

2009 ANNUAL REPORT TO SHAREHOLDERS
iSHARES® MSCI SERIES
AUGUST 31, 2009

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iShares MSCI Japan Index Fund





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Management's Discussion of Fund Performance

iSHARES® MSCI JAPAN INDEX FUND
(TICKER: EWJ)

INVESTMENT OBJECTIVE

The **iShares MSCI Japan Index Fund** (the "Fund") seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in the aggregate in the Japanese market, as measured by the MSCI Japan IndexSM (the "Index"). The Fund invests in a representative sample of securities included in the Index that collectively has an investment profile similar to the Index. Due to the use of representative sampling, the Fund may or may not hold all of the securities that are included in the Index. For the 12-month period ended August 31, 2009 (the "reporting period"), the total return for the Fund was (10.68)%, while the total return for the Index was (10.17)%.

MARKET OVERVIEW AND DISCUSSION OF PERFORMANCE

Japan's economy was among the weakest in Asia, as the country experienced high unemployment, lagging business investment and deflation fears. Accordingly, the broad Japanese equity market performed relatively poorly compared to its Asian counterparts during the reporting period. In particular, large capitalization stocks significantly lagged small capitalization stocks.

Although Japan's gross domestic product ("GDP") rose 3.7% in the second quarter of 2009 compared to the year ago quarter, it declined a record 13.5% during the fourth quarter of 2008 and 14.2% in the first quarter of 2009. Even though GDP has shown signs of stabilizing, other economic statistics did not rebound.

Business investment contracted at a 4.8% annual rate in the second quarter of 2009. Core machinery orders dropped 9.3% in July, hitting the lowest level since recordkeeping began in April 1987. According to the Ministry of Internal Affairs, unemployment reached 5.7% in July, a post-World War II record. Household spending decreased 2% compared to the same month a year ago. Deflation was also a major concern, as Japan's wholesale prices fell 8.5% in August compared to a year ago.

One of Japan's most important economic activities is exporting, particularly to the rest of Asia as well as to the U.S. However, Japan's exports dropped about 50% in the first half of 2009. Trouble continued into the second half of the year, as exports shrank for the 10th straight month in July, down 38% year over year, while imports posted the second-largest contraction since records began in 1986, dropping by 41%. At the end of the period the country's public debt stood at about 170% of GDP, the worst ratio in the industrialized world.

In the midst of this economic environment, there was a major shift in the political environment during the reporting period. Japan elected a more liberal new government during the reporting period, one that promised increased social benefits and favored policies that were seen as disadvantageous to large corporations. The Democratic Party of Japan was elected into power, beating the Liberal Democratic Party that had ruled Japan since World War II. Yukio Hatoyama, the new Japanese Prime Minister, has promised to reverse Japan's weak economy, blaming the government bureaucracy for the country's woes. Meanwhile, the global economic environment began to improve at the end of the reporting period, which was a positive development for a country so dependent on exports.

The ten largest holdings of the Fund represented approximately 21% of Fund net assets as of August 31, 2009. Performance for all ten holdings was negative for the reporting period. Toyota Motor Corp., Honda Motor Co. Ltd. and The Tokyo Electric Power Co. Inc. posted the least negative returns. Shares of Mizuho Financial Group Inc. and Nintendo Co. Ltd. declined the most in value.

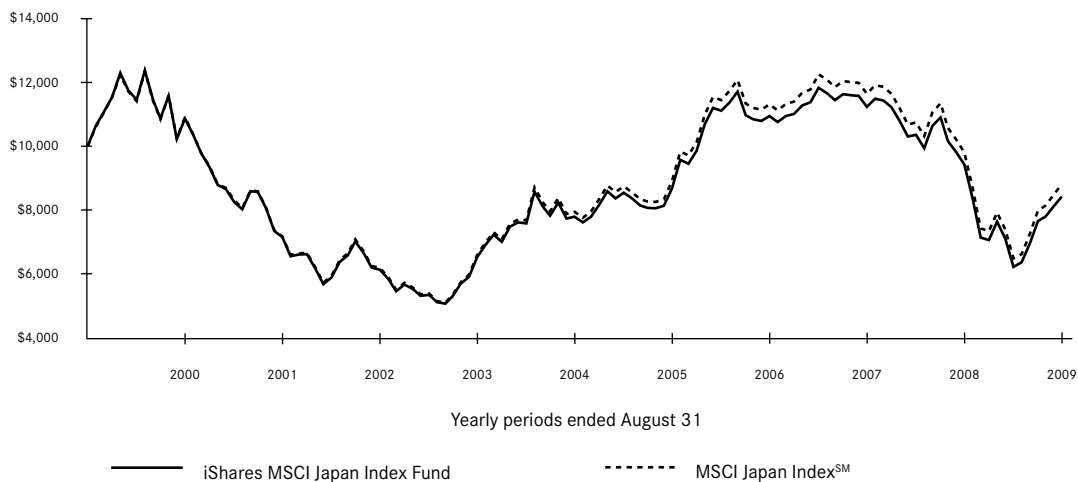
Management's Discussion of Fund Performance (Continued)

iSHARES® MSCI JAPAN INDEX FUND

PERFORMANCE AS OF AUGUST 31, 2009

Average Annual Total Returns								
Year Ended 8/31/09			Five Years Ended 8/31/09			Ten Years Ended 8/31/09		
NAV	MARKET	INDEX	NAV	MARKET	INDEX	NAV	MARKET	INDEX
(10.68)%	(9.45)%	(10.17)%	1.59%	1.37%	2.11%	(1.70)%	(1.83)%	(1.26)%
Cumulative Total Returns								
Year Ended 8/31/09			Five Years Ended 8/31/09			Ten Years Ended 8/31/09		
NAV	MARKET	INDEX	NAV	MARKET	INDEX	NAV	MARKET	INDEX
(10.68)%	(9.45)%	(10.17)%	8.22%	7.03%	11.00%	(15.77)%	(16.87)%	(11.91)%

GROWTH OF \$10,000 INVESTMENT (AT NET ASSET VALUE)



“Average Annual Total Returns” represent the average annual change in value of an investment over the period(s) indicated. “Cumulative Total Returns” represent the total change in value of an investment over the period(s) indicated.

The Fund’s per share net asset value or “NAV” is the value of one share of the Fund as calculated in accordance with the standard formula for valuing mutual fund shares. The NAV return is based on the NAV of the Fund and the market return is based on the market price per share of the Fund. The price used to calculate market return (“Market Price”) is determined by using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which the shares of the Fund are listed for trading, as of the time that the Fund’s NAV is calculated. Market and NAV returns assume that dividends and capital gain distributions have been reinvested in the Fund at Market Price and NAV, respectively.

An index is a statistical composite that tracks a specified financial market or sector. Unlike the Fund, an index does not actually hold a portfolio of securities and therefore does not incur the expenses incurred by the Fund. These expenses negatively impact the performance of the Fund. Also, market returns do not include brokerage commissions that may be payable on secondary market transactions. If brokerage commissions were included, market returns would be lower. The performance shown in the table(s) and chart(s) above assumes reinvestment of all dividends and capital gain distributions and does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption or sale of fund shares. The investment return and principal value of shares of the Fund will vary with changes in market conditions. Shares of the Fund may be worth more or less than their original cost when they are redeemed or sold in the market. The Fund’s past performance is no guarantee of future results.

Management's Discussion of Fund Performance (Continued)

iSHARES[®] MSCI JAPAN INDEX FUND

PORTFOLIO ALLOCATION As of 8/31/09

<i>Sector</i>	<i>Percentage of Net Assets</i>
Consumer Cyclical	26.08%
Industrial	21.54
Financial	17.29
Consumer Non-Cyclical	10.62
Basic Materials	7.26
Utilities	5.83
Communications	5.32
Technology	4.65
Energy	1.29
Short-Term and Other Net Assets	0.12
TOTAL	100.00%

TEN LARGEST FUND HOLDINGS As of 8/31/09

<i>Security</i>	<i>Percentage of Net Assets</i>
Toyota Motor Corp.	5.46%
Mitsubishi UFJ Financial Group Inc.	2.78
Honda Motor Co. Ltd.	2.42
Canon Inc.	1.88
Sumitomo Mitsui Financial Group Inc.	1.83
Tokyo Electric Power Co. Inc. (The)	1.49
Panasonic Corp.	1.41
Mizuho Financial Group Inc.	1.38
Takeda Pharmaceutical Co. Ltd.	1.38
Nintendo Co. Ltd.	1.32
TOTAL	21.35%

Shareholder Expenses (Unaudited)

iSHARES® MSCI JAPAN INDEX FUND

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares and (2) ongoing costs, including management fees and other Fund expenses. The following Example is intended to help you understand your ongoing costs (in dollars and cents) of investing in the Fund and to compare these costs with the ongoing costs of investing in other Funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from March 1, 2009 to August 31, 2009.

ACTUAL EXPENSES

The first line in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second line in the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other Funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other Funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as brokerage commissions paid on purchases and sales of Fund shares. Therefore, the second line in the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different Funds. In addition, if these transactional costs were included, your costs would have been higher.

	<i>Beginning Account Value (3/1/09)</i>	<i>Ending Account Value (8/31/09)</i>	<i>Annualized Expense Ratio</i>	<i>Expenses Paid During Period^a (3/1/09 to 8/31/09)</i>
Actual	\$1,000.00	\$1,356.40	0.56%	\$3.33
Hypothetical (5% return before expenses)	1,000.00	1,022.40	0.56	2.85

^a Expenses are calculated using the Fund’s annualized expense ratio (as disclosed in the table), multiplied by the average account value for the period, multiplied by the number of days in the period (184 days) and divided by the number of days in the year (365 days).

Schedule of Investments

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

Security	Shares	Value
COMMON STOCKS – 99.88%		
ADVERTISING – 0.21%		
Dentsu Inc.	401,200	\$ 9,276,926
Hakuhodo DY Holdings Inc.	70,210	3,912,960
		13,189,886
AGRICULTURE – 0.62%		
Japan Tobacco Inc.	13,039	37,937,003
		37,937,003
AIRLINES – 0.19%		
All Nippon Airways Co. Ltd.	2,008,000	6,212,430
Japan Airlines Corp. ^{a,b}	3,009,000	5,416,946
		11,629,376
APPAREL – 0.28%		
ASICS Corp.	1,003,000	9,893,225
Onward Holdings Co. Ltd.	1,003,000	7,341,530
		17,234,755
AUTO MANUFACTURERS – 9.82%		
Fuji Heavy Industries Ltd.	2,006,000	8,693,063
Hino Motors Ltd.	1,003,000	4,162,723
Honda Motor Co. Ltd.	4,714,100	149,149,824
Isuzu Motors Ltd.	3,009,000	7,006,349
Mazda Motor Corp.	3,009,000	8,368,695
Mitsubishi Motors Corp. ^{a,b}	10,030,000	18,272,732
Nissan Motor Co. Ltd.	7,021,000	49,195,817
Suzuki Motor Corp.	1,003,000	24,003,234
Toyota Motor Corp.	7,823,900	336,520,894
		605,373,331
AUTO PARTS & EQUIPMENT – 2.14%		
Aisin Seiki Co. Ltd.	501,700	12,601,315
Bridgestone Corp.	1,705,100	31,265,834
Denso Corp.	1,404,200	40,946,057
JTEKT Corp.	401,200	5,189,888
NGK Spark Plug Co. Ltd.	428,000	5,402,770
NHK Spring Co. Ltd.	1,003,000	7,417,215
NOK Corp.	300,900	4,112,987
Sumitomo Rubber Industries Inc.	401,200	3,862,142
Toyoda Gosei Co. Ltd.	200,600	5,817,000
Toyota Boshoku Corp.	100,300	1,776,456
Toyota Industries Corp.	501,500	13,569,396
		131,961,060

Security	Shares	Value
BANKS – 9.56%		
Aozora Bank Ltd. ^a	1,003,000	\$ 1,492,093
Bank of Kyoto Ltd. (The)	1,003,000	9,774,290
Bank of Yokohama Ltd. (The)	4,012,000	22,705,762
Chiba Bank Ltd. (The)	2,006,000	12,671,978
Chuo Mitsui Trust Holdings Inc.	3,009,000	12,715,227
Fukuoka Financial Group Inc.	2,012,000	9,066,092
Gunma Bank Ltd.	1,003,000	5,687,253
Hachijuni Bank Ltd. (The)	1,003,000	5,773,751
Hiroshima Bank Ltd. (The)	1,003,000	4,292,470
Hokuhoku Financial Group Inc.	4,017,000	10,046,289
Iyo Bank Ltd. (The)	1,003,000	9,871,600
Joyo Bank Ltd. (The)	2,006,000	10,293,279
Mitsubishi UFJ Financial Group Inc.	26,780,180	171,480,913
Mizuho Financial Group Inc.	34,703,800	85,295,816
Mizuho Trust & Banking Co. Ltd. ^a	5,015,000	6,487,361
Nishi-Nippon City Bank Ltd. (The)	2,006,000	5,362,884
Resona Holdings Inc. ^b	1,504,500	20,581,151
Sapporo Hokuyo Holdings Inc. ^a	1,006,000	3,665,477
Seven Bank Ltd.	1,003	2,552,776
77 Bank Ltd. (The)	1,003,000	6,076,495
Shinsei Bank Ltd. ^a	3,009,000	5,125,015
Shizuoka Bank Ltd. (The)	2,006,000	20,997,424
Sumitomo Mitsui Financial Group Inc. ^b	2,607,800	112,728,702
Sumitomo Trust and Banking Co. Ltd. (The)	4,012,000	24,608,721
Suruga Bank Ltd.	1,003,000	9,860,788
		589,213,607
BEVERAGES – 0.98%		
Asahi Breweries Ltd.	1,003,000	17,494,249
Coca-Cola West Co. Ltd.	200,600	3,907,554
ITO EN Ltd.	200,600	3,691,308
Kirin Holdings Co. Ltd.	2,006,000	29,474,241
Sapporo Holdings Ltd.	1,003,000	5,752,126
		60,319,478
BUILDING MATERIALS – 1.48%		
Asahi Glass Co. Ltd.	3,009,000	26,273,810
Daikin Industries Ltd.	709,100	25,072,473

Schedule of Investments (Continued)

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

<i>Security</i>	<i>Shares</i>	<i>Value</i>
JS Group Corp.	702,100	\$ 12,473,032
Nippon Sheet Glass Co. Ltd.	2,006,000	7,049,598
Panasonic Electric Works Co. Ltd.	1,003,000	12,055,679
Rinnai Corp.	100,300	4,995,268
Taiheiyo Cement Corp.	2,006,000	3,481,550
		91,401,410
CHEMICALS – 3.55%		
Asahi Kasei Corp.	3,009,000	14,531,687
Daicel Chemical Industries Ltd.	1,003,000	6,508,985
Denki Kagaku Kogyo Kabushiki Kaisha	2,006,000	8,520,067
DIC Corp.	2,006,000	3,135,558
Hitachi Chemical Co. Ltd.	200,600	4,154,073
JSR Corp.	501,500	8,849,841
Kaneka Corp.	1,003,000	7,406,403
Mitsubishi Chemical Holdings Corp.	3,510,500	16,007,562
Mitsubishi Gas Chemical Co. Inc.	1,003,000	5,914,310
Mitsui Chemicals Inc.	2,006,000	7,611,837
Nitto Denko Corp.	501,500	15,245,297
Shin-Etsu Chemical Co. Ltd.	1,103,300	65,414,219
Showa Denko K.K.	3,009,000	6,519,798
Sumitomo Chemical Co. Ltd.	4,012,000	19,289,085
Taiyo Nippon Sanso Corp.	1,003,000	10,650,084
Tokuyama Corp.	1,003,000	7,027,974
Tosoh Corp.	1,003,000	2,919,312
Ube Industries Ltd.	3,009,000	9,341,799
		219,047,891
COMMERCIAL SERVICES – 1.10%		
Benesse Corp.	200,600	9,882,412
Dai Nippon Printing Co. Ltd.	2,006,000	29,387,743
Kamigumi Co. Ltd.	1,003,000	8,509,254
Toppan Printing Co. Ltd.	2,008,000	19,892,761
		67,672,170
COMPUTERS – 0.91%		
Fujitsu Ltd.	5,015,000	33,842,397
Itochu Techno-Solutions Corp.	100,300	2,962,561
OBIC Co. Ltd.	10,030	1,644,546
TDK Corp.	300,900	17,548,310
		55,997,814

<i>Security</i>	<i>Shares</i>	<i>Value</i>
COSMETICS & PERSONAL CARE – 1.02%		
Kao Corp.	1,415,200	\$ 36,003,579
Shiseido Co. Ltd.	1,003,000	17,710,494
Uni-Charm Corp.	100,300	9,017,431
		62,731,504
DISTRIBUTION & WHOLESALE – 4.02%		
Canon Marketing Japan Inc.	100,300	1,692,120
Hitachi High-Technologies Corp.	100,300	2,025,138
ITOCHU Corp.	4,012,000	28,544,386
Marubeni Corp.	5,015,000	25,030,399
Mitsubishi Corp.	3,811,400	77,448,273
Mitsui & Co. Ltd.	4,914,700	64,211,895
Sojitz Corp.	3,309,900	7,100,416
Sumitomo Corp.	3,109,300	31,942,682
Toyota Tsusho Corp.	601,900	9,804,031
		247,799,340
DIVERSIFIED FINANCIAL SERVICES – 2.24%		
Acom Co. Ltd. ^b	120,368	2,482,229
AEON Credit Service Co. Ltd.	200,670	2,275,695
Credit Saison Co. Ltd.	501,500	6,746,854
Daiwa Securities Group Inc.	5,015,000	31,031,208
Mitsubishi UFJ Lease & Finance Co. Ltd.	160,480	5,112,040
Mizhuo Securities Co. Ltd.	1,003,000	3,784,294
Nomura Holdings Inc.	7,021,000	62,289,473
ORIX Corp.	290,870	22,419,237
Promise Co. Ltd. ^b	200,600	1,972,158
		138,113,188
ELECTRIC – 4.96%		
Chubu Electric Power Co. Inc.	1,905,700	44,476,263
Chugoku Electric Power Co. Inc. (The)	702,200	15,479,966
Electric Power Development Co. Ltd.	401,200	12,217,862
Hokkaido Electric Power Co. Inc.	501,500	10,374,371
Hokuriku Electric Power Co.	501,500	12,190,832
Kansai Electric Power Co. Inc. (The)	2,206,600	50,904,156
Kyushu Electric Power Co. Inc.	1,103,300	24,441,131
Shikoku Electric Power Co. Inc.	501,500	15,569,665
Tohoku Electric Power Co. Inc.	1,303,900	28,322,735

Schedule of Investments (Continued)

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

<i>Security</i>	<i>Shares</i>	<i>Value</i>
Tokyo Electric Power Co. Inc. (The)	3,510,500	\$ 91,769,121
		<u>305,746,102</u>

ELECTRICAL COMPONENTS & EQUIPMENT – 3.94%

Brother Industries Ltd.	601,800	6,059,195
Casio Computer Co. Ltd.	601,800	5,974,859
Furukawa Electric Co. Ltd. (The)	2,006,000	8,909,308
GS Yuasa Corp. ^b	1,003,000	8,768,749
Hitachi Ltd.	9,027,000	31,917,814
Mitsubishi Electric Corp.	5,015,000	37,410,446
SANYO Electric Co. Ltd. ^{a,b}	5,015,000	13,569,396
Sharp Corp.	3,009,000	34,869,563
Stanley Electric Co. Ltd.	402,400	8,137,793
Sumitomo Electric Industries Ltd.	1,905,700	24,693,057
Toshiba Corp.	11,033,000	56,850,903
Ushio Inc.	300,900	5,562,912
		<u>242,723,995</u>

ELECTRONICS – 5.13%

Advantest Corp.	401,200	10,033,784
Fanuc Ltd.	501,500	41,032,556
Hirose Electric Co. Ltd.	100,300	12,423,296
Hoya Pentax HD Corp.	1,203,600	27,246,914
IBIDEN Co. Ltd.	401,200	14,315,442
Keyence Corp.	100,351	21,267,727
Kyocera Corp.	501,500	41,897,537
Mabuchi Motor Co. Ltd.	100,300	5,125,015
Minebea Co. Ltd.	1,003,000	4,670,900
Mitsumi Electric Co. Ltd.	200,600	4,670,900
Murata Manufacturing Co. Ltd.	601,800	28,544,386
NEC Corp. ^a	6,024,000	21,819,263
NGK Insulators Ltd.	1,003,000	23,462,620
Nippon Electric Glass Co. Ltd.	1,003,500	10,449,857
Omron Corp.	601,800	10,295,441
Secom Co. Ltd.	601,800	27,246,914
Yaskawa Electric Corp.	1,003,000	7,265,844
Yokogawa Electric Corp.	501,500	4,324,907
		<u>316,093,303</u>

ENGINEERING & CONSTRUCTION – 0.83%

JGC Corp.	1,003,000	18,672,786
Kajima Corp.	3,009,000	8,466,005
Obayashi Corp.	2,006,000	9,060,680

<i>Security</i>	<i>Shares</i>	<i>Value</i>
Shimizu Corp.	2,006,000	\$ 8,303,821
Taisei Corp.	3,009,000	6,617,108
		<u>51,120,400</u>

ENTERTAINMENT – 0.30%

Oriental Land Co. Ltd.	200,600	13,601,833
Toho Co. Ltd.	300,900	5,056,898
		<u>18,658,731</u>

ENVIRONMENTAL CONTROL – 0.16%

Kurita Water Industries Ltd.	300,900	10,055,409
		<u>10,055,409</u>

FOOD – 1.22%

Ajinomoto Co. Inc.	2,006,000	20,521,684
Kikkoman Corp.	1,003,000	12,466,545
Meiji Holdings Co. Ltd. ^a	200,628	8,218,471
Nippon Meat Packers Inc.	1,003,000	12,174,613
Nisshin Seifun Group Inc.	503,500	6,703,202
Nissin Foods Holdings Co. Ltd.	301,700	9,984,574
Yakult Honsha Co. Ltd.	200,600	4,973,643
		<u>75,042,732</u>

FOREST PRODUCTS & PAPER – 0.30%

Nippon Paper Group Inc.	301,800	8,898,000
Oji Paper Co. Ltd.	2,006,000	9,493,171
		<u>18,391,171</u>

GAS – 0.87%

Osaka Gas Co. Ltd.	6,018,000	20,889,301
Toho Gas Co. Ltd.	1,003,000	4,670,900
Tokyo Gas Co. Ltd.	7,021,000	28,230,830
		<u>53,791,031</u>

HAND & MACHINE TOOLS – 0.99%

Fuji Electric Holdings Co. Ltd.	1,003,000	1,924,584
Makita Corp.	300,900	8,530,879
Nidec Corp.	300,900	21,700,221
SMC Corp.	200,600	23,462,621
THK Co. Ltd. ^b	301,500	5,668,259
		<u>61,286,564</u>

HEALTH CARE – PRODUCTS – 0.43%

Terumo Corp.	501,500	26,490,055
		<u>26,490,055</u>

HOME BUILDERS – 0.44%

Daiwa House Industry Co. Ltd.	1,003,000	11,212,321
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Schedule of Investments (Continued)

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

<i>Security</i>	<i>Shares</i>	<i>Value</i>
Sekisui Chemical Co. Ltd.	1,003,000	\$ 6,422,487
Sekisui House Ltd.	1,003,000	9,666,167
		<u>27,300,975</u>
HOME FURNISHINGS – 2.73%		
Panasonic Corp.	5,416,215	86,995,746
Sony Corp.	2,808,400	76,139,988
Yamaha Corp.	401,200	5,168,264
		<u>168,303,998</u>
HOUSEWARES – 0.11%		
TOTO Ltd.	1,003,000	7,006,349
		<u>7,006,349</u>
INSURANCE – 2.50%		
Aioi Insurance Co. Ltd.	1,003,000	4,973,643
Mitsui Sumitomo Insurance Group Holdings Inc.	1,203,600	34,058,643
Nipponkoa Insurance Co. Ltd.	2,006,000	12,520,606
Sompo Japan Insurance Inc.	2,006,000	13,731,580
Sony Financial Holdings Inc.	2,006	6,111,094
T&D Holdings Inc.	65,1950	19,643,187
Tokio Marine Holdings Inc.	2,106,300	62,894,960
		<u>153,933,713</u>
INTERNET – 1.78%		
Dena Co. Ltd.	1,003	3,185,294
Matsui Securities Co. Ltd.	401,200	3,728,070
Rakuten Inc.	19,179	11,619,251
SBI Holdings Inc.	47,141	10,600,563
SoftBank Corp.	2,106,300	47,341,513
Trend Micro Inc.	501,500	19,786,450
Yahoo! Japan Corp.	39,117	13,346,123
		<u>109,607,264</u>
IRON & STEEL – 2.62%		
Daido Steel Co. Ltd.	1,003,000	4,054,600
JFE Holdings Inc.	1,404,250	49,197,569
Kobe Steel Ltd.	7,021,000	13,017,970
Nippon Steel Corp.	15,045,000	59,197,165
Nisshin Steel Co. Ltd.	2,006,000	4,087,037
Sumitomo Metal Industries Ltd.	10,030,000	25,192,583
Tokyo Steel Manufacturing Co. Ltd.	301,500	3,981,432
Yamato Kogyo Co. Ltd.	100,300	3,005,810
		<u>161,734,166</u>

<i>Security</i>	<i>Shares</i>	<i>Value</i>
LEISURE TIME – 0.65%		
Namco Bandai Holdings Inc.	501,598	\$ 5,342,304
Sankyo Co. Ltd.	200,600	12,671,978
Sega Sammy Holdings Inc.	501,500	6,563,046
Shimano Inc.	200,600	8,584,940
Yamaha Motor Co. Ltd.	601,800	7,116,635
		<u>40,278,903</u>
MACHINERY – 0.30%		
Hitachi Construction Machinery Co. Ltd.	303,900	6,188,402
Japan Steel Works Ltd. (The)	1,003,000	12,498,981
		<u>18,687,383</u>
MACHINERY – CONSTRUCTION & MINING – 0.74%		
Komatsu Ltd.	2,507,500	45,357,463
		<u>45,357,463</u>
MACHINERY – DIVERSIFIED – 0.68%		
Amada Co. Ltd.	1,003,000	7,060,411
Kubota Corp.	3,009,000	24,943,901
Sumitomo Heavy Industries Ltd.	2,006,000	10,185,156
		<u>42,189,468</u>
MANUFACTURING – 2.31%		
FUJIFILM Holdings Corp.	1,404,200	42,005,660
IHI Corp. ^a	4,012,000	8,217,324
Kawasaki Heavy Industries Ltd.	4,012,000	10,682,520
Konica Minolta Holdings Inc.	1,504,500	14,272,193
Mitsubishi Heavy Industries Ltd.	8,024,000	33,301,784
Nikon Corp.	1,003,000	17,310,440
Olympus Corp.	601,800	16,413,022
		<u>142,202,943</u>
MEDIA – 0.16%		
Fuji Media Holdings Inc.	1,655	2,608,322
Jupiter Telecommunications Co. Ltd.	6,018	5,254,762
Tokyo Broadcasting System Holdings Inc.	100,300	1,752,669
		<u>9,615,753</u>
METAL FABRICATE & HARDWARE – 0.22%		
Maruichi Steel Tube Ltd.	100,300	2,099,742
NSK Ltd.	1,003,000	6,584,671
NTN Corp.	1,003,000	4,692,524
		<u>13,376,937</u>

Schedule of Investments (Continued)

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

<i>Security</i>	<i>Shares</i>	<i>Value</i>
MINING – 0.79%		
Dowa Holdings Co. Ltd.	1,003,000	\$ 5,676,440
Mitsubishi Materials Corp.	3,009,000	9,212,052
Mitsui Mining & Smelting Co. Ltd. ^a	2,006,000	5,752,126
OSAKA Titanium technologies Co. Ltd. ^b	100,300	3,405,864
Sumitomo Metal Mining Co. Ltd.	1,577,000	24,394,923
		<u>48,441,405</u>
OFFICE & BUSINESS EQUIPMENT – 2.45%		
Canon Inc.	3,009,050	115,801,310
Ricoh Co. Ltd.	2,006,000	28,998,502
Seiko Epson Corp.	401,200	5,955,397
		<u>150,755,209</u>
OIL & GAS – 1.29%		
Cosmo Oil Co. Ltd.	2,006,000	6,184,617
Idemitsu Kosan Co. Ltd.	100,300	8,314,634
INPEX Corp.	2,006	16,434,647
Japan Petroleum Exploration Co. Ltd.	100,300	5,254,762
Nippon Mining Holdings Inc.	2,507,500	12,542,230
Nippon Oil Corp.	3,009,500	17,259,247
Showa Shell Sekiyu K.K.	401,200	4,199,485
TonenGeneral Sekiyu K.K.	1,003,000	9,622,918
		<u>79,812,540</u>
PACKAGING & CONTAINERS – 0.14%		
Toyo Seikan Kaisha Ltd.	401,200	8,398,969
		<u>8,398,969</u>
PHARMACEUTICALS – 5.25%		
Alfresa Holdings Corp.	100,300	4,551,965
Astellas Pharma Inc.	1,303,930	52,429,892
Chugai Pharmaceutical Co. Ltd.	601,800	12,325,985
Daiichi Sankyo Co. Ltd.	1,905,769	40,779,944
Dainippon Pharmaceutical Co. Ltd.	300,900	3,409,108
Eisai Co. Ltd.	702,100	25,808,883
Hisamitsu Pharmaceutical Co. Inc.	100,300	3,881,604
Kyowa Hakko Kirin Co. Ltd.	1,003,000	12,217,863
Mediceo Paltac Holdings Co. Ltd.	401,200	5,756,451

<i>Security</i>	<i>Shares</i>	<i>Value</i>
Mitsubishi Tanabe Pharma Corp.	1,003,000	\$ 13,201,779
Ono Pharmaceutical Co. Ltd.	200,600	9,882,413
Santen Pharmaceutical Co. Ltd.	200,600	6,768,479
Shionogi & Co. Ltd.	1,003,000	24,651,970
Suzuko Co. Ltd.	200,600	6,638,732
Taisho Pharmaceutical Co. Ltd.	654,000	12,880,483
Takeda Pharmaceutical Co. Ltd.	2,106,300	85,146,607
Tsumura & Co.	101,100	3,596,507
		<u>323,928,665</u>
REAL ESTATE – 2.42%		
AEON Mall Co. Ltd.	200,600	4,746,585
Daito Trust Construction Co. Ltd.	200,600	9,601,294
Leopalace21 Corp.	401,200	3,641,572
Mitsubishi Estate Co. Ltd.	3,009,000	50,049,987
Mitsui Fudosan Co. Ltd.	2,112,000	40,024,751
Nomura Real Estate Holdings Inc.	300,900	5,287,199
NTT Urban Development Corp.	4,012	3,978,914
Sumitomo Realty & Development Co. Ltd.	1,003,000	21,181,232
Tokyo Tatemono Co. Ltd.	1,003,000	5,946,747
Tokyu Land Corp.	1,003,000	4,714,149
		<u>149,172,430</u>
REAL ESTATE INVESTMENT TRUSTS – 0.52%		
Japan Prime Realty Investment Corp.	1,003	2,405,729
Japan Real Estate Investment Corp.	1,003	8,195,699
Japan Retail Fund Investment Corp.	1,003	5,362,885
Nippon Building Fund Inc.	1,003	8,866,059
Nomura Real Estate Office Fund Inc.	1,003	6,973,913
		<u>31,804,285</u>
RETAIL – 3.04%		
ABC-Mart Inc.	100,300	2,919,312
AEON Co. Ltd.	1,705,100	18,141,904
Citizen Watch Co. Ltd.	702,100	4,230,840
FamilyMart Co. Ltd.	200,600	6,227,866
Fast Retailing Co. Ltd.	100,300	12,055,678

Schedule of Investments (Continued)

iSHARES® MSCI JAPAN INDEX FUND

August 31, 2009

Security	Shares	Value
Isetan Mitsukoshi Holdings Ltd. ^b	902,760	\$ 9,994,444
J. Front Retailing Co. Ltd.	2,006,000	11,396,130
Lawson Inc.	200,600	8,714,688
Marui Group Co. Ltd.	601,800	4,190,835
McDonald's Holdings Co. (Japan) Ltd.	200,600	3,762,669
Nitori Co. Ltd.	100,300	7,784,833
Seven & I Holdings Co. Ltd.	2,206,680	53,522,664
Shimamura Co. Ltd.	100,300	9,006,619
Takashimaya Co. Ltd.	1,003,000	8,433,568
UNY Co. Ltd.	702,100	5,964,047
USS Co. Ltd.	80,240	5,068,791
Yamada Denki Co. Ltd.	230,690	15,766,449
		<u>187,181,337</u>
SEMICONDUCTORS – 1.01%		
Elpida Memory Inc. ^{a,b}	300,900	4,719,555
Rohm Co. Ltd.	301,300	20,364,911
Shinko Electric Industries Co. Ltd.	200,600	3,754,019
Sumco Corp.	300,900	6,162,993
Tokyo Electron Ltd.	501,552	27,357,873
		<u>62,359,351</u>
SHIPBUILDING – 0.09%		
Mitsui Engineering & Shipbuilding Co. Ltd.	2,006,000	5,471,007
		<u>5,471,007</u>
SOFTWARE – 0.28%		
Konami Corp.	300,900	5,945,666
Nomura Research Institute Ltd.	200,600	4,800,647
Oracle Corp.	100,300	4,173,535
Square Enix Holdings Co. Ltd.	100,300	2,589,538
		<u>17,509,386</u>
STORAGE & WAREHOUSING – 0.07%		
Mitsubishi Logistics Corp.	319,000	4,209,087
		<u>4,209,087</u>
TELECOMMUNICATIONS – 3.17%		
Hikari Tsushin Inc.	100,300	2,173,266
KDDI Corp.	8,024	45,757,516

Security	Shares	Value
Nippon Telegraph and Telephone Corp.	1,509,000	\$ 67,670,350
NTT Data Corp.	3,009	10,282,467
NTT DoCoMo Inc.	45,135	69,722,907
		<u>195,606,506</u>
TEXTILES – 0.97%		
Kuraray Co. Ltd.	1,003,000	10,974,452
Mitsubishi Rayon Co. Ltd.	1,003,000	3,319,366
Nisshinbo Holdings Inc.	1,003,000	11,752,935
Teijin Ltd.	3,009,000	9,958,098
Toray Industries Inc. ^b	4,012,000	23,527,494
		<u>59,532,345</u>
TOYS, GAMES & HOBBIES – 1.32%		
Nintendo Co. Ltd.	300,900	81,610,995
		<u>81,610,995</u>
TRANSPORTATION – 4.53%		
Central Japan Railway Co.	5,021	34,045,265
East Japan Railway Co.	1,006,000	65,935,213
Hankyu Hanshin Holdings Inc.	3,014,800	14,494,699
Kawasaki Kisen Kaisha Ltd.	2,006,000	8,844,435
Keihin Electric Express Railway Co. Ltd.	1,007,000	8,369,503
Keio Corp.	2,006,000	13,601,833
Kintetsu Corp. ^b	5,019,000	21,804,096
Mitsui O.S.K. Lines Ltd.	3,009,000	19,299,897
Nippon Express Co. Ltd.	2,006,000	8,995,807
Nippon Yusen Kabushiki Kaisha	3,009,000	13,072,031
Odakyu Electric Railway Co. Ltd.	1,003,000	9,039,056
Tobu Railway Co. Ltd.	2,006,000	12,650,353
Tokyu Corp.	3,009,000	14,823,619
West Japan Railway Co.	5,015	17,407,751
Yamato Holdings Co. Ltd.	1,003,000	16,650,892
		<u>279,034,450</u>
VENTURE CAPITAL – 0.05%		
JAFSCO Co. Ltd.	100,300	3,395,052
		<u>3,395,052</u>
TOTAL COMMON STOCKS		
(Cost: \$7,346,859,712)		<u>6,156,839,640</u>

Schedule of Investments (Continued)

*i*SHARES[®] MSCI JAPAN INDEX FUND

August 31, 2009

<i>Security</i>	<i>Shares</i>	<i>Value</i>
SHORT-TERM INVESTMENTS – 2.46%		
MONEY MARKET FUNDS – 2.46%		
Barclays Global Investors Funds		
Institutional Money Market Fund,		
SL Agency Shares		
0.26% ^{c,d,e}	131,379,800	\$ 131,379,800
Barclays Global Investors Funds		
Prime Money Market Fund,		
SL Agency Shares		
0.21% ^{c,d,e}	18,533,190	18,533,190
Barclays Global Investors Funds		
Treasury Money Market Fund,		
SL Agency Shares		
0.08% ^{c,d}	1,585,728	1,585,728
		<u>151,498,718</u>
TOTAL SHORT-TERM INVESTMENTS		<u>151,498,718</u>
(Cost: \$151,498,718)		<u>151,498,718</u>
TOTAL INVESTMENTS		
IN SECURITIES – 102.34%		
(Cost: \$7,498,358,430)		
		6,308,338,358
Other Assets, Less Liabilities – (2.34)%		<u>(144,168,117)</u>
NET ASSETS – 100.00%		<u><u>\$6,164,170,241</u></u>

^a Non-income earning security.

^b All or a portion of this security represents a security on loan. See Note 5.

^c Affiliated issuer. See Note 2.

^d The rate quoted is the annualized seven-day yield of the fund at period end.

^e All or a portion of this security represents an investment of securities lending collateral. See Note 5.

See notes to financial statements.

Statement of Assets and Liabilities

iSHARES[®], INC.

August 31, 2009

iShares MSCI
Japan Index Fund

ASSETS

Investments, at cost:	
Unaffiliated issuers	\$ 7,346,859,712
Affiliated issuers (Note 2)	151,498,718
Total cost of investments	<u>\$ 7,498,358,430</u>
Investments in securities, at fair value (including securities on loan ^a) (Note 1):	
Unaffiliated issuers	\$ 6,156,839,640
Affiliated issuers (Note 2)	151,498,718
Total fair value of investments	<u>6,308,338,358</u>
Foreign currency, at value ^b	4,238,264
Receivables:	
Dividends and interest	3,137,545
Capital shares sold	1,322,273
Interest from affiliate (Note 2)	662,420
Total Assets	<u><u>6,317,698,860</u></u>

LIABILITIES

Payables:	
Investment securities purchased	631,912
Collateral for securities on loan (Note 5)	149,912,990
Capital shares redeemed	264,335
Investment advisory fees (Note 2)	2,719,382
Total Liabilities	<u>153,528,619</u>
NET ASSETS	<u><u>\$ 6,164,170,241</u></u>

Net assets consist of:

Paid-in capital	\$ 7,928,579,076
Undistributed net investment income	11,285,164
Accumulated net realized loss	(585,837,043)
Net unrealized depreciation on investments and translation of assets and liabilities in foreign currencies	(1,189,856,956)
NET ASSETS	<u><u>\$ 6,164,170,241</u></u>
Shares outstanding ^c	<u><u>601,800,000</u></u>
Net asset value per share	<u><u>\$ 10.24</u></u>

^a Securities on loan with a value of \$142,751,312. See Note 5.

^b Cost of foreign currency: \$4,164,422.

^c \$0.001 par value, number of shares authorized: 2,124,600,000.

See notes to financial statements.

Statement of Operations

iSHARES[®], *INC.*

Year ended August 31, 2009

*iShares MSCI
Japan Index Fund*

NET INVESTMENT INCOME

Dividends from unaffiliated issuers ^a	\$ 105,129,906
Interest from affiliated issuers (Note 2)	4,907
Securities lending income from affiliated issuers (Note 2)	1,996,868
Interest from affiliate (Note 2)	662,420
Total investment income	<u>107,794,101</u>

EXPENSES

Investment advisory fees (Note 2)	<u>29,763,035</u>
Total expenses	<u>29,763,035</u>
Net investment income	<u>78,031,066</u>

NET REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:	
Investments in unaffiliated issuers	(230,732,438)
In-kind redemptions	(249,251,461)
Foreign currency transactions	8,678,914
Net realized loss	<u>(471,304,985)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments	(579,675,166)
Translation of assets and liabilities in foreign currencies	141,239
Net change in unrealized appreciation (depreciation)	<u>(579,533,927)</u>
Net realized and unrealized loss	<u>(1,050,838,912)</u>
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ (972,807,846)</u>

^a Net of foreign withholding tax of \$7,831,522.

See notes to financial statements.

Statements of Changes in Net Assets

iSHARES[®], INC.

*iShares MSCI
Japan Index Fund*

	Year ended August 31, 2009	Year ended August 31, 2008
<i>INCREASE (DECREASE) IN NET ASSETS</i>		
OPERATIONS:		
Net investment income	\$ 78,031,066	\$ 101,126,035
Net realized gain (loss)	(471,304,985)	632,241,422
Net change in unrealized appreciation (depreciation)	(579,533,927)	(2,458,735,947)
Net decrease in net assets resulting from operations	(972,807,846)	(1,725,368,490)
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income	(73,264,843)	(145,335,547)
Total distributions to shareholders	(73,264,843)	(145,335,547)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares sold	2,197,765,511	1,033,469,389
Cost of shares redeemed	(2,487,058,899)	(3,443,234,963)
Net decrease in net assets from capital share transactions	(289,293,388)	(2,409,765,574)
DECREASE IN NET ASSETS	(1,335,366,077)	(4,280,469,611)
<i>NET ASSETS</i>		
Beginning of year	7,499,536,318	11,780,005,929
End of year	<u>\$ 6,164,170,241</u>	<u>\$ 7,499,536,318</u>
Undistributed (distributions in excess of) net investment income included in net assets at end of year	<u>\$ 11,285,164</u>	<u>\$ (4,799,303)</u>
<i>SHARES ISSUED AND REDEEMED</i>		
Shares sold	239,400,000	79,200,000
Shares redeemed	(283,200,000)	(270,600,000)
Net decrease in shares outstanding	<u>(43,800,000)</u>	<u>(191,400,000)</u>

See notes to financial statements.

Financial Highlights

iSHARES[®], INC.

(For a share outstanding throughout each period)

iShares MSCI Japan Index Fund

	Year ended Aug. 31, 2009	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007	Year ended Aug. 31, 2006	Year ended Aug. 31, 2005
Net asset value, beginning of year	\$ 11.62	\$ 14.07	\$ 13.80	\$ 10.99	\$ 9.89
Income from investment operations:					
Net investment income ^a	0.13	0.14	0.10	0.06	0.06
Net realized and unrealized gain (loss) ^b	(1.39)	(2.39)	0.27	2.81	1.08
Total from investment operations	(1.26)	(2.25)	0.37	2.87	1.14
Less distributions from:					
Net investment income	(0.12)	(0.20)	(0.10)	(0.06)	(0.04)
Total distributions	(0.12)	(0.20)	(0.10)	(0.06)	(0.04)
Net asset value, end of year	\$ 10.24	\$ 11.62	\$ 14.07	\$ 13.80	\$ 10.99
Total return	(10.68)%	(16.13)%	2.68%	26.10%	11.58%
Ratios/Supplemental data:					
Net assets, end of year (000s)	\$6,164,170	\$7,499,536	\$11,780,006	\$13,724,590	\$7,248,107
Ratio of expenses to average net assets	0.56%	0.52%	0.52%	0.54%	0.57%
Ratio of net investment income to average net assets	1.46%	1.11%	0.68%	0.48%	0.59%
Portfolio turnover rate ^c	4%	4%	3%	8%	6%

^a Based on average shares outstanding throughout each period.

^b The amounts reported may not accord with the change in aggregate gains and losses in securities due to the timing of capital share transactions.

^c Portfolio turnover rates exclude portfolio securities received or delivered as a result of processing capital share transactions in Creation Units.

See notes to financial statements.

Notes to Financial Statements

iSHARES[®], *INC.*

iShares, Inc. (the “Company”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Company was incorporated under the laws of the State of Maryland on September 1, 1994 pursuant to amended and restated Articles of Incorporation.

These financial statements relate only to the iShares MSCI Japan Index Fund (the “Fund”).

The Fund’s investment objective is to seek investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded equity securities in the aggregate in the Japanese equity market, as measured by the MSCI Japan Index compiled by MSCI Inc. (“MSCI”). The investment adviser uses a “passive” or index approach to achieve the Fund’s investment objective. The Fund is classified as a non-diversified fund under the 1940 Act. Non-diversified funds generally hold securities of fewer companies than diversified funds and may be more susceptible to the risks associated with these particular companies, or to a single economic, political or regulatory occurrence affecting these companies.

The Fund invests in the securities of foreign issuers of a single country, which may involve certain considerations and risks not typically associated with securities of U.S. issuers. Such risks include, but are not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange controls; imposition of restrictions on the expatriation of funds or other assets of the Fund; less publicly available information about issuers; the imposition of withholding or other taxes; higher transaction and custody costs; settlement delays and risk of loss attendant in settlement procedures; difficulties in enforcing contractual obligations; less regulation of securities markets; different accounting, disclosure and reporting requirements; more substantial governmental involvement in the economy; higher inflation rates; greater social, economic and political uncertainties; the risk of nationalization or expropriation of assets and the risk of war.

Pursuant to the Company’s organizational documents, the Fund’s officers and directors are indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

1. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently followed by the Company in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SECURITY VALUATION

The securities and other assets of the Fund are valued pursuant to the pricing policy and procedures approved by the Board of Directors of the Company (the “Board”). Effective September 1, 2008, the Fund adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards No. 157 (“FAS 157”), “Fair Value Measurements.” This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Inputs may be based on independent market data (“observable inputs”) or they may be internally developed (“unobservable inputs”). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date (a “Level 1 Price”);

Notes to Financial Statements (Continued)

iSHARES[®], *INC.*

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered to be active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (a “Level 2 Price”);
- Level 3 – Inputs that are unobservable for the asset or liability (a “Level 3 Price”).

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

The level of a value determined for a financial instrument within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. The categorization of a value determined for a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Fund’s perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1 Prices, include active listed equities. The Fund does not adjust the quoted price for such instruments, even in situations where the Fund holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified within Level 2. These generally include U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, less liquid listed equities, and state, municipal and provincial obligations. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments whose values are classified as Level 3 Prices have significant unobservable inputs, as they may trade infrequently or not at all. Investments whose values are classified as Level 3 Prices may include unlisted securities related to corporate actions, securities whose trading have been suspended or which have been de-listed from their primary trading exchange, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these securities, the Fund uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level 3 of the fair value hierarchy, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Fund in estimating the value of Level 3 Prices may include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, and changes in financial ratios or cash flows. Level 3 Prices may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Fund in the absence of market information. The fair value measurement of Level 3 Prices does not include

Notes to Financial Statements (Continued)

iSHARES[®], INC.

transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Fund due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations.

Fair value pricing could result in a difference between the prices used to calculate the Fund's net asset value and the prices used by the Fund's underlying index, which in turn could result in a difference between the Fund's performance and the performance of the Fund's underlying index.

As of August 31, 2009, the value of each of the Fund's investments was classified as a Level 1 Price. The breakdown of the Fund's investments into major categories is disclosed in the Schedule of Investments.

SECURITY TRANSACTIONS AND INCOME RECOGNITION

Security transactions are accounted for on trade date. Dividend income is recognized on the ex-dividend date, net of any foreign taxes withheld at source, and interest income is accrued daily. Non-cash dividends received in the form of stock in an elective dividend, if any, are recorded as dividend income at fair value. Distributions received by the Fund may include a return of capital that is estimated by management. Such amounts are recorded as a reduction of the cost of investments or reclassified to capital gains. Realized gains and losses on investment transactions are determined using the specific identification method.

FOREIGN CURRENCY TRANSLATION

The accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, as well as investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates deemed appropriate by the investment adviser. Any use of a rate different from the rates used by MSCI may adversely affect the Fund's ability to track its underlying index. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars on the respective dates of such transactions.

The Fund does not isolate the effect of fluctuations in foreign exchange rates from the effect of fluctuations in the market prices of securities. Such fluctuations are reflected by the Fund as a component of realized and unrealized gains and losses from investments for financial reporting purposes.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions to shareholders from net investment income, if any, including any net foreign currency gains, are declared and distributed at least annually by the Fund. Distributions of net realized capital gains, if any, generally are declared and distributed once a year. Distributions are determined on a tax basis and may differ from net investment income and net realized capital gains for financial reporting purposes. Dividends and distributions are paid in U.S. dollars and cannot be automatically reinvested in additional shares of the Fund.

As of August 31, 2009, the tax year-end of the Fund, the components of net accumulated losses on a tax basis consisted of undistributed ordinary income of \$15,301,373, unrealized depreciation of \$1,287,320,427, and capital and other losses of \$493,052,201, for net accumulated losses of \$1,765,071,255.

For the years ended August 31, 2009 and August 31, 2008, the tax characterization of distributions paid for the Fund represents ordinary income. The total distributions and distributions per share are disclosed in the accompanying Statements of Changes in Net Assets and the Financial Highlights for the Fund.

Notes to Financial Statements (Continued)

iSHARES[®], *INC.*

FEDERAL INCOME TAXES

It is the policy of the Fund to qualify as a regulated investment company by complying with the provisions applicable to regulated investment companies, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, and to annually distribute substantially all of its ordinary income and any net capital gains (taking into account any capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income and excise taxes. Accordingly, no provision for federal income taxes was required for the year ended August 31, 2009.

From November 1, 2008 to August 31, 2009, the Fund incurred net realized capital losses of \$155,850,799. As permitted by tax regulations, the Fund has elected to defer those losses and treat them as arising in the year ending August 31, 2010.

As of August 31, 2009, the tax year-end of the Fund, the Fund had tax basis net capital loss carryforwards of \$62,572,173, \$3,621,148, \$5,594,562, \$8,733,802, \$68,122,871, \$27,817,841, \$44,443,527 and \$116,295,478 expiring in 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017, respectively. Such losses may be applied against any net realized taxable gains in each succeeding year or until their respective expiration dates, whichever occurs first.

The Fund may own shares in certain foreign investment entities, referred to, under U.S. tax law, as “passive foreign investment companies.” The Fund may elect to mark-to-market annually the shares of each passive foreign investment company and would be required to distribute to shareholders any such marked-to-market gains.

The Fund reclassifies at the end of its tax year certain amounts to paid-in-capital from accumulated net realized gain (loss) on investments and foreign currency transactions and accumulated net investment income (loss), respectively, as a result of permanent book and tax differences primarily attributed to net investment loss, return of capital, passive foreign investment companies, realized foreign currency gains and losses and gains and losses on in-kind redemptions. These reclassifications have no effect on net assets or net asset value per share.

As of August 31, 2009, the cost of investments for federal income tax purposes was \$7,595,821,901. Net unrealized depreciation was \$1,287,483,543, of which \$59,671,536 represented gross unrealized appreciation on securities and \$1,347,155,079 represented gross unrealized depreciation on securities.

Management has reviewed the tax positions as of August 31, 2009, inclusive of the prior three open tax return years, and has determined that no provision for income tax is required in the Fund’s financial statements.

2. AGREEMENTS AND OTHER TRANSACTIONS WITH AFFILIATES

Pursuant to an Investment Advisory Agreement with the Company, Barclays Global Fund Advisors (“BGFA”) manages the investment of the Fund’s assets. BGFA is a California corporation indirectly owned by Barclays Bank PLC. Under the Investment Advisory Agreement, BGFA is responsible for all expenses (“Covered Expenses”) of the Company, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except interest, taxes, brokerage commissions and other expenses connected with the execution of portfolio transactions, distribution fees and extraordinary expenses.

Notes to Financial Statements (Continued)

iSHARES[®], INC.

For its investment advisory services to the Fund, BGFA is entitled to an annual investment advisory fee based on the Fund's allocable portion of the aggregate of the average daily net assets of the Fund and certain other iShares Funds as follows:

<i>Investment Advisory Fee</i>	<i>Aggregate Average Daily Net Assets</i>
0.59%	First \$7 billion
0.54	Over \$7 billion, up to and including \$11 billion
0.49	Over \$11 billion, up to and including \$24 billion
0.44	Over \$24 billion, up to and including \$48 billion
0.40	Over \$48 billion

Under the terms of the Investment Advisory Agreement, the Fund is required to remit payment of accrued fees to BGFA on a quarterly basis. BGFA has determined that in certain cases such payments to BGFA by the Fund were made earlier than provided for under the Investment Advisory Agreement. BGFA will reimburse the Fund for interest that would have been earned had such payments been made on a quarterly basis. The amount to be reimbursed is included under receivables and investment income as "Interest from affiliate" in the Statement of Assets and Liabilities and Statement of Operations, respectively. The reimbursement does not have a material effect on net asset value per share or the total return shown in the Financial Highlights.

State Street Bank and Trust Company ("State Street") serves as administrator, custodian and transfer agent for the Company. As compensation for its services, State Street receives certain out-of-pocket costs, transaction fees and asset-based fees which are accrued daily and paid monthly. These fees and expenses are Covered Expenses as defined above.

SEI Investments Distribution Co. ("SEI") serves as the Fund's underwriter and distributor of the shares of the Fund, pursuant to a Distribution Agreement with the Company. SEI does not receive a fee from the Fund for its distribution services.

Pursuant to an exemptive order issued by the U.S. Securities and Exchange Commission ("SEC"), the Fund is permitted to lend portfolio securities to Barclays Capital Inc. ("BarCap"). Pursuant to the same exemptive order, Barclays Global Investors, N.A. ("BGI") serves as securities lending agent for the Fund. BarCap and BGI are affiliates of BGFA, the Fund's investment adviser. As securities lending agent, BGI receives, as fees, a share of the income earned on investment of the cash collateral received for the loan of securities. For the year ended August 31, 2009, BGI earned securities lending agent fees of \$1,996,868.

Cross trades for the year ended August 31, 2009 were executed by the Fund pursuant to Rule 17a-7 under the 1940 Act. Cross trading is the buying or selling of portfolio securities between funds to which BGFA (or an affiliate) serves as investment adviser. At its regularly scheduled quarterly meetings, the Board reviews such transactions as of the most recent calendar quarter for compliance with the requirements and restrictions set forth by Rule 17a-7.

The Fund may invest in certain money market funds managed by BGFA, the Fund's investment adviser, including the Government Money Market Fund ("GMMF"), Institutional Money Market Fund ("IMMF"), Prime Money Market Fund ("PMMF") and Treasury Money Market Fund ("TMMF") of Barclays Global Investors Funds. These money market funds seek to achieve their investment objectives by investing in high-quality, short-term money market instruments that, at the time of investment, have remaining maturities of 397 calendar days or less from the date of acquisition. The GMMF, IMMF, PMMF and TMMF are feeder funds in a master/feeder fund structure that invest substantially all of their assets in the Government Money Market Master Portfolio, Money Market Master Portfolio, Prime Money Market Master Portfolio and Treasury Money Market Master Portfolio (collectively, the "Money Market Master Portfolios"), respectively, which are also managed by BGFA. While the GMMF, IMMF, PMMF and TMMF do not directly charge an investment advisory fee, the Money Market Master Portfolios in which they invest do charge an investment advisory fee. Income distributions from the GMMF, IMMF, PMMF and TMMF are declared daily

Notes to Financial Statements (Continued)

iSHARES[®], *INC.*

and paid monthly from net investment income. Income distributions earned by the Fund from temporary cash investments are recorded as interest from affiliated issuers in the accompanying Statement of Operations. Income distributions earned by the Fund from the investment of securities lending collateral, if any, are included in securities lending income in the accompanying Statement of Operations.

Certain directors and officers of the Company are also officers of BGI and/or BGFA.

3. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments (excluding in-kind transactions and short-term investments) for the year ended August 31, 2009, aggregated \$239,941,816 and \$232,558,866, respectively.

In-kind purchases and sales (see Note 4) for the year ended August 31, 2009, aggregated \$2,133,523,288 and \$2,416,440,479, respectively.

4. CAPITAL SHARE TRANSACTIONS

The Company issues and redeems capital shares of the Fund only in aggregations of a specified number of shares (each, a "Creation Unit") at net asset value. Except when aggregated in Creation Units, shares of the Fund are not redeemable. Transactions in capital shares for the Fund are disclosed in detail in the Statements of Changes in Net Assets.

The consideration for the purchase of Creation Units of the Fund generally consists of the in-kind deposit of a designated portfolio of equity securities, which constitutes an optimized representation of the securities involved in the Fund's underlying index and an amount of cash. Investors purchasing and redeeming Creation Units pay a purchase transaction fee and a redemption transaction fee directly to State Street, the administrator, to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units.

5. LOANS OF PORTFOLIO SECURITIES

The Fund may lend its investment securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank, or securities issued or guaranteed by the U.S. government. The initial collateral received by the Fund is required to have a value of at least 102% of the market value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter, at a value equal to at least 100% of the current market value of the securities on loan. The risks to the Fund of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. Any securities lending cash collateral may be reinvested in certain short-term instruments either directly on behalf of the Fund or through one or more joint accounts or money market funds, including those managed by BGFA; such reinvestments are subject to investment risk.

As of August 31, 2009, the Fund had loaned securities which were collateralized by cash. The cash collateral received was invested in money market funds managed by BGFA. The market value of the securities on loan as of August 31, 2009 and the value of the related collateral are disclosed in the Statement of Assets and Liabilities. Securities lending income, as disclosed in the Fund's Statement of Operations, represents the income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to BGI as securities lending agent.

Notes to Financial Statements (Continued)

iSHARES[®], *INC.*

6. BLACKROCK TRANSACTION

On June 16, 2009, Barclays PLC, the ultimate parent company of BGI and BGFA, accepted a binding offer and entered into an agreement to sell its interests in BGFA, BGI and certain affiliated companies, to BlackRock, Inc., (the “BlackRock Transaction”). The BlackRock Transaction is subject to certain regulatory approvals, as well as other conditions to closing.

Under the 1940 Act, completion of the BlackRock Transaction will cause the automatic termination of the Fund’s current investment advisory agreement with BGFA. In order for the management of the Fund to continue uninterrupted, the Board approved a new investment advisory agreement for the Fund subject to shareholder approval. A special meeting of shareholders of the Fund is scheduled to be held on November 4, 2009. Each shareholder of record as of the close of business on August 25, 2009 will receive notice of and be entitled to vote at the meeting.

7. REVIEW OF SUBSEQUENT EVENTS

In connection with the preparation of the financial statements of the Fund as of and for the year ended August 31, 2009, events and transactions through October 23, 2009, the date the financial statements are available to be issued, have been evaluated by the Fund’s management for possible adjustment and/or disclosure. No subsequent events requiring financial statement disclosure have been identified.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
iShares, Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the iShares MSCI Japan Index Fund, a portfolio of the iShares MSCI Series (the "Fund"), at August 31, 2009, the results of its operations, the changes in its net assets and its financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2009 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
San Francisco, California
October 23, 2009

Tax Information (Unaudited)

iSHARES[®], *INC.*

For the fiscal year ended August 31, 2009, the Fund earned foreign source income of \$112,961,426 and paid foreign taxes of \$7,826,643 which it intends to pass through to its shareholders pursuant to Section 853 of the Internal Revenue Code (the "Code").

Under Section 854(b)(2) of the Code, the Fund hereby designates the maximum amount of \$73,264,843 as qualified dividend income for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended August 31, 2009.

In January 2010, shareholders will receive Form 1099-DIV which will include their share of qualified dividend income distributed during the calendar year 2009. Shareholders are advised to check with their tax advisers for information on the treatment of these amounts on their income tax returns.

Board Review and Approval of Current Investment Advisory Contract (Unaudited)

iSHARES[®], INC.

Under Section 15(c) of the Investment Company Act of 1940 (the “1940 Act”), the Company’s Board of Directors (the “Board”), including a majority of Directors who are not “interested persons” of the Company (as that term is defined in the 1940 Act) (the “Independent Directors”), is required annually to consider the Investment Advisory Contract between the Company and BGFA (the “Advisory Contract”) on behalf of the Fund. As required by Section 15(c), the Board requested and BGFA provided such information as the Board deemed reasonably necessary to evaluate the terms of the Advisory Contract. At a meeting held on June 16-17, 2009, the Board approved the selection of BGFA and the continuance of the Advisory Contract, based on its review of qualitative and quantitative information provided by BGFA. In selecting BGFA and approving the Advisory Contract for the Fund, the Board, including the Independent Directors, advised by their independent counsel, considered the following factors, no one of which was controlling, and made the following conclusions:

NATURE, EXTENT AND QUALITY OF SERVICES PROVIDED BY BGFA

Based on management’s representations, the Board expected that there will be no diminution in the scope of services required of or provided by BGFA under the Advisory Contract for the coming year as compared to the scope of services provided by BGFA over the past year. In reviewing the scope of these services, the Board considered BGFA’s investment philosophy and experience, noting that BGFA and its affiliates have committed significant resources over time, including over the past year, including investment in technology and increasing the number of their employees supporting the Fund. The Board also considered BGFA’s compliance program and its compliance record with respect to the Fund. In that regard, the Board noted that BGFA reports to the Board about portfolio management and compliance matters on a periodic basis in connection with regularly scheduled meetings of the Board, and has made appropriate officers available as needed to provide further assistance with these matters. The Board also reviewed the background and experience of the persons responsible for the day-to-day management of the Fund. In addition to the above considerations, the Board considered BGFA’s investment processes and strategies, and matters related to BGFA’s portfolio transaction policies and procedures. The Board further noted that BGFA does not serve as investment adviser for any other series of registered investment companies with substantially similar investment objectives and strategies as the Fund; therefore, directly comparable performance information was generally not available. However, the Board also noted that the Fund had met its investment objective consistently since its inception date. Based on review of this information, the Board concluded that the nature, extent and quality of services to be provided by BGFA to the Fund under the Advisory Contract were appropriate and mitigated in favor of the Board’s approval of the Advisory Contract for the coming year.

FUND’S EXPENSES AND PERFORMANCE OF THE FUND

The Board reviewed statistical information prepared by Lipper Inc. (“Lipper”), an independent provider of investment company data, regarding the expense ratio components, including advisory fees, waivers/reimbursements, and gross and net total expenses of the Fund in comparison with the same information for other registered investment companies objectively selected by Lipper as comprising the Fund’s peer group pursuant to Lipper’s proprietary methodology and any registered investment companies that would otherwise have been excluded from Lipper’s comparison group due to certain differentiating factors, but were nonetheless included at the request of BGFA (the “Lipper Group”). Because there are few, if any, exchange traded funds or index funds that track indexes similar to that tracked by the Fund, the Lipper Group included in part mutual funds, closed-end funds, exchange traded funds, or funds with differing investment objective classifications, investment focuses and other characteristics (e.g., actively managed funds and funds sponsored by “at cost” service providers). In support of its review of the statistical information, the Board was provided with a detailed description of the methodology used by Lipper to determine the Lipper Group and to prepare this information. The Board further noted that due to the limitations in providing comparable funds in the Lipper Group, the statistical information may or may not provide meaningful direct comparisons to the Fund. In addition, the Board reviewed statistical information prepared by Lipper regarding the performance of the Fund for the one-, three-, five- and ten-year, and “last quarter” periods ended March 31, 2009, and a comparison of the Fund’s performance to its performance benchmark index for the same periods. To the extent that any of the comparison funds included in the Lipper Group track the same index as the Fund, Lipper provided, and the Board reviewed, a comparison of the Fund’s performance to that of such relevant comparison funds for the same

Board Review and Approval of Current Investment Advisory Contract (Unaudited) (Continued)

iSHARES[®], INC.

periods. The Board noted that the Fund performed in line with its performance benchmark index over relevant periods. In considering this information, the Board noted that the Lipper Group includes funds that may have different investment objectives and/or benchmarks from the Fund. In addition, the Board noted that the Fund seeks to track its benchmark index and that during the prior year the Board received periodic reports on the Fund's performance in comparison with its relevant benchmark index. Such comparative performance information was also considered by the Board.

The Board also noted that the investment advisory fees and overall expenses for the Fund were generally lower than the median or average investment advisory fee rates and overall expenses of the funds in its respective Lipper Group. Based on this review, the Board concluded that the investment advisory fees and expense levels and the historical performance of the Fund, as managed by BGFA, as compared to the investment advisory fees and expense levels and performance of the funds in its Lipper Group, were satisfactory for the purposes of approving the Advisory Contract for the coming year.

COSTS OF SERVICES PROVIDED TO THE FUND AND PROFITS REALIZED BY BGFA AND AFFILIATES

The Board reviewed information about the profitability to BGFA of the Fund based on the fees payable to BGFA and its affiliates (including fees under the Advisory Contract), and all other sources of revenue and expense to BGFA and its affiliates from the Fund's operations for the last calendar year. The Board discussed the sources of direct and ancillary revenue with management, including the revenues to BGI from securities lending by the Company (including any securities lending by the Fund). The Board also discussed BGFA's profit margin as reflected in the Fund's profitability analysis and reviewed information regarding economies of scale (as discussed below). Based on this review, the Board concluded that the profits realized by BGFA and its affiliates under the Advisory Contract and from other relationships between the Fund and BGFA and/or its affiliates, if any, were within the range the Board considered reasonable and appropriate.

ECONOMIES OF SCALE

In connection with its review of the Fund's profitability analysis, the Board reviewed information regarding economies of scale or other efficiencies that may result from increases in the Fund's assets. The Board noted that the Advisory Contract already provided for breakpoints in the Fund's investment advisory fee rates as the assets of the Fund, on an aggregated basis with the assets of certain other iShares funds, increase, and that extended breakpoints were implemented for the Fund the previous year. The Board also discussed the substantial growth in assets of certain iShares funds, including the Fund, over the last few years. The Board noted that the Fund's asset size decreased over the past twelve months. The Board also reviewed BGFA's historic profitability as investment adviser to the iShares fund complex and noted that BGFA had continued to make significant investments in the iShares fund complex, that expenses had grown at a pace similar to the growth in revenue, and that BGFA had incurred operating losses during earlier years when the iShares funds, including the Fund, had not yet reached scale. Based on this review, as well as the discussions described above in connection with the Lipper Group and performance benchmark comparisons, the Board, recognizing its responsibility to consider this issue at least annually, concluded that the structure of the investment advisory fees reflects appropriate sharing of economies of scale with the Fund's shareholders.

FEES AND SERVICES PROVIDED FOR OTHER COMPARABLE FUNDS/ACCOUNTS MANAGED BY BGFA AND ITS AFFILIATES

The Board received and considered certain information regarding the Fund's annual investment advisory fee rates under the Advisory Contract in comparison to the investment advisory/management fee rates for other funds/accounts for which BGFA or BGI, an affiliate of BGFA, provides investment advisory/management services, including other funds registered under the 1940 Act, collective funds and separate accounts (together, the "Other Accounts"). In reviewing the comparative investment advisory/management fee information, the Board considered the general structure of investment advisory/management fees in relation to the nature and extent of services provided

Board Review and Approval of Current Investment Advisory Contract

(Unaudited) (Continued)

iSHARES[®], INC.

to the Fund in comparison with the nature and extent of services provided to the Other Accounts, including, among other things, the level of complexity in managing the Fund and the Other Accounts under differing regulatory requirements and client guidelines. Based on this review, the Board determined that the investment advisory fee rates under the Advisory Contract do not constitute fees that are so disproportionately large as to bear no reasonable relationship to the services rendered and that could not have been the product of arm's-length bargaining, and concluded that the investment advisory fee rates under the Advisory Contract are fair and reasonable.

OTHER BENEFITS TO BGFA AND/OR ITS AFFILIATES

The Board reviewed any ancillary revenue received by BGFA and/or its affiliates in connection with the services provided to the Fund by BGFA, such as any payment of revenue to BGI, the Company's securities lending agent, for loaning any portfolio securities, and payment of advisory fees and/or administration fees to BGFA and BGI in connection with any investments by the Fund in other funds for which BGFA provides investment advisory services and/or BGI provides administration services. The Board noted that while revenue to BGI in connection with securities lending agency services to the iShares funds increased overall as against the previous year, overall revenue increased by approximately the same percentage as overall expenses. The Board noted that BGFA does not use soft dollars or consider the value of research or other services that may be provided to BGFA (including its affiliates) in selecting brokers for portfolio transactions for the Fund. The Board further noted that any portfolio transactions on behalf of the Fund placed through a BGFA affiliate or purchased from an underwriting syndicate in which a BGFA affiliate participates, are reported to the Board pursuant to Rule 17e-1 or Rule 10f-3, as applicable, under the 1940 Act. The Board concluded that any such ancillary benefits would not be disadvantageous to the Fund's shareholders.

Based on this analysis, the Board determined that the Advisory Contract, including the investment advisory fee rates thereunder, is fair and reasonable in light of all relevant circumstances, and concluded that it is in the best interest of the Fund and its shareholders to approve the Advisory Contract for the coming year.

Board Review and Approval of New Investment Advisory Agreements (Unaudited)

iSHARES®, INC.

On June 16, 2009, Barclays Bank PLC (“Barclays”) entered into an agreement to sell its interest in the Barclays Global Investors asset management business, which includes BGI and BGI’s business of advising, sponsoring and distributing exchange-traded funds, to BlackRock, Inc. (“BlackRock”). Assuming receipt of the requisite regulatory approvals and the satisfaction of other conditions to the closing, the subsidiaries of Barclays operating the BGI business, including BGFA (the “Adviser”), will be sold to BlackRock (the “Transaction”) for cash and BlackRock stock.

The Adviser currently serves as the investment adviser to each Fund pursuant to an investment advisory agreement with the Company (the “Current Advisory Agreement”). Under the 1940 Act, the Transaction, if consummated, will result in the automatic termination of the Current Advisory Agreement. In order for the management of each Fund to continue uninterrupted, the Board approved interim and new investment advisory agreements (the “New Advisory Agreements”) with the Company, subject to shareholder approval.

BOARD CONSIDERATIONS IN APPROVING THE NEW ADVISORY AGREEMENTS

At an in-person Board meeting held on August 13, 2009, the Board, including the Independent Directors, unanimously approved the New Advisory Agreements between the Adviser and the Company, on behalf of its Funds after consideration of all factors determined to be relevant to the Board’s deliberations, including those discussed below.

The Approval Process – At telephonic and in-person meetings held in June, July and August of this year, the Board, including the Independent Directors, discussed the Transaction and the New Advisory Agreements for the Funds.

In preparation for their consideration of the New Advisory Agreements, the Directors received, in response to a written due diligence request prepared by the Board and its independent counsel and provided to BlackRock, BGI and the Adviser, comprehensive written information covering a range of issues and received, in response to their additional requests, further information in advance of and at the August 13, 2009 in-person Board meeting. To assist the Board in its consideration of the New Advisory Agreements, BlackRock provided materials and information about itself, including its history, management, investment, risk management and compliance capabilities and processes, and financial condition, and the Adviser provided materials and information about the Transaction. In addition, the Independent Directors consulted with their independent legal counsel and Fund counsel on numerous occasions, discussing, among other things, the legal standards and certain other considerations relevant to the Board’s deliberations.

In June 2009, the Board had performed a full annual review of, or initially approved, as applicable, the current Investment Advisory Agreement between the Adviser and the Company, on behalf of its Funds for each Fund as required by the 1940 Act and, after reviewing, among other things, the investment capabilities, resources and personnel of the Adviser, determined that the nature, extent and quality of the services provided by the Adviser under the Current Advisory Agreements were appropriate. The Board also determined that the advisory fees paid by each Fund, taking into account any applicable agreed-upon fee waivers and breakpoints, were fair and reasonable in light of the services provided, the costs to the Adviser of providing those services, economies of scale, the fees and other expenses paid by similar funds (including information provided by Lipper, Inc. (“Lipper”)), and such other circumstances as the Directors considered relevant in the exercise of their reasonable judgment. The Board approved the Current Advisory Agreements on June 17, 2009.

In advance of the June 2009 Board meeting, the Board requested and received materials specifically relating to each Fund’s Current Advisory Agreement. These materials were prepared for each Fund, and included information (i) compiled by Lipper on the fees and expenses and the investment performance of the Fund as compared to a comparable group of funds as classified by Lipper; (ii) prepared by the Adviser discussing market conditions generally; (iii) on the profitability to the Adviser of the Current Advisory Agreements and other payments received by the Adviser and its affiliates from the Funds; and (iv) provided by the Adviser concerning services related to the valuation and pricing of Fund portfolio holdings, and direct and indirect benefits to the Adviser and its affiliates from their relationship with the Fund.

Board Review and Approval of New Investment Advisory Agreements

(Unaudited) (Continued)

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At the June 17, July 29 and August 13, 2009 Board meetings, the Directors discussed with representatives of BGI, the Adviser and BlackRock, the management, investment, risk management and compliance capabilities and processes, and financial condition of BlackRock, the Transaction and its rationale, and BlackRock's general plans and intentions regarding the Adviser and the Funds. At these Board meetings, representatives of BGI, the Adviser and BlackRock made various presentations to, and responded to questions from, the Board. The Board also inquired about the plans for, and anticipated roles and responsibilities of, the employees and officers of the Adviser in connection with the Transaction, including the anticipated senior management structure of the Adviser following the completion of the Transaction. The Independent Directors also conferred separately and with their independent legal counsel about the Transaction and other matters related to the Transaction on a number of occasions. After the presentations and after reviewing the written materials provided, the Independent Directors met in executive sessions with their independent legal counsel at the June, July and August 2009 Board meetings to consider the Transaction, its expected impact on the Adviser and the Funds, and the New Advisory Agreements.

In connection with the Board's review of the New Advisory Agreements, BGI, the Adviser and/or BlackRock, as applicable, provided the Board with information about a variety of matters. The Board considered, among other things, the following information:

- the reputation, financial strength and resources of BlackRock and its investment advisory subsidiaries and the anticipated financial strength and resources of the combined company;
- that there is not expected to be any diminution in the nature, quality and extent of services provided to the Funds and their shareholders by the Adviser, including portfolio management and compliance services;
- that the Adviser and BlackRock have no present intention to alter the advisory fee rates and expense arrangements currently in effect for the Funds for a period of two years from the date of the closing of the Transaction;
- that it is expected that substantially all of the current employees of the Adviser will remain employees of the Adviser and will continue to provide services to the Funds following the Transaction;
- that the Funds may benefit from having direct access to BlackRock's state of the art technology and risk management analytic tools, including investment tools, provided under the *BlackRock Solutions*[®] brand name;
- that the Funds are expected to continue to be sold through existing distribution channels;
- that the Funds will have access to greater distribution resources through BlackRock's relationships with third party brokers and retirement plan platforms;
- that the parties to the Transaction Agreement have agreed to conduct their respective businesses in compliance with the conditions of Section 15(f) of the 1940 Act in relation to the Funds;
- that Barclays or one of its affiliates has agreed to pay all expenses of the Funds in connection with the Board's consideration of the New Advisory Agreements and all costs of seeking shareholder approval of the New Advisory Agreements; and
- that Barclays and BlackRock would derive benefits from the Transaction and that, as a result, they may have a different financial interest in the matters that were being considered than do Fund shareholders.

The Board did not identify any particular information that was all-important or controlling, and each Director may have attributed different weights to the various factors discussed below. The Directors evaluated all information available to them on a Fund-by-Fund basis, and their determinations were made separately in respect of each Fund. In their deliberations, the Directors considered information received

Board Review and Approval of New Investment Advisory Agreements (Unaudited) (Continued)

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in connection with their most recent approval or continuation of each Current Advisory Agreement at the June 2009 Board meeting, in addition to information provided by BGI, the Adviser and BlackRock regarding BlackRock and the Transaction, in connection with their evaluation of the terms and conditions of the New Advisory Agreements. The Directors, including a majority of the Independent Directors, concluded that the terms of the New Advisory Agreements are appropriate, that the fees to be paid are reasonable in light of the services to be provided to each Fund, and that the New Advisory Agreements should be approved and recommended to Fund shareholders. In voting to approve the New Advisory Agreements in respect of each Fund, the Board considered in particular the following factors:

The nature, extent and quality of services to be provided by the Adviser and its affiliates – In connection with their consideration of the New Advisory Agreements, the Board considered representations by the Adviser, BGI and BlackRock that there would be no diminution in the scope of services required of or provided by the Adviser under the New Advisory Agreements for each Fund as compared to the scope of services provided by the Adviser under the Current Advisory Agreement. In reviewing the scope of these services at the June and August 2009 Board meetings, the Board considered the Adviser’s investment philosophy and experience, noting that the Adviser and its affiliates have committed significant resources over time, including over the past year, including investments in technology and increasing the number of their employees supporting the Funds. The Board also considered the Adviser’s compliance program and its compliance record with respect to the Funds. In that regard, the Board noted that the Adviser reports to the Board about portfolio management and compliance matters on a periodic basis in connection with regularly scheduled meetings of the Board, and has made appropriate officers available as needed to provide further assistance with these matters. The Board noted that it expects that these reports and discussions will continue following the consummation of the Transaction. In addition to the above considerations, the Board considered the Adviser’s investment processes and strategies, and matters related to the Adviser’s portfolio transaction policies and procedures. The Board further took into account that, with respect to most of the Funds, the Adviser does not serve as investment adviser for other series of registered investment companies with substantially similar investment objectives and strategies; therefore, directly comparable performance information was generally not available for most Funds. The Board also considered each Fund’s record of performing in accordance with its investment objective.

In connection with the investment advisory services to be provided under the New Advisory Agreements, the Board took into account detailed discussions with representatives of the Adviser at the June 2009 Board meeting and at prior Board meetings regarding the management of each Fund. In addition to the investment advisory services to be provided to the Funds, the Board, at the August 2009 Board meeting, considered that the Adviser also will continue to provide management and administrative services, shareholder services, oversight of Fund accounting, marketing services, assistance in meeting legal and regulatory requirements and other services necessary for the operation of the Funds, and that these services were expected to be consistent with the services the Adviser currently performs under the Current Advisory Agreements.

The Board noted the representations of the Adviser, BGI and BlackRock that the Transaction was not expected to have any adverse effect on the resources and strengths of the Adviser in managing the Funds. The Board also considered that the Funds and their shareholders may benefit from having direct access to BlackRock’s state of the art technology and risk management analytic tools, including the investment tools provided under the *BlackRock Solutions®* brand name. The Board discussed BlackRock’s current financial condition, its anticipated financial condition following the completion of the Transaction and its lines of business. The Board also discussed the Adviser’s anticipated financial condition following the completion of the Transaction. The Board discussed BlackRock’s current ownership structure and expected ownership structure following the completion of the Transaction. The Board was advised that BlackRock operates as an independent firm, with its own Board of Directors and no majority shareholder. The Board was also advised that while BlackRock’s largest shareholders, Merrill Lynch, a wholly owned subsidiary of Bank of America, and PNC, are important clients and strategic partners of BlackRock, they are not involved in the firm’s day-to-day management or operations.

Board Review and Approval of New Investment Advisory Agreements

(Unaudited) (Continued)

iSHARES®, INC.

Based on the discussions held and the materials presented at the June, July and August 2009 Board meetings and prior Board meetings, the Board determined that the Transaction would not likely cause an adverse change in the nature, extent and quality of the services to be provided by the Adviser under the New Advisory Agreements compared with the services provided by the Adviser under the Current Advisory Agreements and that the Board expects that the quality of such services will continue to be appropriate.

Funds' expenses and performance of the Funds – The Board received and reviewed statistical information prepared by Lipper at the June 2009 meeting and also received information at prior meetings regarding the expense ratio components of the Funds, including advisory fees, waivers and reimbursements, and gross and net total expenses, in comparison with the same information for other registered investment companies objectively selected by Lipper as comprising a Fund's peer group pursuant to Lipper's proprietary methodology and, for certain Funds, registered investment companies that would otherwise have been excluded from Lipper's comparison group due to certain differentiating factors, but were nonetheless included at the request of the Adviser (the "Lipper Group"). Because there are few, if any, exchange traded funds or index funds that track indexes similar to those tracked by most of the Funds, the Lipper Groups sometimes included mutual funds, closed-end funds, exchange traded funds, or funds with differing investment objective classifications, investment focuses and other characteristics (e.g., actively managed funds and funds sponsored by "at cost" service providers). In support of its review of the statistical information, the Board was provided with a detailed description of the methodology used by Lipper to determine the applicable Lipper Groups and to prepare this information. The Board further noted that due to the limitations in providing comparable funds in the various Lipper Groups, the statistical information may or may not provide meaningful direct comparisons to certain Funds.

The Board noted that the investment advisory fees and overall expenses for the Funds were generally lower than the median or average investment advisory fee rates and overall expenses of the Funds in their Lipper Groups with respect to the Current and New Advisory Agreements. The Board took into account that the fee rates for each Fund under the New Advisory Agreements are identical to the fee rates under the respective Current Advisory Agreements. Further, the Board noted that representatives of the Adviser and BlackRock had confirmed that there is no present intention to alter the advisory fee rates, expense waivers or expense reimbursements currently in effect for the Funds for a period of two years from the date of the closing of the Transaction.

In addition to reviewing the fees and expenses, the Board noted that it regularly reviews each Fund's performance and at the June 2009 meeting reviewed statistical information prepared by Lipper regarding the performance of each Fund for the quarter-end, one-, three-, five- and ten-year periods, as applicable, and a comparison of each Fund's performance to its performance benchmark index for the same periods. To the extent that any of the comparison funds included in the Lipper Groups track the same index as any particular Fund, Lipper also provided, and the Board reviewed, a comparison of the Fund's performance to that of the relevant comparison funds for the same periods. The Board noted that the Funds generally performed in line with their performance benchmark indices over the relevant periods. In considering this information, the Board took into account that the Lipper Groups include funds that may have different investment objectives and/or benchmarks from the Funds. In addition, the Board noted that each Fund seeks to track its benchmark index and that during the prior year the Board received periodic reports on the Funds' performance in comparison with their relevant benchmark indices. This comparative performance information was also considered by the Board. The Board considered the Adviser's substantial investment advisory experience and capabilities, as well as the possibility of additional resources and support from BlackRock following the completion of the Transaction, but noted that the effect, if any, the consummation of the Transaction would have on the future performance of the Funds could not be predicted.

Based on this review, the Board had concluded that the investment advisory fee rates and expense levels and the historical performance of each Fund, as compared to the investment advisory fee rates and expense levels and performance of the funds in the relevant Lipper Group, were satisfactory for the purposes of approving the Current Advisory Agreements and concluded that these comparisons continued to be satisfactory for the purpose of approving the New Advisory Agreements.

Board Review and Approval of New Investment Advisory Agreements (Unaudited) (Continued)

iSHARES[®], INC.

Cost of services provided and profits realized by the Adviser from the relationship with each Fund – The Board considered that at the June 2009 Board meeting and at prior meetings, it had reviewed information about the profitability of the Adviser with respect to the Funds based on the fees payable to the Adviser and its affiliates (including fees under the Current Advisory Agreements), and all other sources of revenue and expense to the Adviser and its affiliates from the Funds' operations for the last calendar year. The Board discussed the sources of direct and ancillary revenue with management, including the revenues to BGI from securities lending by the Companies (including any securities lending by the Funds). The Board also discussed the Adviser's profit margin as reflected in the Funds' profitability analysis and reviewed information regarding economies of scale (as discussed below).

In evaluating the costs of the services to be provided by the Adviser under the New Advisory Agreements, the Board considered, among other things, whether advisory fee rates or other expenses would change as a result of the Transaction. The Board noted that the New Advisory Agreements are similar to the Current Advisory Agreements, including the fact that the fee rates under the Agreements are identical and that representatives of the Adviser and BlackRock represented that there is no present intention due to the Transaction to alter the advisory fee rates, expense waiver or expense reimbursements currently in effect for the Funds for a period of two years from the date of the closing of the Transaction. It was noted that it was not possible to predict how the Transaction would affect the Adviser's profitability from its relationship with the Funds. Potential cost savings had been described by BlackRock representatives that may be achieved by BlackRock immediately following the Transaction, but even if all of such savings were realized by the Adviser in connection with the management of the Funds, the Adviser's profitability in respect of the Funds was not expected to increase in a significant respect. The Adviser, BlackRock and the Board discussed how profitability will be calculated and presented to the Board following the Transaction, and the Board reviewed BlackRock's 2008 profitability methodology with respect to its registered funds. The Board expects to receive profitability information from the Adviser on at least an annual basis following the completion of the Transaction and thus be in a position to evaluate whether any adjustments in Fund fees would be appropriate.

The extent to which economies of scale would be realized as a Fund grows and whether fee levels would reflect such economies of scale – In connection with its review of the Funds' profitability analysis at the June 2009 meeting, the Board reviewed information regarding potential economies of scale or other efficiencies that may result from increases in the Funds' assets. At the June 2009 Board meeting, the Board also reviewed the Adviser's historic profitability as investment adviser to the iShares fund complex and noted that the Adviser had continued to make significant investments in the iShares fund complex, that expenses had grown at a pace similar to the growth in revenue, and that the Adviser had incurred operating losses during earlier years when the iShares funds, including the Funds, had not yet reached scale. The Board further noted that the Current and New Advisory Agreements provide for breakpoints in certain Funds' investment advisory fee rates as the assets of the Funds, on an aggregated basis with the assets of certain other Funds, increase and that breakpoints were implemented the previous year for certain Funds. The Board noted that for certain other Funds, the Current and New Advisory Agreements do not provide for any breakpoints in the Funds' investment advisory fee rates as the assets of the Funds increase; however, the Board further noted that possible future economies of scale for those Funds had, in many cases, been taken into consideration by fixing the investment advisory fees at rates at the lower end of the marketplace, effectively giving Fund shareholders, from inception, the benefits of the lower average fee shareholders may have received from a fee structure with declining breakpoints where the initial fee was higher. At the June 2009 Board meeting, the Board, recognizing its responsibility to consider this issue at least annually, concluded that the structure of the investment advisory fee rates, with the breakpoints for certain Funds, reflected appropriate sharing of economies of scale with the Funds' shareholders.

The Board noted representations from the Adviser and BlackRock that the Adviser will continue to make significant investments in the iShares fund complex and the infrastructure supporting the Funds. The Board determined that changes to the fee structure were not currently necessary and that the Funds appropriately participate in economies of scale. It was noted that it was not possible to evaluate how the Transaction would create opportunities for additional economies of scale. The Board expects to consider economies of scale on at least an annual basis following completion of the Transaction and thus be in a position to evaluate additional economies of scale, if any.

Board Review and Approval of New Investment Advisory Agreements

(Unaudited) (Continued)

iSHARES[®], *INC.*

Fees and services provided for other comparable funds/accounts managed by the Adviser and its Affiliates – At the June 2009 Board meeting, the Board received and considered certain information regarding the Funds’ annual investment advisory fee rates under the Current Advisory Agreements in comparison to the investment advisory/management fee rates for other funds/accounts for which the Adviser or BGI provides investment advisory/management services, including other funds registered under the 1940 Act, collective funds and separate accounts (together, the “Other Accounts”). The Board noted that directly comparable investment advisory/management fee information was not available for many of the Funds, as the Adviser and its affiliates do not manage any Other Accounts with substantially similar investment objectives and strategies as many of the Funds. The Board noted, however, that the Adviser provided the Board with general information regarding how the level of services provided to the Other Accounts differed from the level of services provided to the Funds. Furthermore, in reviewing the comparative investment advisory/management fee information for the Funds for which such information was available, the Board considered the general structure of investment advisory/management fees in relation to the nature and extent of services provided to the Funds in comparison with the nature and extent of services provided to the Other Accounts, including, among other things, the level of complexity in managing the Funds and the Other Accounts under differing regulatory requirements and client guidelines. The Board noted that the investment advisory fee rates under the Current Advisory Agreements for the Funds were generally higher than the investment advisory/management fee rates for the Other Accounts for which the Adviser or BGI provides investment advisory/management services, but that the differences appeared to be attributable to, among other things, the type and level of services provided and/or the asset levels of the Other Accounts. Based on this review, the Board determined that the investment advisory fee rates under the Current and New Advisory Agreements do not constitute fees that are so disproportionately large as to bear no reasonable relationship to the services rendered and that could not have been the product of arm’s-length bargaining, and concluded that the investment advisory fee rates under the Current and New Advisory Agreements are fair and reasonable.

Other benefits to the Adviser and its affiliates, including fall-out benefits – In evaluating the fall-out and any other ancillary benefits received by the Adviser under the Current Advisory Agreements, the Board reviewed any ancillary revenue received by the Adviser and/or its affiliates in connection with the services provided to the Funds by the Adviser or its affiliates, such as any payment of revenue to BGI, the Company’s current securities lending agent, for loaning any portfolio securities, and payment of advisory fees and/or administration fees to the Adviser and BGI in connection with any investments by the Funds in other funds for which the Adviser provides investment advisory services and/or BGI provides administration services. The Board noted that while revenue to BGI in connection with securities lending agency services to the Funds increased overall as against the previous year, overall revenue increased by approximately the same percentage as overall expenses. The Board noted that the Adviser does not use soft dollars or consider the value of research or other services that may be provided to the Adviser (including its affiliates) in selecting brokers for portfolio transactions for the Funds. The Board further noted that any portfolio transactions on behalf of the Funds placed through an affiliate of the Adviser or purchased from an underwriting syndicate in which an Adviser affiliate participates, are reported to the Board pursuant to Rule 17e-1 or Rule 10f-3, as applicable, under the 1940 Act. Any fall-out or ancillary benefits as a result of the Transaction were difficult to quantify with certainty at this time, and the Board indicated that it would continue to evaluate them going forward.

Conclusion – The Board examined the totality of the information they were provided at the June, July and August 2009 Board meetings, and information they received at other meetings held during the past year, and did not identify any single factor discussed previously as controlling. Based on this analysis, the Board determined that the New Advisory Agreements, including the investment advisory fee rates thereunder, are fair and reasonable in light of all relevant circumstances and concluded that it is in the best interest of the Funds and their shareholders to unanimously approve the New Advisory Agreements.

Supplemental Information (Unaudited)

iSHARES[®], INC.

The table that follows presents information about the differences between the daily market price on secondary markets for shares of the Fund and the Fund's net asset value. Net asset value, or "NAV," is the price per share at which the Fund issues and redeems shares. It is calculated in accordance with the standard formula for valuing mutual fund shares. The "Market Price" of the Fund generally is determined using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which the shares of the Fund is listed for trading, as of the time that the Fund's NAV is calculated. The Fund's Market Price may be at, above or below its NAV. The NAV of the Fund will fluctuate with changes in the market value of its portfolio holdings. The Market Price of the Fund will fluctuate in accordance with changes in its NAV, as well as market supply and demand.

Premiums or discounts are the differences (expressed as a percentage) between the NAV and Market Price of the Fund on a given day, generally at the time NAV is calculated. A premium is the amount that the Fund is trading above the reported NAV, expressed as a percentage of the NAV. A discount is the amount that the Fund is trading below the reported NAV, expressed as a percentage of the NAV.

The following information shows the frequency distributions of premiums and discounts for the Fund. The information shown for the Fund is for five calendar years through the date of the most recent calendar quarter-end.

Each line in the table shows the number of trading days in which the Fund traded within the premium/discount range indicated. The number of trading days in each premium/discount range is also shown as a percentage of the total number of trading days in the period covered by the table. All data presented here represents past performance, which cannot be used to predict future results.

iShares MSCI Japan Index Fund Period Covered: January 1, 2004 through June 30, 2009

<u>Premium/Discount Range</u>	<u>Number of Days</u>	<u>Percentage of Total Days</u>
Greater than 6.0%	2	0.14%
Greater than 5.5% and Less than 6.0%	1	0.07
Greater than 5.0% and Less than 5.5%	2	0.14
Greater than 4.5% and Less than 5.0%	3	0.22
Greater than 4.0% and Less than 4.5%	4	0.29
Greater than 3.5% and Less than 4.0%	8	0.58
Greater than 3.0% and Less than 3.5%	5	0.36
Greater than 2.5% and Less than 3.0%	11	0.80
Greater than 2.0% and Less than 2.5%	16	1.16
Greater than 1.5% and Less than 2.0%	50	3.62
Greater than 1.0% and Less than 1.5%	99	7.16
Greater than 0.5% and Less than 1.0%	225	16.28
Between 0.5% and -0.5%	604	43.73
Less than -0.5% and Greater than -1.0%	153	11.07
Less than -1.0% and Greater than -1.5%	81	5.86
Less than -1.5% and Greater than -2.0%	47	3.40
Less than -2.0% and Greater than -2.5%	26	1.88
Less than -2.5% and Greater than -3.0%	14	1.01
Less than -3.0% and Greater than -3.5%	8	0.58
Less than -3.5% and Greater than -4.0%	6	0.43
Less than -4.0% and Greater than -4.5%	6	0.43
Less than -4.5% and Greater than -5.0%	2	0.14
Less than -5.0% and Greater than -5.5%	4	0.29
Less than -5.5%	5	0.36
	<u>1,382</u>	<u>100.00%</u>

Director and Officer Information (Unaudited)

iSHARES[®], *INC.*

The Board of Directors has responsibility for the overall management and operations of the Company, including general supervision of the duties performed by BGFA and other service providers. Each Director serves until his or her successor is duly elected or appointed and qualified. Each Officer serves until he or she resigns, is removed, dies, retires or becomes disqualified.

iShares, Inc., iShares Trust, Barclays Global Investors Funds (“BGIF”) and Master Investment Portfolio (“MIP”) are considered to be members of the same fund complex, as defined in Form N-1A under the 1940 Act. Each Director of iShares, Inc. also serves as a Trustee for iShares Trust and oversees 183 portfolios within the fund complex. In addition, Lee T. Kranefuss serves as a Trustee for BGIF and MIP and oversees an additional 26 portfolios within the fund complex.

The address of each Director and Officer is c/o Barclays Global Investors, N.A., 400 Howard Street, San Francisco, California 94105. The Board has designated George G.C. Parker as its Lead Independent Director. Additional information about the Funds’ Directors and Officers may be found in the Funds’ combined Statement of Additional Information, which is available without charge, upon request, by calling toll-free 1-800-474-2737.

Interested Directors and Officers

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
*Lee T. Kranefuss, 48	Director and Chairman (since 2003).	Non-Executive Chairman (since 2009), iShares; Global Chief Executive Officer (2008-2009) of iShares/Intermediary Groups of BGI; Chief Executive Officer (2005-2008) of iShares Intermediary Index and Market Group of BGI; Chief Executive Officer (2003-2005) of the Intermediary Investor and Exchange Traded Products Business of BGI; Director (since 2005) of BGFA; Director, President and Chief Executive Officer (since 2005) of Barclays Global Investors International, Inc.; Director and Chairman (since 2005) of Barclays Global Investors Services.	Trustee (since 2003) of iShares Trust; Trustee (since 2001) of BGIF and MIP.

* Lee T. Kranefuss is deemed to be an “interested person” (as defined in the 1940 Act) of the Company due to his affiliations with BGFA, the Funds’ investment adviser; BGI, the parent company of BGFA; and Barclays Global Investors Services, an affiliate of BGFA and BGI.

Director and Officer Information (Unaudited) (Continued)

iSHARES[®], INC.

Independent Directors

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
George G.C. Parker, 70	Director (since 2002); Lead Independent Director (since 2006).	Dean Witter Distinguished Professor of Finance (since 1994), Emeritus, Stanford University: Graduate School of Business.	Trustee (since 2000) of iShares Trust; Lead Independent Trustee (since 2006) of iShares Trust; Director (since 1995) of Community First Financial Group; Director (since 1999) of Tejon Ranch Company; Director (since 2004) of Threshold Pharmaceuticals; Director (since 2007) of NETGEAR, Inc.
J. Darrell Duffie, 55	Director (since 2008).	Professor (since 1984) of Stanford University: Graduate School of Business.	Trustee (since 2008) of iShares Trust; Director (since 2008) of Moody's Corp.
Cecilia H. Herbert, 60	Director (since 2005).	Chair (1994-2005) of Investment Committee, Archdiocese of San Francisco; Director (since 1998) and President (since 2007) of the Board of Directors, Catholic Charities CYO; Trustee (2004-2005) of Pacific Select Funds; Trustee (since 2002) and Chair (2006-2007) of the Finance and Investment Committees (since 2006) of the Thacher School.	Trustee (since 2005) of iShares Trust; Advisory Board Member (since 2009) of Forward Funds.
Charles A. Hurty, 66	Director (since 2005).	Retired; Partner, KPMG LLP (1968-2001).	Trustee (since 2005) of iShares Trust; Director (since 2002) of ProMark Absolute Return Strategies Fund LLC (1 portfolio); Director (since 2002) of Citigroup Alternative Investments Multi- Adviser Hedge Fund Portfolios LLC (1 portfolio); Director (since 2005) of CSFB Alternative Investments Fund (6 portfolios).
John E. Kerrigan, 54	Director (since 2005).	Chief Investment Officer (since 2002) of Santa Clara University.	Trustee (since 2005) of iShares Trust.
*John E. Martinez, 48	Director (since 2003).	Director (since 2005) of EquityRock Capital Management; Director (since 2003) of Larkin Street Youth Services.	Trustee (since 2003) of iShares Trust; Chairman (since 2007) of Independent Review Committee, Canadian iShares Funds.

Director and Officer Information (Unaudited) (Continued)

iSHARES[®], INC.

Independent Directors (Continued)

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
Robert H. Silver, 54	Director (since 2007).	President and Co-Founder (since 2006) of The Bravitas Group, Inc.; Member (since 2006) of Non-Investor Advisory Board of Russia Partners II, LP; Director and member (2006-2009) of the Audit and Compensation Committee of EPAM Systems, Inc.; President and Chief Operating Officer (2003-2005) and Director (1999-2005) of UBS Financial Services, Inc.; President and Chief Executive Officer (1999-2005) of UBS Services USA, LLC; Managing Director (2000-2005) of UBS America, Inc.; Director and Vice Chairman (since 2001) of the YMCA of Greater NYC; Broadway Producer (since 2006); Co-Founder and Vice President (since 2008) of Parentgiving Inc.	Trustee (since 2007) of iShares Trust.

* Prior to August 13, 2009, John E. Martinez was deemed to be an "interested person" (as defined in the 1940 Act) of the Trust due to his affiliations with BGFA, the Funds' investment adviser; BGI, the parent company of BGFA; and Barclays Global Investors Services, an affiliate of BGFA and BGI. Effective August 13, 2009, John E. Martinez is a non-interested person notwithstanding his former affiliation with BGFA and its affiliates prior to 2002.

Officers

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
Michael A. Latham, 44	President (since 2007).	Head (since 2007) of Americas iShares, BGI; Chief Operating Officer (2003-2007) of the Intermediary Investor and Exchange Traded Products Business of BGI; Director and Chief Financial Officer (since 2005) of Barclays Global Investors International, Inc.	None.

Director and Officer Information (Unaudited) (Continued)

iSHARES[®], INC.

Officers (Continued)

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
Geoffrey D. Flynn, 52	Executive Vice President and Chief Operating Officer (since 2008).	Chief Operating Officer (since 2008) of U.S. iShares, BGI; Director (2007-2008) of Mutual Fund Operations of BGI; President (2003-2007) of Van Kampen Investors Services; Managing Director (2002-2007) of Morgan Stanley; President (2002-2007) of Morgan Stanley Trust, FSB.	None.
Jack Gee, 50	Treasurer and Chief Financial Officer (since 2008).	Senior Director (since 2009) of Fund Administration of Intermediary Investor Business of BGI; Director (2004-2009) of Fund Administration of Intermediary Investor Business of BGI; Treasurer and Chief Financial Officer (2004) of Parnassus Investments.	None.
Eileen M. Clavere, 57	Secretary (since 2007).	Director (since 2006) of Legal Administration of Intermediary Investors Business of BGI; Legal Counsel and Vice President (2005-2006) of Atlas Funds, Atlas Advisers, Inc. and Atlas Securities, Inc.; Counsel (2001-2005) of Kirkpatrick & Lockhart LLP.	None.
Ira P. Shapiro, 46	Vice President and Chief Legal Officer (since 2007).	Associate General Counsel (since 2004) of BGI; First Vice President (1993-2004) of Merrill Lynch Investment Managers.	None.
Amy Schioldager, 47	Executive Vice President (since 2007).	Global Head (since 2008) of Index Equity, BGI; Global Head (2006-2008) of U.S. Indexing, BGI; Head (2001-2006) of Domestic Equity Portfolio Management, BGI.	None.
Patrick O'Connor, 42	Vice President (since 2007).	Head (since 2006) of iShares Portfolio Management, BGI; Senior Portfolio Manager (1999-2006) of BGI.	None.

Director and Officer Information (Unaudited) (Continued)

iSHARES[®], INC.

Officers (Continued)

Name, Age	Position(s), Length of Service	Principal Occupation(s) During Past 5 Years	Other Directorships Held
Lee Sterne, 44	Vice President (since 2007).	Head (since 2007) of U.S. Fixed Income Index and iShares, BGI; Senior Portfolio Manager (2004-2007) of BGI; Portfolio Manager (2001-2004) of BGI.	None.
Matt Tucker, 37	Vice President (since 2007).	Director (since 2009) of Fixed Income Investment Strategy, BGI; Head (2005-2008) of U.S. Fixed Income Investment Solutions, BGI; Fixed Income Investment Strategist (2003-2005) of BGI.	None.

The iShares® Family of Funds

The following is a list of iShares Funds being offered, along with their respective exchange trading symbols. **Please call 1-800-iShares (1-800-474-2737) to obtain a prospectus for any iShares Fund. The prospectus contains more complete information, including charges, expenses, investment objectives and risk factors that should be carefully considered to determine if the Fund(s) are an appropriate investment for you. Read the prospectus(es) carefully before investing. Investing involves risk, including possible loss of principal.**

	Trading Symbol		Trading Symbol
iShares Russell Domestic Index Funds		iShares Domestic Specialty Index Funds	
iShares Russell 3000	IWV	iShares S&P U.S. Preferred Stock	PFF
iShares Russell 3000 Growth	IWZ	iShares Dow Jones Select Dividend	DVY
iShares Russell 3000 Value	IWW		
iShares Russell Top 200	IWL	iShares North American Sector/Subsector Index Funds	
iShares Russell Top 200 Growth	IWY	iShares S&P North American Technology Sector	IGM
iShares Russell Top 200 Value	IWX	iShares S&P North American Technology-Multimedia Networking	IGN
iShares Russell 1000	IWB	iShares S&P North American Technology- Semiconductors	IGW
iShares Russell 1000 Growth	IWF	iShares S&P North American Technology-Software	IGV
iShares Russell 1000 Value	IWD	iShares S&P North American Natural Resources Sector ..	IGE
iShares Russell Midcap	IWR		
iShares Russell Midcap Growth	IWP	iShares Domestic Sector Index Funds	
iShares Russell Midcap Value	IWS	iShares Dow Jones U.S. Basic Materials Sector	IYM
iShares Russell 2000	IWM	iShares Dow Jones U.S. Consumer Goods Sector	IYK
iShares Russell 2000 Growth	IWO	iShares Dow Jones U.S. Consumer Services Sector	IYC
iShares Russell 2000 Value	IWN	iShares Dow Jones U.S. Energy Sector	IYE
iShares Russell Microcap	IWC	iShares Dow Jones U.S. Financial Sector	IYF
		iShares Dow Jones U.S. Healthcare Sector	IYH
		iShares Dow Jones U.S. Industrial Sector	IYJ
		iShares Dow Jones U.S. Technology Sector	IYW
		iShares Dow Jones U.S. Telecommunications Sector	IYZ
		iShares Dow Jones U.S. Utilities Sector	IDU
iShares S&P Domestic Index Funds		iShares Domestic Subsector Index Funds	
iShares S&P 1500	ISI	iShares Dow Jones Transportation Average	IYT
iShares S&P 100	OEF	iShares Dow Jones U.S. Aerospace & Defense	ITA
iShares S&P 500	IVV	iShares Dow Jones U.S. Broker-Dealers	IAI
iShares S&P 500 Growth	IVW	iShares Dow Jones U.S. Financial Services	IYG
iShares S&P 500 Value	IVE	iShares Dow Jones U.S. Healthcare Providers	IHF
iShares S&P MidCap 400	IJH	iShares Dow Jones U.S. Home Construction	ITB
iShares S&P MidCap 400 Growth	IJK	iShares Dow Jones U.S. Insurance	IAK
iShares S&P MidCap 400 Value	IJJ	iShares Dow Jones U.S. Medical Devices	IHI
iShares S&P SmallCap 600	IJR	iShares Dow Jones U.S. Oil & Gas Exploration & Production	IEO
iShares S&P SmallCap 600 Growth	IJT	iShares Dow Jones U.S. Oil Equipment & Services	IEZ
iShares S&P SmallCap 600 Value	IJS	iShares Dow Jones U.S. Pharmaceuticals	IHE
		iShares Dow Jones U.S. Regional Banks	IAT
		iShares Nasdaq Biotechnology	IBB
iShares Morningstar Domestic Index Funds		iShares Domestic Real Estate Index Funds	
iShares Morningstar Large Core	JKD	iShares Cohen & Steers Realty Majors	ICF
iShares Morningstar Large Growth	JKE	iShares Dow Jones U.S. Real Estate	IYR
iShares Morningstar Large Value	JKF	iShares FTSE NAREIT Real Estate 50	FTY
iShares Morningstar Mid Core	JKG	iShares FTSE NAREIT Industrial/Office Capped	FIO
iShares Morningstar Mid Growth	JKH	iShares FTSE NAREIT Mortgage Plus Capped	REM
iShares Morningstar Mid Value	JKI	iShares FTSE NAREIT Residential Plus Capped	REZ
iShares Morningstar Small Core	JKJ	iShares FTSE NAREIT Retail Capped	RTL
iShares Morningstar Small Growth	JKK		
iShares Morningstar Small Value	JKL	iShares Target Risk Index Funds	
		iShares S&P Conservative Allocation	AOK
iShares Dow Jones Domestic Index Funds		iShares S&P Moderate Allocation	AOM
iShares Dow Jones U.S.	IYY	iShares S&P Growth Allocation	AOR
		iShares S&P Aggressive Allocation	AOA
iShares KLD Socially Responsible Index Funds			
iShares FTSE KLD 400 Social	DSI		
iShares FTSE KLD Select Social	KLD		
iShares NYSE Domestic Index Funds			
iShares NYSE Composite	NYC		
iShares NYSE 100	NY		

The iShares® Family of Funds (Continued)

	Trading Symbol		Trading Symbol
iShares International Country Index Funds		iShares Target Date Index Funds	
iShares FTSE China (HK Listed)	FCHI	iShares S&P Target Date Retirement Income	TGR
iShares FTSE/Xinhua China 25	FXI	iShares S&P Target Date 2010	TZD
iShares MSCI Australia	EWA	iShares S&P Target Date 2015	TZE
iShares MSCI Austria Investable Market	EWO	iShares S&P Target Date 2020	TZG
iShares MSCI Belgium Investable Market	EWK	iShares S&P Target Date 2025	TZI
iShares MSCI Brazil	EWZ	iShares S&P Target Date 2030	TZL
iShares MSCI Canada	EWC	iShares S&P Target Date 2035	TZO
iShares MSCI Chile Investable Market	ECH	iShares S&P Target Date 2040	TZV
iShares MSCI France	EWQ		
iShares MSCI Germany	EWG	iShares Global Index Funds	
iShares MSCI Hong Kong	EWH	iShares MSCI ACWI	ACWI
iShares MSCI Israel Capped Investable Market	EIS	iShares S&P Global 100	IOO
iShares MSCI Italy	EWI	iShares MSCI Kokusai	TOK
iShares MSCI Japan	EWJ		
iShares MSCI Japan Small Cap	SCJ	iShares Global Sector Index Funds	
iShares S&P/TOPIX 150	ITF	iShares S&P Global Consumer Discretionary Sector	RXI
iShares MSCI Malaysia	EWM	iShares S&P Global Consumer Staples Sector	KXI
iShares MSCI Mexico Investable Market	EWW	iShares S&P Global Energy Sector	IXC
iShares MSCI Netherlands Investable Market	EWN	iShares S&P Global Financials Sector	IXG
iShares MSCI All Peru Capped	EPU	iShares S&P Global Healthcare Sector	IXJ
iShares MSCI Singapore	EWS	iShares S&P Global Industrials Sector	EXI
iShares MSCI South Africa	EZA	iShares S&P Global Materials Sector	MXI
iShares MSCI South Korea	EWY	iShares S&P Global Technology Sector	IXN
iShares MSCI Spain	EWV	iShares S&P Global Telecommunications Sector	IXP
iShares MSCI Sweden	EWD	iShares S&P Global Utilities Sector	JXI
iShares MSCI Switzerland	EWL		
iShares MSCI Taiwan	EWT	iShares Global Theme Based Index Funds	
iShares MSCI Thailand Investable Market	THD	iShares S&P Global Clean Energy	ICLN
iShares MSCI Turkey Investable Market	TUR	iShares S&P Global Infrastructure	IGF
iShares MSCI United Kingdom	EWU	iShares S&P Global Nuclear Energy	NUCL
		iShares S&P Global Timber & Forestry	WOOD
iShares International Index Funds		iShares U.S. Multisector Bond Funds	
iShares MSCI ACWI ex US	ACWX	iShares Barclays Aggregate	AGG
iShares MSCI EAFE	EFA	iShares Barclays Government/Credit	GBF
iShares MSCI EAFE Growth	EFG	iShares Barclays Intermediate Government/Credit	GVI
iShares MSCI EAFE Value	EFV		
iShares MSCI EAFE Small Cap	SCZ	iShares U.S. Government Bond Funds	
iShares FTSE Developed Small Cap ex-North America	IFSM	iShares Barclays Short Treasury	SHV
iShares MSCI Emerging Markets	EEM	iShares Barclays 1-3 Year Treasury	SHY
iShares MSCI Emerging Markets Eastern Europe	ESR	iShares Barclays 3-7 Year Treasury	IEI
iShares S&P Emerging Markets Infrastructure	EMIF	iShares Barclays 7-10 Year Treasury	IEF
iShares MSCI BRIC	BKF	iShares Barclays 10-20 Year Treasury	TLH
iShares MSCI EMU	EZU	iShares Barclays 20+ Year Treasury	TLT
iShares MSCI All Country Asia ex Japan	AAJX	iShares Barclays TIPS	TIP
iShares MSCI Pacific ex-Japan	EPP	iShares Barclays Agency	AGZ
iShares S&P Asia 50	AIA		
iShares S&P Europe 350	IEV	iShares U.S. Credit Bond Funds	
iShares S&P Latin America 40	ILF	iShares Barclays Credit	CFT
		iShares Barclays 1-3 Year Credit	CSJ
iShares International/Global Real Estate Index Funds		iShares Barclays Intermediate Credit	CIU
iShares S&P Developed ex-U.S. Property	WPS	iShares iBoxx \$ Investment Grade Corporate	LQD
iShares FTSE EPRA/NAREIT Developed		iShares iBoxx \$ High Yield Corporate	HYG
Real Estate ex-U.S.	IFGL		
iShares FTSE EPRA/NAREIT Developed Asia	IFAS	iShares U.S. Securitized Bond Funds	
iShares FTSE EPRA/NAREIT Developed Europe	IFEU	iShares Barclays MBS	MBB
iShares FTSE EPRA/NAREIT North America	IFNA		
iShares International Specialty Index Funds			
iShares Dow Jones International Select Dividend	IDV		

The iShares[®] Family of Funds (Continued)

	Trading Symbol		Trading Symbol
iShares AMT-Free Municipal Bond Funds		iShares International Bond Funds	
iShares S&P National AMT-Free Municipal	MUB	iShares JPMorgan USD Emerging Markets	EMB
iShares S&P Short Term National AMT-Free Municipal . . .	SUB	iShares S&P/Citigroup International Treasury	IGOV
iShares S&P California AMT-Free Municipal	CMF	iShares S&P/Citigroup 1-3 Year International Treasury . . .	ISHG
iShares S&P New York AMT-Free Municipal	NYF		

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A description of the policies that the Fund uses to determine how to vote proxies relating to portfolio securities and information about how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge, upon request, by calling toll-free 1-800-474-2737; on the Fund's website at www.iShares.com; and on the U.S. Securities and Exchange Commission (SEC) website at www.sec.gov.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website or may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund also discloses its complete schedule of portfolio holdings on a monthly basis on the Fund's website.

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