	(32,668)
Gain on sale of land	9,422	—	70,710
Other, net	(7,911)	(15,462)	(59,370)
Total	¥(13,425)	¥(18,339)	$(100,750)

The above "Reversal of allowance for doubtful receivables" for 2001 is the total of ¥1,370 million ($11,057 thousand) of reversal and ¥1,125 million ($9,080 thousand) of provision.

The above "Provision for employees' retirement allowances for prior year" from 2001 related to the initial adoption of the new accounting standards in Japan.

The loss of ¥5,046 million in the above "Loss on disposal of property, plant and equipment" and the gain of ¥9,422 million in the above "Gain on sale of land" for 2002 related to the Toyosu area development project.

13. Revaluation of land

In accordance with the "Law Concerning Revaluation of Land" enacted on March 31, 1998, land used for business owned by one of the consolidated subsidiaries has been revalued.

"Defferred tax liabilities from revaluation of land" relates to this revaluation; and the minority interests related to the unrealized gain from revaluation, net of deferred tax, were included in ¥448 million ($3,362 thousand) and ¥450 million at March 31, 2002 and 2001, respectively. The remainder of the unrealized gain was included in capital surplus.

Book value of land before revaluation	¥ 2,532 million ($ 20,436 thousand)
Book value of land after revaluation	¥12,567 million ($101,429 thousand)
Dates of revaluation	March 31, 2000 and September 30, 2000

The difference between the market value of land at the end of the fiscal year that was revalued in the previous fiscal year and book value following revaluation was ¥1,546 million ($11,602 thousand) and ¥621 million at March 31, 2002 and 2001, respectively.

14. Leases

(a) Finance leases (Lessee)

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2002 and 2001, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for by the operating lease accounting method:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs:			
Buildings and structures	¥ 136	¥ 53	$ 1,021
Machinery and equipment	12,005	10,718	90,094
Others	223	141	1,674
Total	¥12,364	¥10,912	$92,789
Accumulated depreciation:			
Buildings and structures	¥ 19	¥ 27	$ 143
Machinery and equipment	4,969	5,516	37,291
Others	68	114	510
Total	¥ 5,056	¥ 5,657	$37,944
Net book value:			
Buildings and structures	¥ 117	¥ 26	$ 878
Machinery and equipment	7,036	5,202	52,803
Others	155	27	1,163
Total	¥ 7,308	¥ 5,255	$54,844

Concerning the above finance lease transactions, lease payments, estimated depreciation expense, which is calculated as ten-ninths of the amount computed by the declining-balance method over the respective lease terms and assuming a 10% scrap value, and estimated interest expense for the years ended March 31, 2002 and 2001, were as follows:

	Year ended March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments	¥2,245	¥1,965	$16,848
Estimated depreciation expense	2,298	1,698	17,246
Estimated interest expense	259	148	1,944

Future minimum lease payments subsequent to March 31, 2002 and 2001, for finance leases accounted for as operating leases were summarized as follows:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥2,080	¥1,829	$15,610
Thereafter	6,719	4,832	50,424
Total	¥8,799	¥6,661	$66,034

(b) Operating leases (Lessee)

The future minimum lease payments subsequent to March 31, 2002 and 2001, for non-cancelable operating leases were summarized as follows:

	March 31		
	2002	2001	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥ 514	¥ 513	$ 3,857
Thereafter	2,652	3,149	19,902
Total	¥3,166	¥3,662	$23,759

(c) Finance leases (Lessor)

The following amounts are the acquisition costs, accumulated depreciation and net book value of property leased to others under finance leases at March 31, 2002 and 2001, to which the Companies have adopted the operating lease accounting method:

	March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs:			
Buildings and structures	**¥7,417**	¥5,375	**$55,662**
Machinery and equipment	**2,290**	2,224	**17,186**
Others	**2**	1	**15**
Total	**¥9,709**	¥7,600	**$72,863**
Accumulated depreciation:			
Buildings and structures	**¥2,182**	¥1,897	**$16,375**
Machinery and equipment	**1,167**	1,171	**8,758**
Others	**0**	0	**0**
Total	**¥3,349**	¥3,068	**$25,133**
Net book value:			
Buildings and structures	**¥5,235**	¥3,478	**$39,287**
Machinery and equipment	**1,123**	1,053	**8,428**
Others	**1**	1	**8**
Total	**¥6,359**	¥4,532	**$47,723**

Concerning the above finance leases, the lease payments, depreciation expense and estimated interest income for the years ended March 31, 2002 and 2001, were as follows:

	Year ended March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Recorded lease payments	**¥868**	¥745	**$6,514**
Recorded depreciation expense	**505**	720	**3,790**
Estimated interest income, assuming that the finance lease accounting had been adopted	**347**	146	**2,604**

Future minimum lease payments subsequent to March 31, 2002 and 2001, for finance lease transactions accounted for by the operating lease accounting method were summarized as follows:

	March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	**¥ 533**	¥ 430	**$ 4,000**
Thereafter	**7,794**	5,293	**58,492**
Total	**¥8,327**	¥5,723	**$62,492**

(d) Operating leases (Lessor)

Future minimum lease payments subsequent to March 31, 2002 and 2001, for non-cancelable operating leases were summarized as follows:

	March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	**¥51**	¥141	**$383**
Thereafter	**10**	45	**75**
Total	**¥61**	¥186	**$458**

15. Derivatives

(a) Foreign currency

The Companies had no outstanding forward foreign exchange contracts in fiscal 2002 and 2001, as hedge accounting was applied to all derivative transactions.

(b) Interest rate

The Companies had no outstanding interest-rate swap agreements in fiscal 2002 and 2001, as hedge accounting was applied to all derivative transactions.

16. Retirement benefits

The Company and domestic subsidiaries have defined benefit pension plans and certain overseas subsidiaries have lump-sum retirement payment plans. In addition, an employee, if eligible, may receive additional payments under the plans.

The following information is a summary of the plans:

Retirement benefit obligation:

	March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	**¥(207,667)**	¥(202,404)	**$(1,558,477)**
Fair value of plan assets	**3,050**	2,969	**22,889**
Funded status	**(204,617)**	(199,435)	**(1,535,587)**
Unrecognized transition obligation	**13,532**	18,043	**101,553**
Unrecognized actuarial losses	**25,363**	9,339	**190,341**
Unrecognized past service costs	**242**	—	**1,816**
Obligation recognized in the consolidated balance sheet	**(165,480)**	(172,053)	**(1,241,876)**
Allowance for employees' retirement benefits	**¥(165,480)**	¥(172,053)	**$(1,241,876)**

Components of net periodic pension cost:

	Year ended March 31		
	2002	2001	**2002**
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost benefits earned during the year	**¥ 9,129**	¥ 8,603	**$ 68,510**
Interest cost on projected benefit obligation	**5,847**	6,725	**43,880**
Expected return on assets	**(37)**	(49)	**(278)**
Amortization of transition obligation	**4,511**	5,476	**33,854**
Amortization of actuarial losses	**718**	—	**5,388**
Amortization of past service costs	**21**	—	**158**
Additional payments	**1,003**	2,771	**7,527**
Net periodic pension cost	**¥21,192**	¥23,256	**$159,039**

	2002	2001
Assumptions used in the actuarial calculation were:		
Actuarial cost method:	**Projected unit credit method**	Projected unit credit method
Discount rate:	**2.50%**	3.00%
Expected rate of return:	**1.50%**	1.50%
Amortization period for past service costs (within the employees' average remaining years of service):	**10 years**	—
Amortization period for actuarial losses (within the employees' average remaining years of service):	**14 years**	14 years
Amortization period for transition obligation:	**5 years**	5 years

17. Segment information

(a) Industry segments

Industry segment information of the Companies for the years ended or as of March 31, 2002 and 2001, is shown below:

	Year ended or as of March 31, 2002							
	(1)	(2)	(3)	(4)	(5)	Total	Eliminations and Corporate	Consolidated
	(Millions of yen)							
Sales and operating income								
Sales to outside customers	¥225,151	¥294,080	¥223,156	¥232,944	¥107,071	¥1,082,402	¥ —	¥1,082,402
Intersegment sales and transfers	21,357	7,693	24,609	4,276	1,356	59,291	(59,291)	—
Total	246,508	301,773	247,765	237,220	108,427	1,141,693	(59,291)	1,082,402
Operating expenses	249,075	286,114	240,977	230,833	106,700	1,113,699	(58,530)	1,055,169
Operating income (loss)	¥ (2,567)	¥ 15,659	¥ 6,788	¥ 6,387	¥ 1,727	¥ 27,994	¥ (761)	¥ 27,233
Assets, depreciation expense and capital expenditures								
Assets	¥226,079	¥209,486	¥323,666	¥303,192	¥142,334	¥1,204,757	¥217,353	¥1,422,110
Depreciation expense	4,533	4,242	9,644	13,234	3,782	35,435	117	35,552
Capital expenditures	2,880	4,470	12,878	13,964	16,171	50,363	(165)	50,198

	Year ended or as of March 31, 2001							
	(1)	(2)	(3)	(4)	(5)	Total	Eliminations and Corporate	Consolidated
	(Millions of yen)							
Sales and operating income								
Sales to outside customers	¥230,911	¥307,628	¥229,641	¥233,953	¥112,684	¥1,114,817	¥ —	¥1,114,817
Intersegment sales and transfers	16,499	9,175	26,395	5,464	1,420	58,953	(58,953)	—
Total	247,410	316,803	256,036	239,417	114,104	1,173,770	(58,953)	1,114,817
Operating expenses	248,229	295,512	248,664	231,387	109,748	1,133,540	(58,670)	1,074,870
Operating income (loss)	¥ (819)	¥ 21,291	¥ 7,372	¥ 8,030	¥ 4,356	¥ 40,230	¥ (283)	¥ 39,947
Assets, depreciation expense and capital expenditures								
Assets	¥253,056	¥251,642	¥334,863	¥295,980	¥112,481	¥1,248,022	¥233,819	¥1,481,841
Depreciation expense	5,849	4,598	12,238	13,164	2,987	38,836	78	38,914
Capital expenditures	4,742	5,238	12,902	12,168	4,390	39,440	(83)	39,357

	Year ended or as of March 31, 2002							
	(1)	(2)	(3)	(4)	(5)	Total	Eliminations and Corporate	Consolidated
	(Thousands of U.S. dollars)							
Sales and operating income								
Sales to outside customers	$1,689,689	$2,206,979	$1,674,717	$1,748,173	$ 803,535	$8,123,092	$ —	$ 8,123,092
Intersegment sales and transfers	160,278	57,734	184,683	32,090	10,176	444,961	(444,961)	—
Total	1,849,966	2,264,713	1,859,400	1,780,263	813,711	8,568,053	(444,961)	8,123,092
Operating expenses	1,869,231	2,147,197	1,808,458	1,732,330	800,750	8,357,966	(439,250)	7,918,717
Operating income (loss)	$ (19,265)	$ 117,516	$ 50,942	$ 47,932	$ 12,961	$ 210,086	$ (5,711)	$ 204,375
Assets, depreciation expense and capital expenditures								
Assets	$1,696,653	$1,572,128	$2,429,013	$2,275,362	$1,068,173	$9,041,328	$1,631,167	$10,672,495
Depreciation expense	34,019	31,835	72,375	99,317	28,383	265,929	878	266,807
Capital expenditures	21,614	33,546	96,645	104,795	121,358	377,959	(1,238)	376,720

Notes: i The Companies operate in five industry segments as follows: —
(1) Industrial Machinery and Steel Structure Operations
Iron and steel manufacturing equipment, diesel engines, material handling systems, physical distribution and factory automation systems, bridges and others
(2) Energy, Environment and Plant Operations
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
(3) Standard Machinery and Other Operations
Mass-produced machinery, parking systems, agricultural machinery, construction machinery, financing and service industry and others
(4) Aero-Engine and Space Operations
Jet engines, space-related equipment and others
(5) Shipbuilding and Offshore Operations
Shipbuilding, ship repairs, offshore structures, marine transport and others
ii Operating expenses are entirely allocated to each industry segment.
iii Corporate assets, which amounted to ¥247,585 million ($1,858,049 thousand) and ¥268,415 million as of March 31, 2002 and 2001, respectively, mainly consisted of cash, time deposits, marketable securities and insurance premiums paid of the Company and deferred income taxes.
iv Consolidated operating expenses represent cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income.
v Effective April 1, 2000, the Company adopted new accounting standards for retirement benefits. Compared with previous accounting methods, the effect of this change was to decrease operating expenses of Industrial Machinery and Steel Structure Operations; Energy, Environment and Plant Operations; Standard Machinery and Other Operations; Aero-Engine and Space Operations; and Shipbuilding and Offshore Operations by ¥98 million ($791 thousand), ¥169 million ($1,364 thousand), ¥40 million ($323 thousand), ¥44 million ($355 thousand) and ¥70 million ($565 thousand), respectively, and to increase operating income by the same amounts.

(b) Overseas sales

	Year ended March 31, 2002					
	Europe	Asia	North America	Central and South America	Others	Total
	(Millions of yen)					
Overseas sales	**¥28,373**	**¥32,092**	**¥96,397**	**¥56,318**	**¥33,958**	**¥247,138**
Overseas sales as a percentage of consolidated net sales	**2.6%**	**3.0%**	**8.9%**	**5.2%**	**3.1%**	**22.8%**

	Year ended March 31, 2001					
	Europe	Asia	North America	Central and South America	Others	Total
	(Millions of yen)					
Overseas sales	¥32,111	¥37,875	¥68,614	¥62,648	¥22,402	¥223,650
Overseas sales as a percentage of consolidated net sales	2.9%	3.4%	6.2%	5.6%	2.0%	20.1%

	Year ended March 31, 2002					
	Europe	Asia	North America	Central and South America	Others	Total
	(Thousands of U.S. dollars)					
Overseas sales	**$212,931**	**$240,841**	**$723,430**	**$422,649**	**$254,844**	**$1,854,695**

Note: The countries included in each segment are as follows: —
(1) Europe..................................The U.K., Germany, France, Italy, Holland, Spain, Norway, C.I.S., Turkey, etc.
(2) Asia ....China, Taiwan, Korea, Thailand, Singapore, Malaysia, Indonesia, Philippines, India, Pakistan, etc.
(3) North America.......................U.S.A., Canada
(4) Central and South America...Brazil, Panama, etc.

18. Subsequent event

The term of the Company's 25th bond issue was determined at the Board of Directors meeting held on April 26, 2002.

Details are as follows:

25th Unsecured Bond (four-year bond)

(1) Issue amount:	¥20.0 billion ($150 million)
(2) Issue price:	¥100 par value of ¥100
(3) Annual interest rate:	0.95%
(4) Issue date:	May 16, 2002
(5) Date of redemption:	May 16, 2006
(6) Use of funds:	Long-term operating capital
(7) Subscription:	Public subscription

Report of Independent Certified Public Accountants

Certified Public Accountants
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The Board of Directors
Ishikawajima-Harima Heavy Industries Co., Ltd.

We have audited the consolidated balance sheets of Ishikawajima-Harima Heavy Industries Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Ishikawajima-Harima Heavy Industries Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, Ishikawajima-Harima Heavy Industries Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation for employees' retirement benefits, financial instruments and foreign currency translations effective the year ended March 31, 2001, in the preparation of the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Shin Nihon & Co.

Shin Nihon & Co.

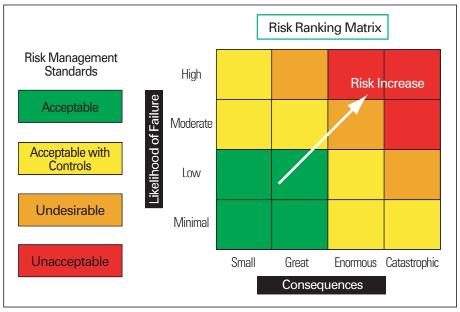
Tokyo, Japan
June 27, 2002

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Ishikawajima-Harima Heavy Industries Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Contents

Development of Risk-Based Maintenance for Optimal Maintenance Plans

Risk-Based Maintenance (RBM) was devised as a means of achieving affordable, cost-efficient maintenance of facilities, equipment and plants. This method assesses the risk of damage to all facilities, equipment and plants and the potential degree of damage in such an event, and advocates maintenance involving inspection, repair and replacement to keep risk levels under a set value. Using its accumulated database on failure, IHI can provide highly reliable assessments of the probability and accompanying degree of damage as well as outstanding inspection and repair services. The Company has established a strong reputation among customers for having completed its RBM program for generator boilers and cranes while producing a concrete maintenance plan. IHI aims to contribute to safety in infrastructure by further expanding the application of this method in a greater number of its facilities, equipment and plants.



All risks are plotted on a risk-ranking matrix, and maintenance is chosen based on the management standards designated for each level of risk (Based on software licensed by AEA Technology).

Electron-Beam Sterilization System

IHI developed a compact and affordable high-frequency device that emits electron beams for use with pharmaceutical product containers and medical devices. This electron beam's superb sterilizing features, ability to sterilize at room temperature and discharge of environmental contaminants has gained it considerable popularity as a replacement to the older methods of gas sterilization and high-temperature sterilization. However, its colossal size and the initial investment required have restrained growth considerably. The Company was successful in developing a compact, affordable emission device as a result of adding an accelerator and optimizing design. Both a high-energy model (10 MeV) and low-energy model (0.5 MeV) are available, and orders have been received for both. The low-energy model capitalizes on its compact dimensions and is used in the actual assembly line of the manufacturing process. IHI intends to carry out system development that optimally addresses the various sterilization needs of customers as well as development of such peripheral technologies as radiation assurance.

10-MeV 1.5-kW electron-beam accelerator device

Development of Large-Scale Ion Implanter with Mass Separator

IHI successfully developed a large ion implanter with mass separator for the implantation of glass substrates measuring 600 × 720 mm or larger that are used in the fabrication of thin-film transistors (TFTs) for LCDs. The use of proprietary mass separator machinery that can implant the desired form of ion enables the removal of inessential hydrogen ions.

Originally, the difficulty in selectively separating a large ion beam measuring 300 × 800 mm made implanting only the desired ions impossible and resulted in implantation of undesired hydrogen ions into the TFT structure. This limitation consequently resulted in the inability to control the specific volume of desired ions to be implanted, such as phosphorous and boron. The newly developed device features a mass separator that ensures superb precision in implantation of only the desired ions to produce highly

Device exterior of large-scale ion implanter with mass separator functional, stable TFTs.

IHI aims to build on this success by pursuing development of even larger ion implanters for TFTs and raising mechanical performance.

Technology for Three-Dimensional Measurement of Large Objects Using Digital Cameras

Technology for three-dimensional measurement of large objects has been needed to enhance precision in the manufacturing of large structural members used in shipbuilding, bridge construction, and similar applications by more precisely measuring their shape.

IHI has developed a system that extracts the three-dimensional position of a target affixed to the measured object, using images taken by a commercially available digital camera. This system does not require highly skilled operators or large fixed equipment, and allows the measurement of a large number of positions within a short period of time. At present, the system is being experimentally used in factories to verify that large structural members meet specifications, and to check the alignment of large structures during installation.

In the future, after improvements are made to better match the system with its applications, highly precise and efficient measurements of large manufactured objects in factories and verification of the alignment of installed objects at construction sites will be possible. This system will contribute to the reliability of IHI products.

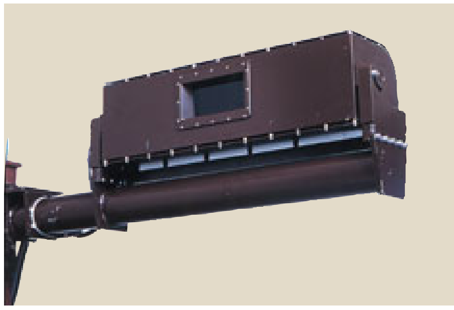
Three-dimensional digital photogrammetry was used on site to verify the correct installation of Tohoku University's synchrotron radio telescope.

Practical Application of Laser Sensors to ITS

Intelligent transport systems (ITS) is a new traffic-control system that uses leading-edge computer technology to link drivers, roads, and vehicles in a data network, with the object of ameliorating various traffic problems arising from accidents, traffic jams, and so forth. IHI has been developing one part of this system, laser sensors for the three-dimensional detection of pedestrian and vehicle locations. In contrast to a conventional charge-coupled device (CCD) camera system, the laser sensor operates on an active sensing basis, and is therefore utterly unaffected by lighting conditions. This system works equally well at noon and at midnight, in snow and in rain. In testing, the system demonstrated that it can correctly detect pedestrians crossing the street and distinguish between the shape of a pedestrian in a crosswalk and a vehicle driving across a crosswalk, under actual vehicular and pedestrian traffic conditions. It can also distinguish among individual pedestrians moving in different directions, and between four-wheeled and two-wheeled vehicles.

The system will be used in traffic-signal control systems and pedestrian safety systems being developed for Japan's ongoing ITS development program.

Furthermore, IHI has also been developing dedicated short-range communication (DSRC) technology. Through this cutting-edge technology, IHI designed an entrance and exit control system for parking lots or container terminals. IHI is working on the development of a wide range of other applications.



Laser sensors for ITS

Industrial Machinery and Steel Structure Operations

New Shield Tunneling Machine Developed

In September 2001, IHI and Taisei Corporation developed the Kurun Shield Tunneling Machine (universal-type), which is capable of excavating soils ranging from soft soil to rock without having to carry out ground reforming. By reducing the size of the oval sphere of the disk-face plate of the cutter head, as well as by rotating the head 180 degrees and replacing the cutter bit, the shield bit can be changed anytime in accordance with bit-wear condition and changes in the soil, thereby enabling long-distance excavation. As an additional benefit, the use of this shield tunneling machine eliminates work time normally required for ground reforming, thus yielding a sharp reduction in construction time. Moreover, this shield tunneling machine is environment-friendly, as it eliminates the problem of soil pollution from ground reforming.

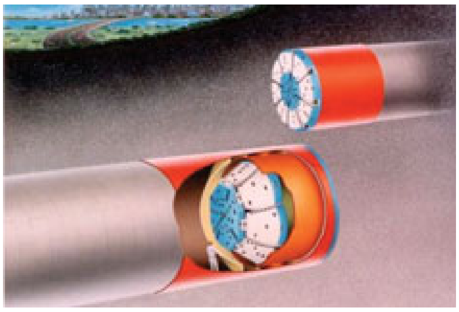


Illustration of the universal-type shield machine

Agreement Reached with Nippon Steel for Cooperating in Steel-Production Blast-Furnace Construction and Renovation

On March 1, 2002, IHI and Nippon Steel Corporation reached an agreement for comprehensive collaboration in blast-furnace construction and renovation businesses. By entering this agreement, IHI and Nippon Steel aim to strengthen their competitiveness in this field. For the modification and building of new blast furnaces and related facilities, IHI and Nippon Steel will share their capabilities and experience in design, production and installation and jointly execute projects after receiving orders. To optimize the benefits of this cooperative business relationship, IHI and Nippon Steel will promote the division of various functions and make collaborative efforts as the two companies work to further raise their total competitiveness. Although marketing is not covered by this agreement, both companies intend to carry out activities to secure orders using their mutual technical capabilities in blast furnace-related facilities.

Blast furnace plant

Completion of Four Transfer Presses for GM

IHI completed four transfer presses in March 2002 with a capacity of 5,850 metric tons for use at three General Motors Corporation (GM) manufacturing plants in the United States. IHI received the orders for these transfer presses in January 1999 and carried out production at its Yokohama Machinery Works. IHI is one of the world's top manufacturers of such large-size stamping presses and has delivered numerous presses used in auto production to domestic and overseas customers. Including these four presses, IHI has delivered a total of 60 presses to GM for use in auto production. IHI plans to undertake vigorous marketing activities as it strives to expand orders for new presses for automobile production in Japan and overseas as well as orders for retrofit modifications and maintenance.

This 5,850-metric ton transfer press has already been delivered to GM in the United States.

Energy, Environment and Plant Operations

Large Coal-Fired Power-Generating Plants Completed in Australia

A large coal-fired power plant has been completed at the Callide C Power Station in Queensland, Australia. The order was received from a jointly operated business entity established by CS Energy Limited (CSE), an Australian electric power company, and Intergen Company, an independent power producer (IPP) headquartered in the United States.

The order for the power plant was received together with Mitsui & Co., Ltd., Toshiba Corporation and Pacific Power (International) Pty Limited, an Australian engineering company. The order consists of two 420,000-kW coal-fired supercritical once-through boilers, two steam turbines and auxiliary equipment on a full turnkey basis. IHI supplied boiler equipment that has gained the spotlight for high efficiency as well as low levels of CO_2 emissions, which makes the equipment environment-friendly. This is the first supercritical boiler equipment exported from Japan to an industrialized country.

Using this order as a springboard, IHI plans to expand sales of environment-friendly power-generating facilities such as supercritical boilers.

Large coal-fired power-generating plants

Completion of Japan's First Shochu Byproduct Recycling Facility

IHI has completed a Shochu (traditional Japanese liquor) Byproduct Recycling Facility that converts *shochu* waste into animal feed. The order was received from Southern Green Cooperative, which is made up of 15 *shochu* distilleries affiliated with a distillery cooperative, in Kagoshima Prefecture.

Southern Green has been authorized to carry out Japan's first Advanced Demonstration-Model Business authorized by the Ministry of Agriculture, Forestry and Fisheries of Japan for food product recycling. It will install facilities for the effective recycling of such unused resources as *shochu* waste. This business has attracted widespread attention within and outside the food industry as a completely environment-friendly advanced model for intensive processing of *shochu* waste and other materials previously disposed of as waste materials, and converting these into usable resources such as livestock feed and fertilizer. This facility will have daily processing capabilities of 500 tons of sweet potato *shochu* residue and 200 tons of wheat *shochu* residue.

This new system integrates the Company's IHI-IC reactor anaerobic wastewater treatment equipment and the "hydrothermal reactor" as well as combines various other leading-edge IHI technologies.

The Shochu Byproduct Recycling Facility

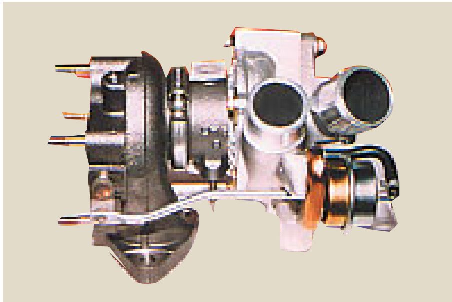
Standard Machinery and Other Operations

Toward a Worldwide Sales and Production Structure for Vehicular Turbochargers with the Establishment of Two Overseas Joint Ventures

IHI and DaimlerChrysler AG, one of Germany's leading automakers, established a German-based joint venture, IHI Charging Systems International GmbH, for the production of vehicular turbochargers in May 2001. IHI provided 51% of the joint venture's capital, with DaimlerChrysler contributing 49%. The joint venture was established to respond to the sharply rising demand for turbochargers in Europe.

In Thailand, IHI and Toyota Motor Corporation established IHI Turbo (Thailand) Co., Ltd., a joint venture, in February 2002. IHI has a 90% share in this joint venture and Toyota 10%. Plans call for a production plant at IHI Turbo (Thailand) to commence operations in October 2002.

In January 2002, IHI's cumulative domestic production of turbochargers for automobiles reached ten million units, and in fiscal 2005 annual production volume in Japan and overseas is expected to surpass two million.



The ten-millionth automotive turbocharger

Order Received for Ten Large-Scale Wind-Turbine Generators

IHI received an order in November 2001 for ten 1300-kW wind-turbine generators from Minami-Kyushu Wind Power Corporation, a domestic wind power company. The wind-turbine generators feature rotating blades with a diameter of 60 meters that are mounted on 60-meter towers. Plans call for the wind-turbine generators to be installed in February 2003. This is the first time that IHI has secured a single order for ten wind-turbine generators.

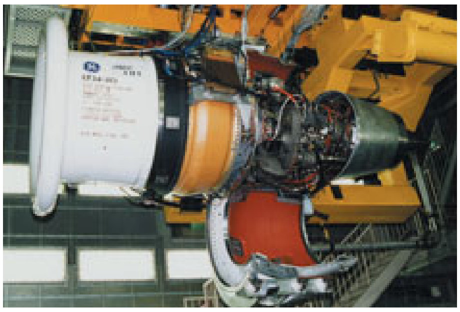
IHI entered the field of wind-turbine generation in 1981 when it began the joint development of two blades with Tokyo Electric Power Company, Inc. (TEPCO) and New Energy and Industrial Technology Development Organization (NEDO). In 1994, IHI began sales of three blades manufactured by Nordex AG, a large German manufacturer of wind-turbine generators called "IHI-Nordex Wind-Turbine Generators." At present, IHI has been receiving numerous inquiries about this equipment.

Large-scale wind-turbine generator

Aero-Engine and Space Operations

Robust Orders of CF 34-8 Engines for Regional Jet Aircraft

Orders for the CF 34-8 engines for regional jet aircraft are expanding steadily and approximately 1,000 orders for such engines have already been received. IHI is participating in the development and manufacture of CF 34-8 engines. With development led by General Electric Company (GE), of the United States, these engines are used on 70-passenger regional jet aircraft and have been selected as the only engines used on these model aircraft by Bombardier Inc., of Canada, and Embraer SA, of Brazil. Bombardier is already using these engines on the CRJ-700 aircraft, and flight operations are proceeding smoothly. In the future, IHI will build a structure for responding to increases in production.



The CF 34-8 engine

Successful Launch of First and Second H-IIA Launch Vehicles

Following the launch of the first H-IIA launch vehicle in August by the National Space Development Agency (NASDA), the second H-IIA launch vehicle was successfully launched on February 4, 2002.

The IHI Group has deep ties with this project, as it is in charge of the development and manufacture of liquid-hydrogen and liquid-oxygen turbo pumps, which are considered to be the heart of the LE-7A first-stage engine and LE-5B second-stage engine, as well as the reaction control system equipment that controls the position of the second-stage rocket. IHI Aerospace (IA) handled the development of a solid rocket booster that performs initial-stage acceleration of the launch vehicle.

Using the expected successful launch of the third H-IIA launch vehicle, we are striving to establish an outstanding development structure.

The launch of the second H-IIA launch vehicle
(Photo courtesy of NASDA)

Shipbuilding and Offshore Operations

Tokyo Shipyard Completes Its Last Ship, the Naval Ship *Akebono*

On March 19, 2002 a handover ceremony was held at Tokyo Shipyard for the naval ship *Akebono*.

This was the eighth destroyer ship since the construction of the *Murasame* (4,400 displacement tons), the first of its series, commenced in fiscal 1991. Since starting operations in 1939, Tokyo Shipyard has built approximately 692 ships, including 26 destroyers for the Japan Defense Agency (JDA). Tokyo Shipyard was closed in March following the handover of the *Akebono*, after the operations were gradually transferred to Yokohama Shipyard from April 2001.

Handover ceremony for the *Akebono*

Yokohama Shipyard Commences New Shipbuilding Business

From April 1, 2001, Yokohama Shipyard (Isogo, Yokohama) commenced operations for the building and repair of naval ships as well as the building of commercial ships, in addition to its traditional commercial ship-repair business.

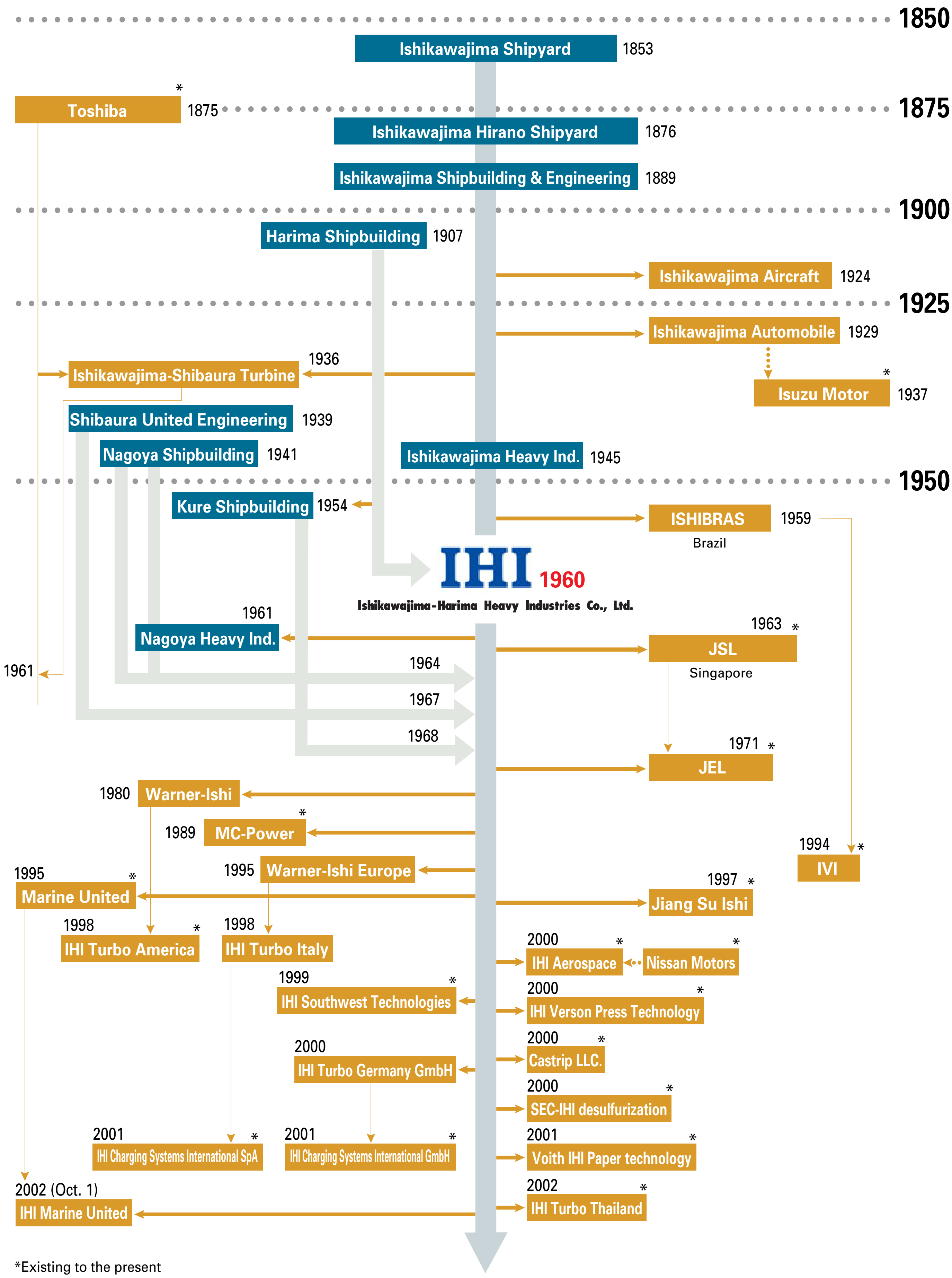
IHI had carried out the building of naval ships, cruisers, passenger ships, car ferries and cargo ships at its Tokyo Shipyard (Koto, Tokyo) since 1939. However, planned construction of bridge girders off the coast near this shipyard made it impossible to continue shipbuilding operations, and the plant was closed in March 2002, after transferring its functions to Yokohama Shipyard.

Yokohama Shipyard thus has added functions such as a naval shipbuilding and repair base, and at the same time, the shipyard will transform itself into a modern facility with an in-plant information system that utilizes an array of information tools.

The shipyard aims to further enhance its high technical capabilities and productivity through its undertaking as a key base for naval shipbuilding and repairing.

A view of Yokohama Shipyard

History of IHI



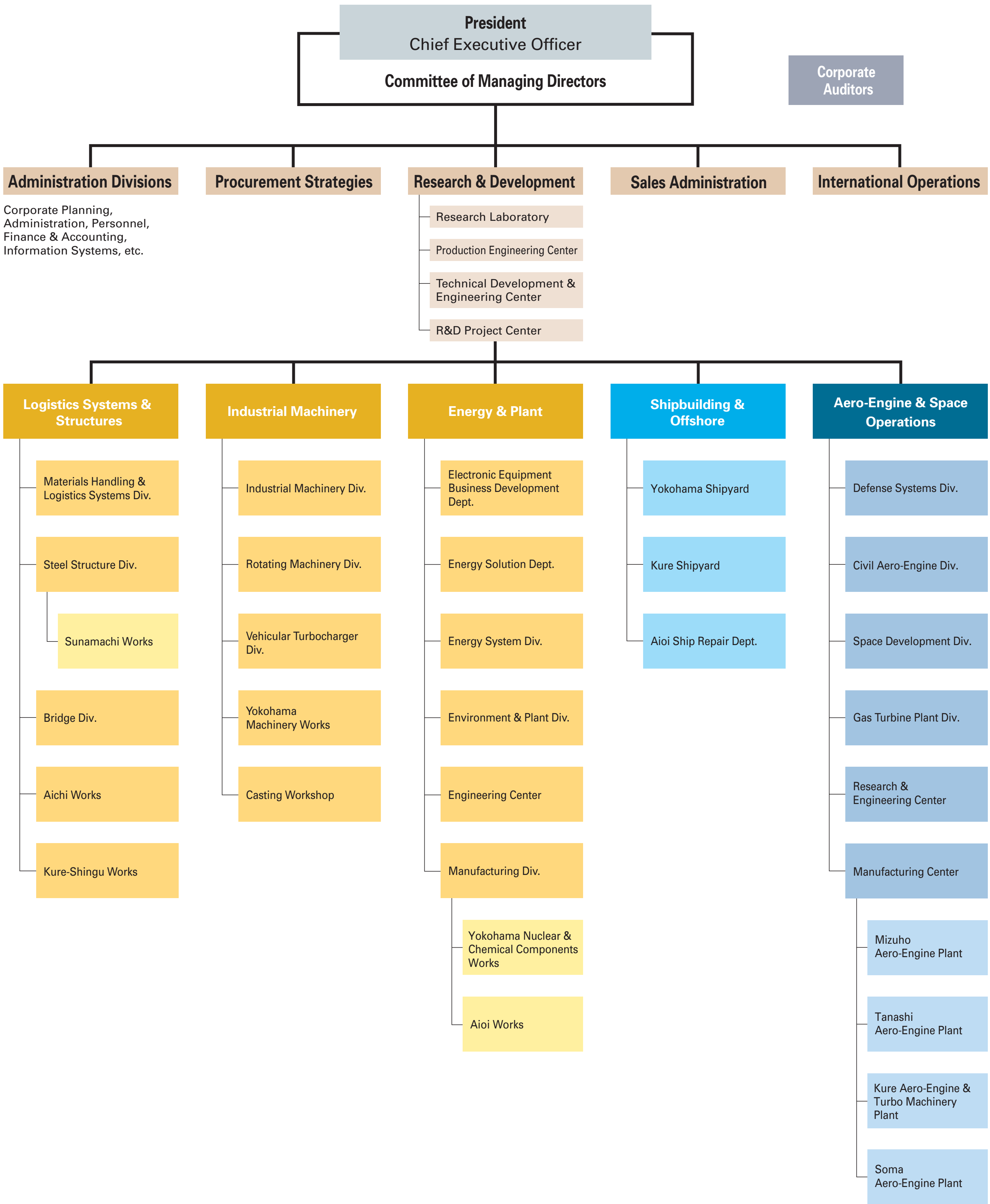
*Existing to the present

Timeline of IHI

1853 ~	1853 Established Ishikawajima Shipyard 76 Established Ishikawajima Hirano Shipyard 89 Founded Ishikawajima Shipyard, Ltd. 93 Changed Company name to The Ishikawajima Shipbuilding & Engineering Co., Ltd., Tokyo (Ishikawajima S&E)
1900s ~	1907 Established Harima Shipbuilding & Engineering Co., Ltd. (Harima S&E); later merged with the Company 11 Completed business agreement with Shibaura Works (now Toshiba Corp.) 24 Established Ishikawajima Aircraft Manufacturing Co., Ltd. (which later became New Tachikawa Aircraft Co., Ltd.) 29 Established Ishikawajima Automobile Co. (later Isuzu Motors Ltd.) by spinning off the automobile manufacturing section 36 Established Ishikawajima-Shibaura Turbine Co., Ltd. (IST) as a joint venture with Toshiba in the production of land-based steam turbines 39 Founded Shibaura United Engineering Co., Ltd. (SUECO), to produce rolling mills, through a joint venture with Toshiba and United Engineering & Foundry in the United States 41 Established Nagoya Shipbuilding Co., Ltd. (Nagoya Shipbuilding) 45 Changed Company name to Ishikawajima Heavy Industries Co., Ltd. (Ishikawajima Heavy Ind.)
1950s	1950 Inaugurated Toshio Doko as Company president 54 Founded Kure Shipbuilding & Engineering Co., Ltd. (Kure S&E); later merged with the Company 59 Established ISHIBRAS in a joint venture in Brazil
1960s	1960 Merged Ishikawajima Heavy Ind. and Harima S&E; inaugurated Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) 63 Established Jurong Shipyard Ltd. (JSL) in a joint venture with the government of Singapore 64 Founded Heavy Machinery Works in Yokohama 64 Merged Nagoya Heavy Ind. and Nagoya Shipbuilding 64 Established Yokohama Shipyard for large-scale shipbuilding 67 Merged with SUECO 68 Merged with Kure S&E 68 Established Yokohama Nuclear & Chemical Components Works
1970s	1971 Established Jurong Engineering Private Ltd. (JEL) in Singapore in a joint venture with JSL 71 Founded IHI Engineering Australia Pty. Ltd. (IEA) 72 Established Ishikawajima Europe BV (IE) in the United Kingdom 73 Founded Chita Shipyard (now Aichi Works) 74 Established IHI Marine BV (IMBV) in the Netherlands 75 Established Felguera-IHI SA (FI) in Spain 77 Established IHI Marine Engineering Singapore Private Ltd. 77 Established IHI Inc. in the United States
1980s	1980 Established Warner-Ishi Corp. (WI) in a joint venture with Borg-Warner Automotive Inc. in the United States 82 Established IHI (HK) Limited (IHL) in Hong Kong 88 Established Diesel United, Ltd. in a joint venture with Sumitomo Heavy Industries Ltd. (SHI) 89 Participated in the capitalization of M-C Power Corp. (MCP) in the United States
1990s	1992 Established IHI Europe Ltd. (IEL) in the United Kingdom 95 Established IHI Technical Consulting Co., Ltd. (ITECH) in Taiwan 95 Founded Marine United Inc. (MU), which performs engineering for ships and naval vessels with SHI 95 Inaugurated Industrias Verolme-Ishibras S.A. (IVI) in a joint venture between ISHIBRAS and Emaq-Verolme Estaleiros 95 Founded Warner-Ishi Europe S.p.A. (WIE) in Italy 96 Founded Environment & Plant operations 96 Established IHI Philippines Inc. (IPI) in the Philippines 97 Established Jiang Su Ishi Turbo Company Ltd. (JIT) in China 98 Established the Environmental Technical Center 98 Established a jet engine and gas turbine component factory in Soma 99 Established IHI Southwest Technologies, Inc. in the United States to undertake nondestructive inspections 99 Established two subsidiaries to engage in industrial waste processing business
2000s	2000 Established joint venture with The Broken Hill Proprietary Company Limited (BHP) of Australia and Nucor Corporation of the United States to license strip-casting technology 00 Purchased Nissan Motor's Aerospace and Defense Divisions and established IHI Aero Space Co., Ltd. 00 Integrated three construction companies into Ishikawajima Plant Construction Co., Ltd. 00 Established IHI Verson Press Technology LLC, in U.S. 00 Established IHI Turbo Germany GmbH., in Germany 00 Established SEC-IHI De-sulfurization Process Co., Ltd in China 01 Established joint venture Voith IHI Paper Technology Co., Ltd. in Japan 01 Established joint venture IHI Charging Systems International GmbH in Germany 01 Beijing Municipal/Ishikawajima Shield Engineering Company Limited, a joint venture for the manufacture and sale of shield tunneling machines, established in Beijing 01 New shipbuilding operations recommenced at Yokohama Shipyard 02 IHI Turbo Thailand, a joint venture for the manufacture and sale of turbochargers, established in Thailand 02 Project for redevelopment of land at site of former plant in Toyoshu district of Tokyo formulated 02 Shipbuilding & Offshore Operations will spin off as a separate company, IHI Marine United Co., Ltd., on October 1, 2002.

Organization

(As of July 1, 2002)



Product Lineup

Industrial Machinery and Steel Structure Operations
Energy, Environment and Plant Operations
Standard Machinery and Other Operations


Boilers for power plants

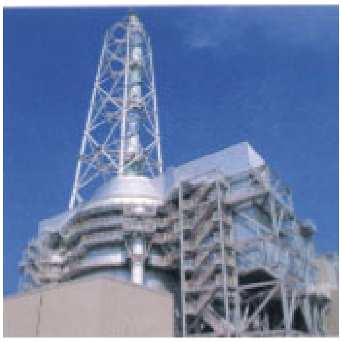

LNG storage tanks


Urban waste incinerators


Container cranes


Reactor pressure vessels


LPG plants

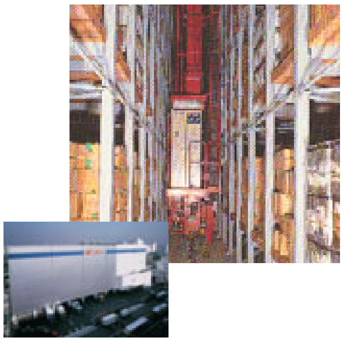

Air pollution prevention systems


Continuous unloaders


Gas turbine cogeneration systems


Cement plants


Sewage treatment systems


Automated warehousing systems

Energy

Boilers for power plants
Industrial boilers
Fluidized-bed combustion boilers
Waste-heat recovery boilers
Coal gasification combined cycle power facilities
Components for nuclear power plants
Radioactive waste management systems
Gas turbine power generation systems
Diesel power generation systems
Cogeneration systems
Wind power generation systems
Fuel cells

Storage Systems & Process Plants

Storage facilities
Oil and gas processing plants
Chemical plants
Pharmaceutical plants
Cement plants
Ultrafine grinding mills
Chemical plant equipment
Cooling towers

Environmental Preservation & Disaster Prevention

Solid waste treatment systems
Critical water and hydrothermal reaction equipment
Air pollution prevention systems
Wastewater treatment systems
Noise reduction systems
Seismic isolation floors
Mass damper systems
Pollution prevention ships
Tunnel ventilation fans
Environmental simulation facilities

Materials Handling Equipment

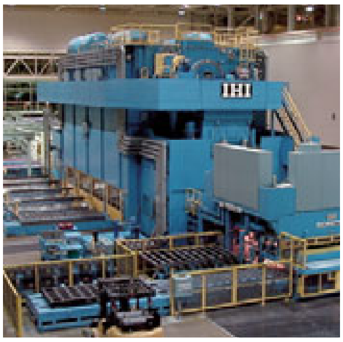
Container cranes
Unloaders
Stackers
Reclaimers
Coal handling systems
All-weather bulk materials handling systems
Electric overhead traveling cranes
Level luffing cranes

Physical Distribution Systems

Automated warehousing systems
Storage systems
Conveyor transfer systems
Sorting systems
Equipment for physical distribution systems


Bridges

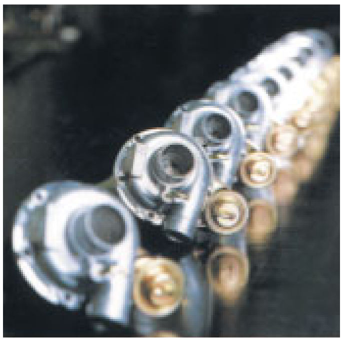

Jib climbing cranes


Transfer feed presses


High pressure annealing systems


Gates


Hot strip mills


Automotive turbochargers


Parking systems


Shield tunneling machines


Paper-making machines


Turbo compressors


Real estate

Bridge & Steel Structures

Bridges
Steel structures for rivers
Steel structures for dams
Hangar dock systems
Boarding bridges
Floating breakwaters
Steel structures for buildings

Construction Machinery

Shield tunneling machines
Automated segment assembly systems
Jib climbing cranes
Batcher plants
Hydraulic power shovels
Mobile concrete pumps
Truck/crawler cranes

Industrial Machinery

Rolling mills
Industrial furnaces
Pulp and paper production plants
Presses
New materials manufacturing facilities
Rubber/plastic forming machines
Vacuum heat treatment facilities
Pumps
Compressors
Blowers

Standard Machinery

Turbochargers
Separators
Filters
Dewatering equipment
Compressors
Refrigerators

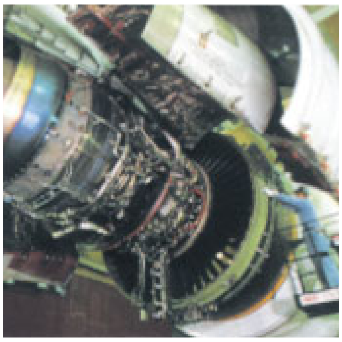
Semiconductor, LCD Panel Equipment and R&D Facilities

Semiconductor and LCD panel equipment
Robots
Simulators
Control systems
Failure diagnosis and preventative maintenance systems
Optical and beam technology equipment
R&D and experiment facilities

Facilities & Products for Civil Use

Parking systems
Moving walkways and footbridges
Movable stadium seats and retractable domes
Ozone-based deodorizing and disinfecting equipment
Dish and utensil washers
Wave pools and flow-generating equipment
Agricultural machinery
Fire fighting pumps and emergency water purifying equipment

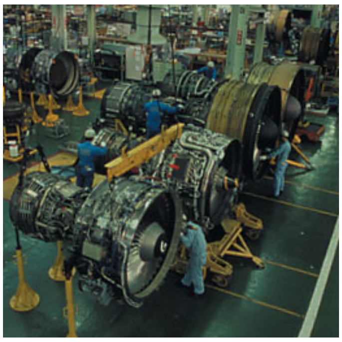
Aero-Engine and Space Operations
Shipbuilding and Offshore Operations


Production of jet engines


Materials testing systems for space environments


Very large crude oil carriers


Passenger ships

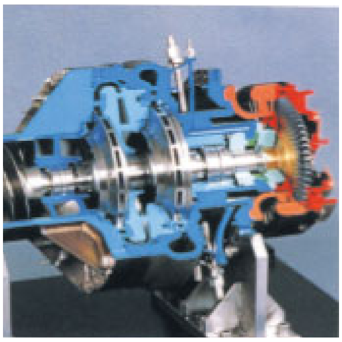

Maintenance of jet engines


Japanese experiment module (KIBO)

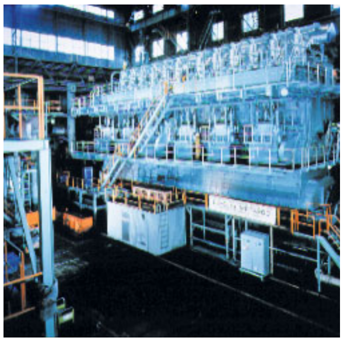

SPB-type LNG carriers


Destroyers


Parts for jet engines


Liquid hydrogen turbopumps


Container ships


Diesel engines

Jet Engines

Turbofan engines
Turboprop engines
Turboshaft engines
Turbojet engines
Jet engine maintenance
Jet engine test cells
Jet engine parts

Space Development

Rocket propulsion systems
Rocket control systems
Satellite propulsion systems
Satellite control systems
Equipment for utilization of space environments
Space station-related equipment
Ground test facilities
Ground support facilities

Ships & Offshore Facilities

Oil tankers
LNG/LPG carriers
Container ships
Bulk carriers
Passenger ships & ferries
Navel vessels & coast guard ships
Work vessels
Marine engines
Deck machinery
Offshore development equipment

Soma Aero-Engine Plant
Site area: 226,185 m^2
Products & services: Parts of jet engines and gas turbines
Certificates: ISO 9001, ISO 14001, Air Agency Certificate (Repair Station) (FAA) and JIS Q 9100 (BSK)
Location: 2-1, Onodai 1-chome, Soma-shi, Fukushima 976-0001, Japan
Tel. +81-244-37-3712

Tanashi Aero-Engine Plant
Site area: 93,402 m^2
Products & services: Parts of jet engines, gas turbines and space development equipment
Certificates: ISO 9001, ISO 14001 and JIS Q 9100 (BSK)
Location: 5-1, Mukodai-cho 3-chome, Nishitokyo-shi, Tokyo 188-8555, Japan
Tel. +81-424-60-1111

Mizuho Aero-Engine Plant
Site area: 155,030 m^2
Products & services: Assembly and overhauling of jet engines, gas turbines and space development equipment
Certificates: ISO 9001, ISO 14001, Air Agency Certificate (Repair Station) (FAA) (JAA), Air Agency Certificate (Production) (FAA) and JIS Q 9100 (BSK)
Location: 229, Tonogaya, Mizuho-cho, Nishi-Tama-gun, Tokyo 190-1297, Japan
Tel. +81-425-68-7000

Sunamachi Works
Site area: 63,774 m^2
Products & services: Bridges, gates, steel structures, offshore structures and airport facilities
Certificate: ISO 9001
Location: 3-43, Shinsuna 2-chome, Koto-ku, Tokyo 136-0075, Japan
Tel. +81-3-3648-1511

Yokohama Nuclear & Chemical Components Works
Site area: 173,664 m^2
Products & services: Reactor pressure vessels, containment vessels, heat exchangers for nuclear power plants and reactors and towers for chemical plants
Certificates: N, NA, NPT, NS, S, U, U2 (ASME), ISO 9001 and ISO 14001
Location: 1, Shin-Nakahara-cho, Isogo-ku, Yokohama-shi, Kanagawa 235-8501, Japan
Tel. +81-45-759-2704

Yokohama Machinery Works
Site area: 111,198 m^2
Products & services: Rolling mills, presses, pulp, paper and plastic machinery and rotating machinery
Certificates: ISO 9001 and ISO 14001
Location: 1, Shin-Nakahara-cho, Isogo-ku, Yokohama-shi, Kanagawa 235-8501, Japan
Tel. +81-45-759-2410

Yokohama Shipyard
Site area: 320,000 m^2
Products & services: Naval vessels, cruise ships, special cargo vessels and repairing
Certificate: ISO 9001
Location: 1, Shin-Nakahara-cho, Isogo-ku, Yokohama-shi, Kanagawa 235-8501, Japan
Tel. +81-45-759-2643

Aichi Works
Site area: 733,767 m^2
Products & services: Bridges, deck machinery, steel structures and shield tunneling machines
Certificates: ISO 9001, ISO 14001 AISC (Cbr, F, Pl) and DECK CRANES MANUFACTURERS (NK)
Location: 11-1, Kitahama-cho, Chita-shi, Aichi 478-8650, Japan
Tel. +81-562-31-8100

Kure-Shingu Works
Site area: 115,894 m^2
Products & services: Bridges, gates, steel structures and equipment for chemical plants
Certificates: ISO 9002 and ISO 14001
Location: 5-17, Hikari-machi, Kure-shi, Hiroshima 737-0831, Japan
Tel. +81-823-26-1228

Aioi Works
Site area: 134,139 m^2
Products & services: Boilers, pressure vessels for chemical plants and prefabricated piping systems
Certificates: ISO 9001, ISO 14001 and S, U, U2 (ASME)
Location: 5292, Aioi, Aioi-shi, Hyogo 678-0041, Japan
Tel. +81-791-24-2206

Aioi Ship Repair Shop
Site area: 285,600 m^2
Products & services: Ship conversion and repairing
Certificate: ISO 9001
Location: 5292, Aioi, Aioi-shi, Hyogo 678-0041, Japan
Tel. +81-791-24-2402

Aioi Casting Workshop
Site area: 22,916 m^2
Products & services: Casting products for machinery
Certificates: Casting products manufacturer (LRS, NK, DNV, CR, GL)
Location: 5292, Aioi, Aioi-shi, Hyogo 678-0041, Japan
Tel. +81-791-24-2701

Kure Shipyard
Site area: 370,746 m^2
Products & services: Ship building, conversion and repairing
Certificates: ISO 9001 and ISO 14001
Location: 2-1, Showa-cho, Kure-shi, Hiroshima 737-0027, Japan
Tel. +81-823-26-2105

Kure Aero-Engine & Turbo Machinery Plant
Site area: 36,427 m^2
Products & services: Parts of gas turbine power plants, jet engines and gas turbines
Certificates: ISO 9001, ISO 14001, Air Agency Certificate (Repair Station) (FAA) and JIS Q 9100 (BSK)
Location: 2-1, Showa-cho, Kure-shi, Hiroshima 737-0027, Japan
Tel. +81-823-26-2105

(As of July 1, 2002)

Offices

(As of July 1, 2002)

PARIS
35, Avenue Franklin-Roosevelt,
75008 Paris, FRANCE
TEL: +33-1-4359-3017
FAX: +33-1-4289-0566

PIRAEUS
3rd Floor 7, Akti Miaouli Street, Piraeus,
GREECE
TEL: +30-1-0422-4294
FAX: +30-1-0422-4297

ALGER
22, Rue Ali-Bedjaoui, El-Biar, Alger, ALGERIE
(Mailing Address) IHI B.P.102
El-Biar, Alger
TEL: +213-2-92-43-99
FAX: +213-2-92-14-36

NEW DELHI
15th Floor, Dr. Gopal Das Bhawan,
28 Barakhamba Road,
New Delhi-110001, INDIA
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FAX: +91-11-332-2480

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8th Floor, Thaniya Building, 62 Silom Road,
Bangkok 10500, THAILAND
TEL: +66-2-236-3490
FAX: +66-2-236-7340

HANOI
5th Floor, Metropole Centre 56 Ly Thai To Street,
Hanoi, VIETNAM
TEL: +84-4-934-5305
FAX: +84-4-934-5303

KUALA LUMPUR
Letter Box No. 52, 22nd Floor, UBN Tower,
10 Jln.P.Ramlee, 50250
Kuala Lumpur, MALAYSIA
TEL: +60-3-2072-1255
FAX: +60-3-2072-1418

JAKARTA
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Sudirman Kav. 10-11 Jakarta 10220,
INDONESIA
TEL: +62-21-570-7701
FAX: +62-21-570-7705

MANILA
Unit 1104 West Tower,
Philippine Stock Exchange Center, Exchange Road,
Ortigas Center Pasiy City, Metro Manila,
REPUBLIC OF THE PHILIPPINES
TEL: +63-2-638-9604
FAX: +63-2-637-3568

BEIJING
Room 2203, China World Trade Center,
No.1 Jian Guo Men Wai Avenue,
Beijing, CHINA
TEL: +86-10-6505-4997
FAX: +86-10-6505-4350

SHANGHAI
15th Floor, HSBC Tower,
101 Yincheng East Road,
Pudong New Area, Shanghai,
CHINA 200120
TEL: +86-21-6841-1717
FAX: +86-21-6841-1919

TAIPEI
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FAX: +886-2-2542-4362

SEOUL
631 Korea Chamber of Commerce &
Industry B/D 45, 4-ka,
Namdaemun-Ro Chung-ku, Seoul,
100-094, KOREA
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FAX: +82-2-755-4772

SAO PAULO
Av. Bernardino de Campos, No.98,
7 Andar, CEP 04004-040, Sao Paulo, S.P.
BRASIL
TEL: +55-11-3884-0362
FAX: +55-11-3884-8619

Main Overseas Subsidiary Companies

(As of July 1, 2002)

LONDON
IHI Europe Ltd.
Floor 9A, No. 1 Minster Court,
Mincing Lane, London EC3R 7YA, U.K.
TEL: +44-20-7626-1010
FAX: +44-20-7626-0078

LONDON
Ishikawajima Europe B.V.
Floor 9A, No. 1 Minster Court,
Mincing Lane, London EC3R 7YA, U.K.
TEL: +44-20-7626-1010
FAX: +44-20-7626-0078

ROTTERDAM
IHI Marine B.V.
Glashaven 10A, 3011 XH Rotterdam,
THE NETHERLANDS
TEL: +31-10-411-6406
FAX: +31-10-411-6412

HEIDELBERG
IHI Charging Systems International GmbH
Haberstrasse 24, 69126 Heidelberg, GERMANY
TEL: +49-6221-3096-100
FAX: +49-6221-3096-111

HEIDELBERG
IHI Press Technology GmbH
Haberstrasse 24, 69126 Heidelberg, GERMANY
TEL: +49-6221-3096-180
FAX: +49-6221-3096-111

LOMBARDONE
IHI Charging Systems International SpA
Via Regina 25, 23870 Cernusco Lombardone (LC), ITALY
TEL: +39-39-9993-815
FAX: +39-39-9284-675

SINGAPORE
IHI Marine Engineering (Singapore) Pte. Ltd.
27 Tanjong Kling Road, Singapore, 628052
SINGAPORE
TEL: +65-268-7360
FAX: +65-265-0780

MANILA
IHI Philippines, Inc.
Room 1104, West Tower, PSE Center,
Exchange Road, Ortigas Center, Pasig City,
REPUBLIC OF THE PHILIPPINES
TEL: +63-2-631-0986
FAX: +63-2-631-1962

HONG KONG
IHI (HK) Ltd.
Room 501, Soundwill Plaza,
38 Russell Street, Causeway Bay, HONG KONG
TEL: +852-2522-4093
FAX: +852-2845-2497

TAIPEI
IHI Technical Consulting Co., Ltd.
Room 1202, Chia Hsin Building,
No. 96 Section 2, Chung Shan North Road,
Taipei, TAIWAN
TEL: +886-2-2542-5520
FAX: +886-2-2542-4362

BANGKOK
IHI Turbo (Thailand) Co., Ltd.
62 Thaniya Building, 11th Floor, Silom Road, Surawong,
Bangrak Bangkok 10500, THAILAND
TEL: +66-2-237-8893
FAX: +66-2-237-8895

SYDNEY
IHI Engineering Australia Pty. Ltd.
15th Floor, 213-219 Miller Street,
North Sydney, N.S.W. 2060, AUSTRALIA
TEL: +61-2-9957-4777
FAX: +61-2-9922-3638

NEW YORK
IHI Inc.
280 Park Avenue, West Building 30th Floor,
New York, NY 10017, U.S.A.
TEL: +1-212-599-8100
FAX: +1-212-599-8111

NEW YORK
IHI Power-Systems America Inc.
280 Park Avenue, West Building 30th Floor,
New York, NY 10017, U.S.A.
TEL: +1-212-599-8116
FAX: +1-212-599-8116

NEW YORK
IHI Press Technology America, Inc.
280 Park Avenue, West Building 30th Floor,
New York, NY 10017, U.S.A.
TEL: +1-212-599-8100
FAX: +1-212-599-8111

DETROIT
IHI International Inc.
(Branch of IHI Inc.)
755 West Big Beaver Road, Top of Troy,
Suite 350, 3rd Floor, Troy, MI 48084, U.S.A.
TEL: +1-248-244-9370
FAX: +1-248-244-9062

SHELBYVILLE
IHI TURBO AMERICA Co.
Route 16 West, R. R. 3, Box 36, Shelbyville,
IL 62565-0580, U.S.A.
TEL: +1-217-774-9571
FAX: +1-217-774-3834

SAN ANTONIO
IHI Southwest Technologies Inc.
6220 Culebra Road, Suite 177,
San Antonio, TX, 78238-5166, U.S.A.
TEL: +1-210-256-4100
FAX: +1-210-521-2311

RIO DE JANEIRO
Ishikawajima-Harima Sul-America Ltda.
Av. Presidente Antonio Caros, 607 Sobreloja-Centro-CEP
20020-010 Rio de Janeiro-RJ-BRASIL
TEL: +55-21-2533-6671
FAX: +55-21-2533-6193

IHI Group Companies

(As of March 31, 2002)

Energy, Environment and Plant Operations

Sales, Manufacturing, Construction
- Ishikawajima Plant Construction

Sales, Manufacturing
- Kotobuki Iron Works
- IHI Packaged Boiler

Engineering, Construction
- Ishikawajima Plant Engineering & Construction
- Ishikawajima Inspection & Instrumentation
- IHI Engineering Australia Pty.
- Felguera-IHI S.A.
- <u>Jurong Engineering Limited</u>

Maintenance Services
- Ishikawajima Kankyo Engineering

Industrial Machinery and Steel Structure Operations

Sales, Manufacturing
- Ishikawajima Transport Machinery

Sales, Manufacturing
- Diesel United
- Gokoh Seisakusho
- Ishikawajima Industrial Machinery
- Ishikawajima Iwakuni Seisakusho
- PC BRIDGE
- Ishikawajima Ship & Chemical Plant
- Ishikawajima Seiki
- Voith IHI Paper Technology

Sales
- IHI Inc.

Maintenance Services
- Ishikawajima Compressor Service
- IHI Logistic Technology

Engineering, Construction
- <u>Hirocon Engineering</u>
- IHI Machinery Engineering
- IHI Structure Maintenance and Improvement Company

Standard Machinery and Other Operations

Manufacturing, Sales
- Ishikawajima Construction Materials
- Kanto Segment
- Kansai Segment
- IHI Construction Machinery
- Ishikawajima Construction Machinery Sales
- San-Etsu
- Ishikawajima Shibaura Machinery
- Star Farm Machinery Mfg.
- <u>Turbo Systems United</u>
- Kondo Iron Works
- Shin Tachikawa Aircraft

Manufacturing
- Ishikawajima Mass-Produced Machinery
- IHI Turbo America
- IHI Charging Systems International GmbH
- IHI Charging Systems International SpA

Sales
- IHI Trading

Maintenance Services
- Ishikawajima Hanyoki Service

Services & Others
- TFI Corporation
- Ishikawajima Kogyo
- Ishikawajima System Technology
- IHI Systems
- Chiba Warehouse
- Reprography and Consultants
- Ishikawajima Factoring
- <u>Tachihi Development</u>
- Tokyo Won Tochi
- Kanamachi Purification Plant Energy Service

Aero-Engine and Space Operations

Sales, Manufacturing
- IHI Aerospace
- Ishikawajima Precision Castings
- IHI Master Metal

Engineering, Construction
- INC Engineering

Maintenance Services
- Ishikawajima Jet Service

Shipbuilding and Offshore Operations

Sales, Manufacturing
- IHI Amtec
- <u>Marine United</u>
- IHI Marine Coating
- IHI Kure Marine Construction

Maintenance Services
- IHI Marine

Services & Others
- Kaisho Shipping
- South-Point Marine S. A.
- Kaisho Marine S. A.
- Sunny River Line S. A.

Unmarked companies are consolidated subsidiaries

:Non-consolidated subsidiaries

:Affiliated companies
(Underlined companies are accounted for the equity method)

Board of Directors

(As of June 27, 2002)

President and Chief Executive Officer

Mototsugu Ito

Executive Vice Presidents

Eiji Inoue

Eiichiro Iwamoto

Tadaaki Yamazaki

Managing Directors

Nobuhiro Shimizu

Koki Kinoshita

Kazuo Kanaya

Naoteru Tsuda

Reiji Ishimoto

Jyunichi Hamanaka

Hiroshi Katayama

Yoshikazu Kobayashi

Susumu Nagano

Isao Nakao

Director and Senior Counselor

Kosaku Inaba

Directors

Yasuo Shinohara
Hiromasa Omura
Fumio Sato
Teiichi Tamaki
Seiji Hatae
Takayasu Kato
Yasuhiro Inagawa
Hiroyoshi Hiraga
Morihiko Kawabe
Yukiya Nakagawa
Tsuguharu Asayama

Corporate Auditors

Koichi Ichida
Katsuji Minato
Koichiro Ejiri
Sugiichiro Watari

Corporate Data

(As of March 31, 2002)

Head Office	Ishikawajima-Harima Heavy Industries Co., Ltd. Shin Ohtemachi Building, 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-8182, Japan Tel: +81-3-3244-5111 Fax: +81-3-3244-5131 Internet home page: http://www.ihi.co.jp/index-e.html	
Founded	1853	
Incorporated	1889	
Number of Employees	10,966	
Transfer Agent	The Chuo Mitsui Trust and Banking Company, Ltd.	
Consolidated Subsidiaries	52	
Non-Consolidated Subsidiaries	53	
Affiliates	39* (Note*: Includes five affiliates applying the equity method of accounting)	
Stock Exchange Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo	
Shares Outstanding	1,298,495,152	
Number of Shareholders	95,306	
Major Shareholders	Japan Trustee Services Bank, Ltd.	7.50%
	Mitsui Asset Trust and Banking Co., Ltd., General Trust (Toshiba Account)	4.26%
	The Daiichi Mutual Life Insurance Company	4.15%
	The Dai-ichi Kangyo Bank, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.) *	3.54%
	Nippon Life Insurance Company	3.42%
	Mutual Fund Trustee, Mitsui Asset Trust and Banking Co., Ltd., Account 2	2.46%
	The Mitsubishi Trust and Banking Corporation (Trust Account)	2.14%
	Sumitomo Life Insurance Company	2.04%
	Mitsui Sumitomo Insurance Co., Ltd.	1.88%
	UFJ Trust Bank Limited (Trust Account)	1.86%
	*The shares of Ishikawajima-Harima Heavy Industries Co., Ltd. stock held by The Dai-ichi Kangyo Bank, Ltd. are part of that company's retirement benefit trust and are deposited as trust assets at Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for The Dai-ichi Kangyo Bank, Ltd.). Voting rights for the shares are exercised in accordance with The Dai-ichi Kangyo Bank., Ltd., instructions.	
Independent Auditors	Shin Nihon & Co.	

Ishikawajima-Harima Heavy Industries Co., Ltd.

HEAD OFFICE: Shin Ohtemachi Building, 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-8182, JAPAN
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