

No.1027

MHI Announces FY2004 First-Half Consolidated Financial Results

Tokyo, October 29, 2004 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first-half of fiscal year (FY) 2004 ended September 30, 2004.

(billions of yen)

	FY2004 April – Sept.	FY2003 April – Sept.	Changes (%)	FY2003 Full-Year
Orders Received	1,086.2	1,233.5	– 11.9	2,662.8
Net Sales	1,126.3	1,000.0	12.6	2,373.4
Operating Income (Loss)	– 4.0	10.5	–	66.6
Ordinary Income (Loss)	– 6.5	– 9.4	–	29.7
Income (Loss) Before Tax	– 25.3	– 11.4	–	50.1
Net Income (Loss)	– 21.5	– 10.4	–	21.7
Operation Cash Flow	150.6	94.9	58.7	134.2
Investment Cash Flow	– 84.5	– 41.3	104.7	– 95.3
Financing Cash Flow	91.6	– 44.1	–	– 44.4
Net Income (Loss) Per Share (Fiscal)	– 6.40 yen	– 3.10 yen	–	6.46 yen

Consolidated financial results (continued)

Orders Received by Operational Segment

(billions of yen)

	FY2004 Apr. – Sept.	FY2003 Apr. – Sept.	Differences	FY2003 Full-Year
Shipbuilding & Ocean Development	136.6 (12.6)	136.1 (11.0)	0.5	329.9 (12.4)
Power Systems	295.3 (27.2)	418.0 (33.9)	– 122.6	670.7 (25.2)
Machinery & Steel Structures	164.5 (15.1)	202.0 (16.4)	– 37.5	422.7 (15.9)
Aerospace	81.4 (7.5)	90.3 (7.3)	– 8.9	407.5 (15.3)
Mass and Medium-Lot Manufactured Machinery	361.3 (33.3)	342.6 (27.8)	18.7	727.1 (27.3)
Others	46.8 (4.3)	44.3 (3.6)	2.5	104.6 (3.9)
TOTAL	1,086.2 (100.0)	1,233.5 (100.0)	– 147.3	2,662.8 (100.0)

Figures in parentheses represent percentage of each segment's orders in total orders.

Sales by Operational Segment

(billions of yen)

	FY2004 Apr. – Sept.	FY2003 Apr. – Sept.	Differences	FY2003 Full-Year
Shipbuilding & Ocean Development	131.8 (11.7)	102.3 (10.2)	29.5	200.0 (8.4)
Power Systems	276.7 (24.6)	224.4 (22.4)	52.3	549.8 (23.2)
Machinery & Steel Structures	174.6 (15.5)	143.0 (14.3)	31.5	471.5 (19.9)
Aerospace	145.1 (12.9)	158.8 (15.9)	– 13.7	392.2 (16.5)
Mass and Medium-Lot Manufactured Machinery	367.1 (32.6)	335.5 (33.6)	31.5	687.6 (29.0)
Others	30.7 (2.7)	35.7 (3.6)	– 4.9	72.0 (3.0)
TOTAL	1,126.3 (100.0)	1,000.0 (100.0)	126.3	2,373.4 (100.0)

Figures in parentheses represent percentage of each segment's sales in total sales.

Consolidated financial results (continued)

Operating Income (Loss) by Operational Segment (billions of yen)

	FY2004 Apr. – Sept.	FY2003 Apr. – Sept.	Differences	FY2003 Full-Year
Shipbuilding & Ocean Development	-6.7	-2.5	-4.2	-14.9
Power Systems	1.4	3.1	-1.6	23.4
Machinery & Steel Structures	-6.2	-9.6	3.3	9.6
Aerospace	3.6	10.8	-7.2	29.5
Mass and Medium-Lot Manufactured Machinery	1.5	2.3	-0.8	9.8
Others	2.2	6.3	-4.0	9.0
TOTAL	-4.0	10.5	-14.6	66.6

Estimate of Consolidated Financial Results for FY 2004

For the fiscal year 2004 ending March 31, 2005, MHI is expecting 2,600 billion yen in net sales, 55 billion yen in operating income, 37 billion yen in ordinary income, 37 billion yen in income before tax and 22 billion yen in net income.

(This estimate is based on the assumption of currency exchange rate of US\$1.00 = ¥105.00)

This estimate has been projected with currently available information and data. Therefore please be advised that the actual results may diverge broadly with the influence of the variety of the outside factors such as economics surrounding MHI or currency exchange rate fluctuation.

Notes:

Number of consolidated subsidiaries: 153 (136 in FY2003)

Number of companies under the application of equity method:

	<u>FY2004</u>	<u>FY2003</u>
	47	54

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For more information, please visit the MHI website (<http://www.mhi.co.jp>).

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Sep.30, 2004	As of Mar.31, 2004	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	234,382	209,805	24,576
Trade receivables	810,320	995,306	(184,985)
Securities	135,437	1,759	133,677
Inventories	1,057,709	975,976	81,733
Deferred income taxes	65,079	59,818	5,261
Other current assets	180,932	167,028	13,903
Allowance for doubtful receivables	(8,064)	(6,708)	(1,356)
Total current assets	2,475,797	2,402,987	72,810
Fixed assets:			
Property, plant and equipment	734,570	743,231	(8,660)
Intangible fixed assets	33,931	33,728	203
Investments and advances			
Investment securities	455,031	462,590	(7,559)
Deferred income taxes	23,849	22,797	1,052
Other assets	97,276	112,016	(14,739)
Allowance for doubtful accounts	(54,934)	(61,992)	7,058
Total investments and advances	521,222	535,411	(14,188)
Total fixed assets	1,289,725	1,312,371	(22,646)
TOTAL ASSETS	3,765,523	3,715,358	50,164

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Sep.30, 2004	As of Mar.31, 2004	Increase (Decrease)
<u>LIABILITIES, MINORITY INTERESTS</u>			
<u>AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current liabilities:			
Trade payables	584,829	630,970	(46,140)
Bank loans	426,616	402,976	23,640
Current portion of debentures	33,552	300	33,252
Reserve for product warranties	10,825	-	10,825
Allowance for losses on construction contracts	598	649	(51)
Advance payments received on contracts	400,527	327,300	73,226
Other current liabilities	143,919	157,270	(13,350)
Total current liabilities	1,600,868	1,519,466	81,402
Long-term liabilities:			
Debentures	213,568	246,906	(33,337)
Long-term debt	532,119	451,086	81,033
Reserve for retirement allowance	117,687	114,609	3,077
Other long-term liabilities	23,467	44,575	(21,107)
Total long-term liabilities	886,842	857,177	29,665
TOTAL LIABILITIES	2,487,711	2,376,643	111,067
MINORITY INTERESTS	14,935	14,216	718
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	0
Capital surplus	203,854	203,854	0
Retained earnings	715,694	747,872	(32,178)
Net unrealized gains on investment securities	86,904	114,245	(27,341)
Foreign currency translation adjustments	(5,639)	(5,722)	82
Treasury stock	(3,545)	(1,360)	(2,185)
TOTAL STOCKHOLDERS' EQUITY	1,262,875	1,324,497	(61,622)
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,765,523	3,715,358	50,164

CONSOLIDATED STATEMENTS OF OPERATIONS

(Millions of Yen)

	For the six months ended Sep.30, 2004	For the six months ended Sep.30, 2003	Increase (Decrease)
Net sales	1,126,360	1,000,043	126,317
Cost of sales	996,713	860,567	136,145
Selling, general and administrative expenses	133,746	128,966	4,780
Operating income (loss)	(4,098)	10,508	(14,607)
Non-operating income:			
Interest and dividend income	5,177	5,838	(660)
Equity in earnings of unconsolidated subsidiaries and affiliates	4,235	3,825	410
Other income	2,205	1,352	852
Total non-operating income	11,618	11,015	602
Non-operating expenses:			
Interest expense	7,762	9,353	(1,590)
Foreign exchange losses	256	13,953	(13,696)
Losses on disposal of fixed assets	1,993	-	1,993
Other expenses	4,059	7,647	(3,587)
Total non-operating expenses	14,072	30,953	(16,881)
Ordinary loss	(6,552)	(9,429)	2,876
Extraordinary income:			
Gains on sales of fixed assets	1,928	-	1,928
Extraordinary expenses:			
Provision of reserve for product warranties	10,889	-	10,889
Losses on damage from natural disasters	3,787	-	3,787
Losses on impairment for fixed assets	6,087	-	6,087
Business improvement and restructuring charges	-	2,057	(2,057)
Loss before income taxes and minority interests	(25,387)	(11,487)	(13,900)
Income taxes			
Current	1,246	4,099	(2,853)
Deferred	(5,441)	(5,984)	542
Minority interests in income after taxes	333	863	(530)
Net loss	(21,525)	(10,465)	(11,059)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	Six months ended Sept. 30, 2004	Six months ended Sept. 30, 2003	Differences
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	(25,387)	(11,487)	(13,900)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	46,959	48,281	(1,321)
Losses on impairment for fixed assets	6,087	-	6,087
Increase (decrease) in reserve for retirement allowance	3,021	7,379	(4,357)
Equity in earnings of unconsolidated subsidiaries and affiliates	(4,235)	(3,825)	(410)
Interest and dividend income	(5,177)	(5,838)	660
Interest expense	7,762	9,353	(1,590)
Transfer to reserve for product warranties	10,889	-	10,889
Losses on damage from natural disasters	3,787	-	3,787
(Increase) decrease in receivables	184,839	178,776	6,063
(Increase) decrease in inventories and advances to suppliers	(103,251)	(127,262)	24,010
(Increase) decrease in other assets	7,130	8,193	(1,063)
Increase (decrease) in payables	(45,482)	(59,282)	13,799
Increase (decrease) in advance payments received on contracts	73,199	74,461	(1,262)
Increase (decrease) in other liabilities	1,523	(28,947)	30,471
Others	(7,847)	9,373	(17,220)
Subtotal	153,817	99,175	54,643
Interest and dividends received	5,963	6,132	(168)
Interest paid	(7,388)	(9,664)	2,276
Payments for income taxes	(1,745)	(698)	(1,046)
Net cash provided by operating activities	150,646	94,943	55,702
Cash flows from investing activities:			
Net (Increase) decrease in time deposits	704	2,075	(1,370)
Purchases of property, plant, equipment and intangible assets	(46,399)	(52,689)	6,289
Proceeds from sales of property, plant, equipment and intangible assets	2,314	2,046	268
Purchases of investment securities	(40,666)	-	(40,666)
Proceeds from sales and redemption of marketable securities and investment securities	957	2,861	(1,904)
Disbursement of long-term loans	(2,769)	(83)	(2,685)
Collection of long-term loans	2,088	5,144	(3,055)
Others	(787)	(670)	(117)
Net cash used in investing activities	(84,557)	(41,314)	(43,242)
Cash flows from financing activities:			
Net increase (decrease) in bank loans	25,511	(72,194)	97,705
Proceeds from long-term debt	106,771	103,788	2,982
Repayment of long-term debt	(27,941)	(36,909)	8,967
Proceeds from issuance of bonds	-	72,000	(72,000)
Payment for redemption of bonds	(150)	(100,000)	99,850
Dividends paid to stockholders	(10,067)	(10,080)	12
Dividends paid to minority stockholders of subsidiaries	(268)	(361)	92
Others	(2,191)	(384)	(1,806)
Net cash provided by (used in) financing activities	91,662	(44,141)	135,804
Effect of exchange rate changes on cash and cash equivalents	456	(164)	621
Net increase (decrease) in cash and cash equivalents	158,208	9,322	148,885
Cash and cash equivalents at beginning of year	184,766	190,455	(5,689)
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	538	3,063	(2,524)
Cash and cash equivalents at end of period	343,513	202,841	140,671