

**Financial Results for the
First-half of FY2001
(April. 1 – Sep. 30, 2001)**

November 2001

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Outline of Consolidated Financial Results for the First Half of FY2001

(billion yen)

	FY2001 1st half	FY2000 1st half	Change
Orders Received	973.2	1,019.7	-46.5
Net Sales	1,252.6	1,304.7	-52.0
Operating Income	20.3	23.2	-2.8
Ordinary Income	2.7	10.9	-8.1
Extraordinary Loss	-13.1	-40.2	27.1
Loss before Tax	-10.3	-29.3	18.9
Net Loss	-8.2	-23.4	15.2

The extraordinary loss (¥13.1 billion) are the net result of a ¥15.3 billion write-down in the value of investment securities and ¥2.2 billion in gains from sales of investment securities.

Factors That Contributed to Decrease in Operating Income of ¥2.8 Billion.

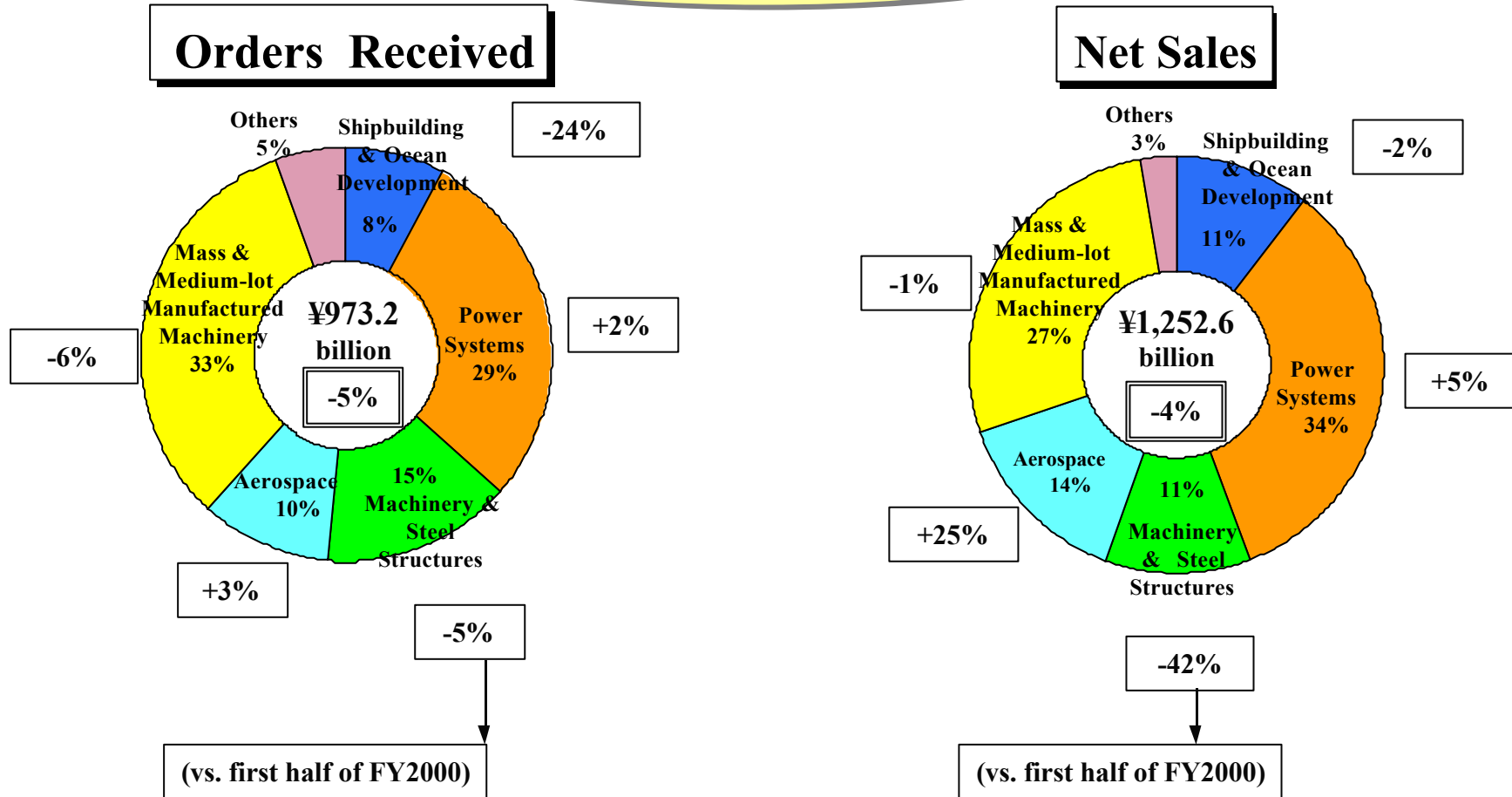
- Gross profit increase ¥13.4 billion
(¥16.2 billion non-consolidated)
 - Foreign exchange ¥9.5 billion
(US dollar was ¥119 vs. ¥114 in 1st half FY00)
 - Effect of sales decrease -¥7.6 billion
 - Cost reduction ¥11.5 billion
 - SGA expenses increase -¥16.2 billion
(-¥10.5 billion non-consolidated)
 - R&D expenses increase -¥4.6 billion
(for Power Systems etc.)
 - Provision for losses on doubtful receivables
 -¥5.6 billion
(Profit of ¥5.2 billion in 1st half FY00)
 - Selling expenses increase -¥6.0 billion
 - Initial expenses with U.S. Power Systems subsidiary
 - Expense for estimation of specification, price, and project risk
-
- Net change in operating income -¥2.8 billion
(¥5.7 billion non-consolidated)

Factors That Contributed to Decrease in Ordinary Income of ¥8.1 Billion.

- Decrease in operating income as shown in left column:
-¥2.8 billion
- Equity in earnings(loss) of unconsolidated subsidiaries and affiliates: -¥3.7 billion
(from ¥0.7 billion in 1st half FY00 to -¥2.9 billion)
(A ¥5.3 billion loss for Mitsubishi Motors is registered as an ordinary loss.)
- Foreign exchange losses:
-¥3.4 billion (from -¥2.9 billion in 1st half FY00 to -¥6.4 billion)
- Net interest expenses:
-¥0.8 billion
(dividend income decrease)
- Other non-operating items:
¥2.7 billion.

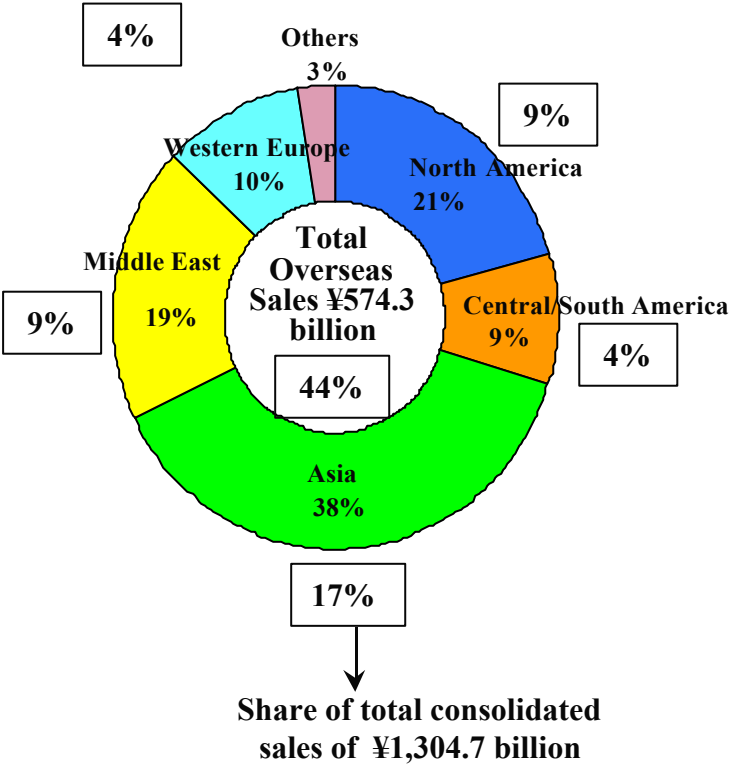
Consolidated Financial Results by Segment

Results for 1st half of FY2001

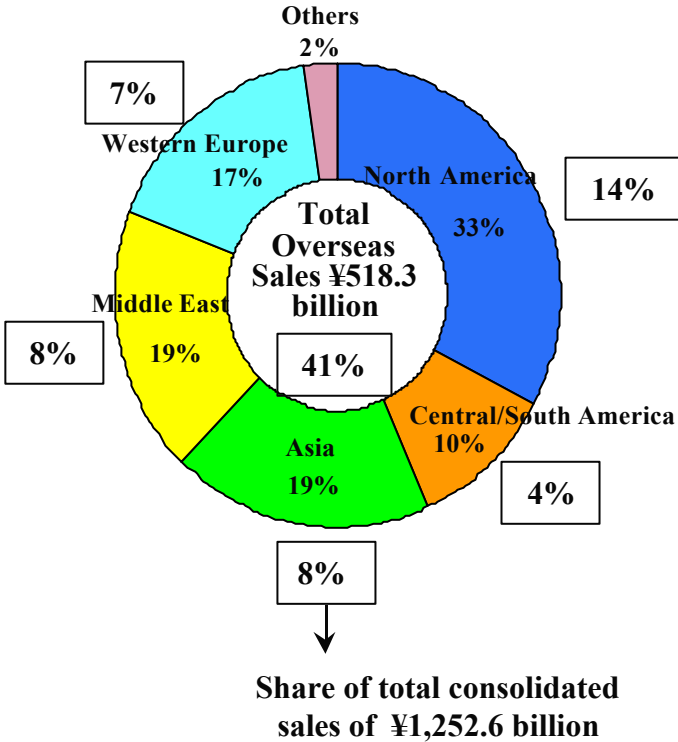


Overseas Sales Consolidated Results by Region

1st Half of FY2000



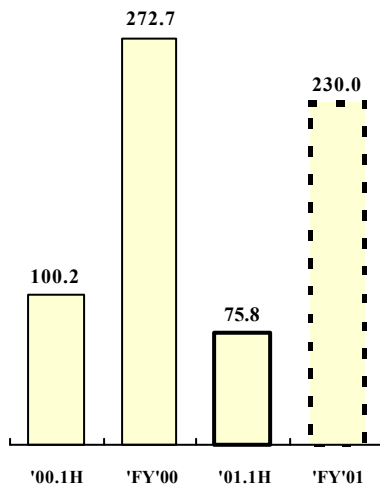
1st Half of FY2001



Shipbuilding & Ocean Development

(Yen in billions)

Orders Received



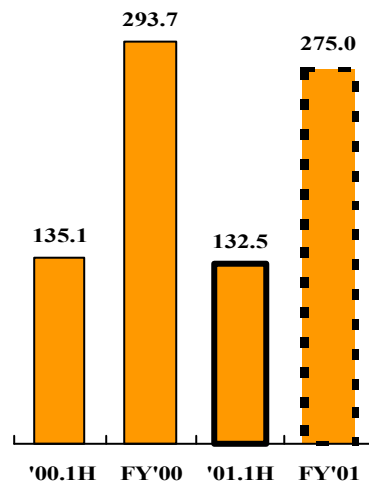
[Export Ratio (Non-consolidated)]

47.3% 45.9% 53.1% 59%
(Estimate)

[Number of Ships (Non-consolidated)]

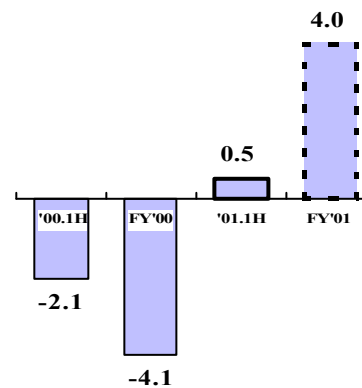
8ships 22ships 6ships 21ships 9ships 19ships 6ships 17ships
(308KGT) (814KGT) (221KGT) (Estimate) (706KGT) (1247KGT) (192KGT) (Estimate)

Net Sales



61.5% 51.1% 52.0% 52%
(Estimate)

Operating Income



[Market Conditions/Orders Received]

- Downturn in shipping industry but strong demand for LNG carriers
- Leveling off in improvement in ship prices, oversupply situation persists
- Orders received for six ships (incl. 1 LNG carrier and 2 LPG carriers)(backlog of 43 ships incl. 9 LNG carriers)

[Sales/Profit (Loss)]

- Lower sales due to decline in ship deliveries during 1st half, but operations return to black due to strong US\$ and higher productivity
- Expect lower sales for year but return to profitability

[Topics]

- Technological superiority improves competitive position (development of economical LNG carriers and containerships featuring lower fuel consumption)
- Reductions in personnel and other elements of fixed costs

(Division employment)

5,730→5,610→5,380→5,170

('99/4) ('00/4) ('01/4) ('02/4Estimate)

< Full-year forecast (orders/sales/profit) >

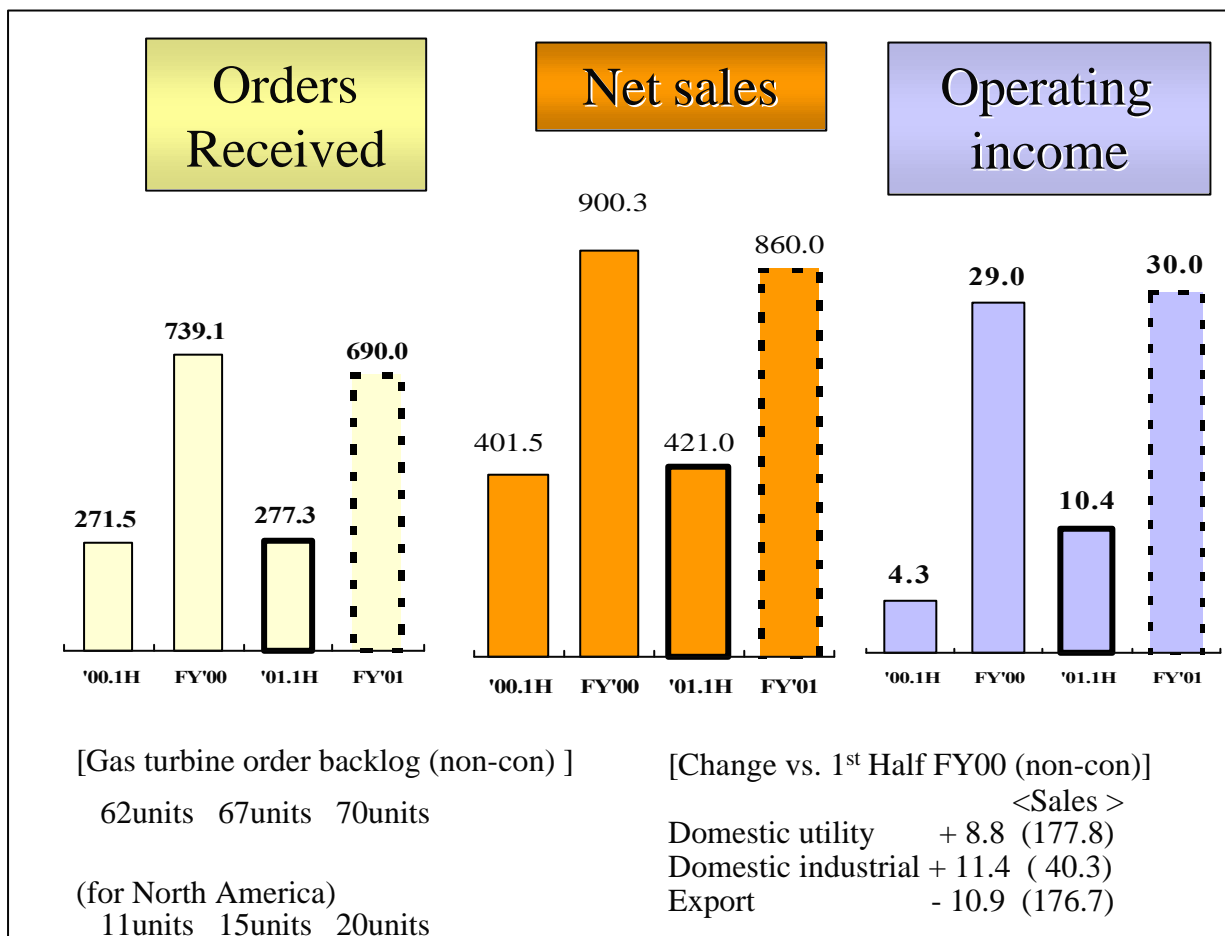
FY2001Estimate : 230/275/4

(Previous forecast: 220/265/0)

FY2000 : 272.7/293.7/-4.1)

Power Systems

(Yen in billions) [Market Conditions/Orders Received]



- Utility and industrial markets in Japan are severe conditions as demand for electricity and private-sector investment have declined
- U.S. economic slowdown will continue to hold back overseas markets
- Orders received during the 1st half from overseas, mainly U.S., for gas turbines have been secured
- Decline in plant orders is likely to cause total orders for the year to fall below the FY00 level

[Sales/Profit]

- Both interim sales and profit are higher compared to the 1st half of FY00 (¥37.0 bill. reversal of loss reserve)
- For the year, a decline in plant exports is expected to bring sales down, but profit is forecast to improve slightly

[Topics]

- Operations began in July 2001 at new U.S. subsidiary in response to rising demand for gas turbines
- In nuclear power, MHI began participating in the joint development of a new type of light water reactor

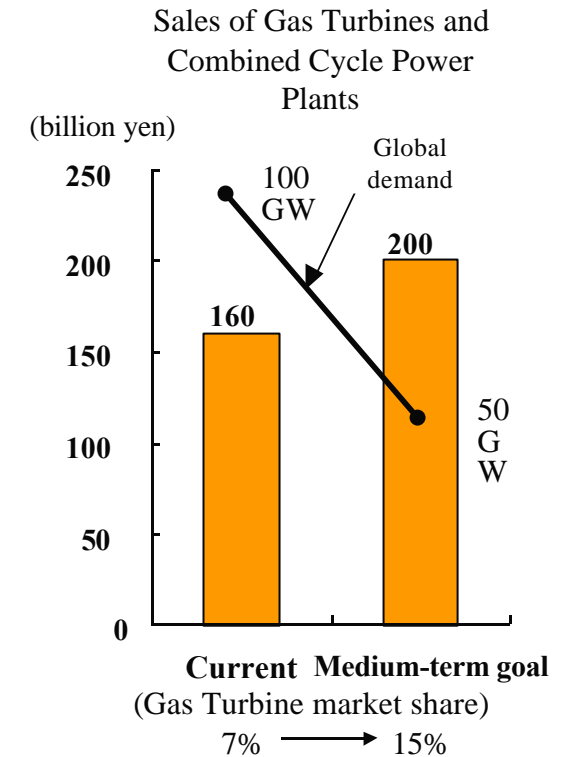
< Full-year forecast (orders/sales/profit) >

FY2001 : 690/860/30
(Previous forecast: 750/740/35)
FY2000 : 739.1/900.3/29.0

Power Systems Strategic Overview

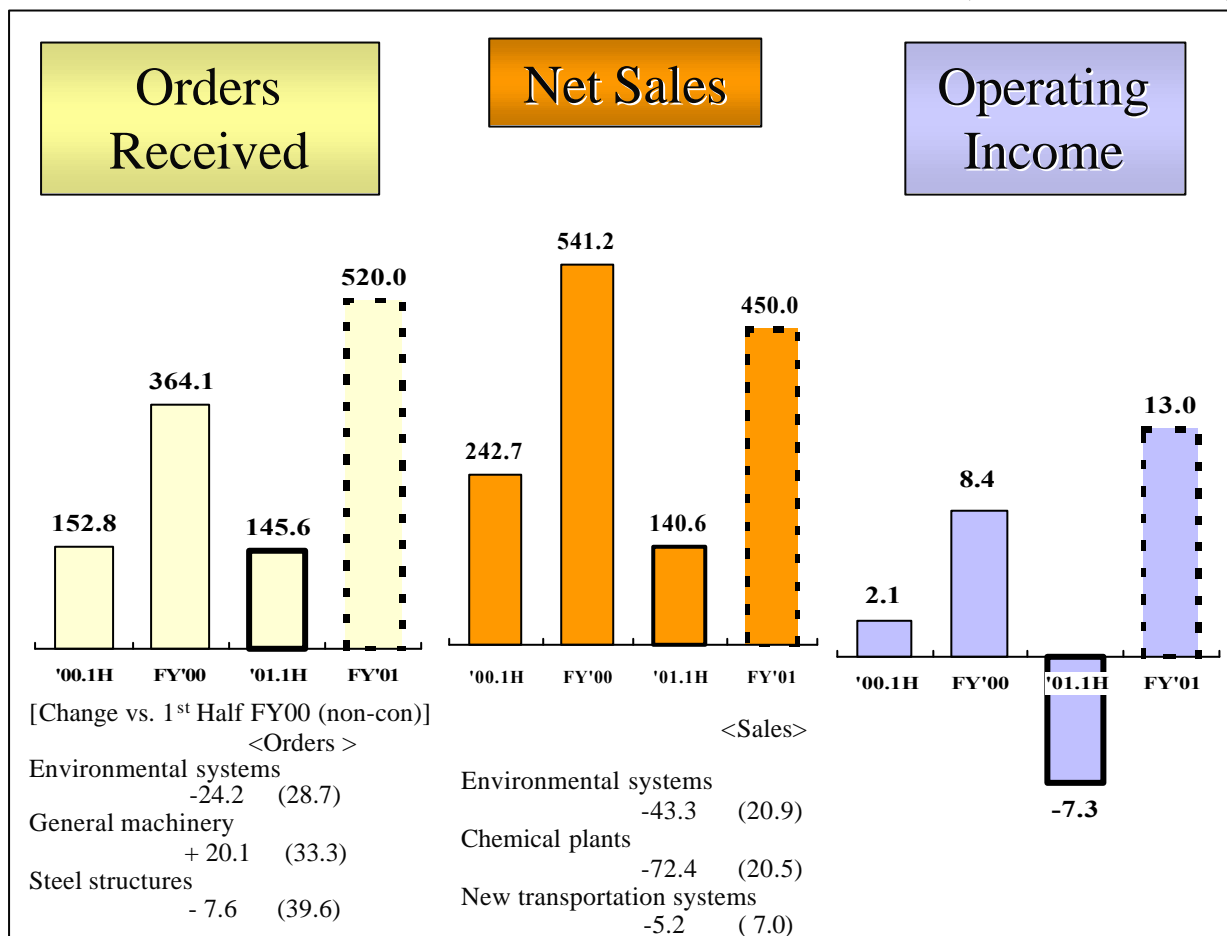
(Business strategy)

- Bolster gas turbine business
 - Capture more orders by promoting large, high-efficiency gas turbines (G Series: incorporating a steam-cooled combustor)
 - Making MHI superior to competitors in terms of quality, reliability and cost
 - In the U.S., utilize newly established MPS to capture more orders
 - Operations at MPS began in July 2001 and its maintenance plant will start running in December 2001
 - Utilize EPC skills to capture orders for combined cycle power plants
 - Southeast Asia, Central/South America, Europe, elsewhere
 - Medium-term goals: Sales of ¥200 billion, global gas turbine market share of 15%
- Become more competitive in coal fired thermal power plants
 - Differentiate MHI boilers that are environmentally engineered and deliver high efficiency along with a simple structure
 - Improve performance of steam turbines to capture more orders
 - Accelerate development of integrated coal gasification combined cycle power plants to begin sales as soon as possible
- Enhancement of service business
 - Re-powering of existing facilities, Rehabilitation long-term service agreements, etc.
- Commercialize new products and increase sales
 - Photovoltaics, large wind turbines, new gas engines, fuel cells, new types of nuclear reactors, others



Machinery & Steel Structures

(Yen in billions)



[Market Conditions/Orders Received]

- Weak demand in Japan due to declining public-works and private-sector capital spending
- Higher demand foreseen overseas, mainly in SE Asia, for new transportation systems, environmental systems, chemical plants and wind turbine generators
- 1st half orders were lower due to low demand for environmental systems and other projects in Japan, but growth in steel structures, plants and other areas is expected to result in higher orders for the fiscal year

[Sales/Profit (Loss)]

- Interim sales fell sharply due mainly to declines in exported chemical plants and domestic environmental systems; inability to cover fixed expenses resulted in operating loss (¥3.9 bill. reversal of loss reserve)
- Fiscal year sales are expected to decline due to downturn in chemical plant results, but profit is expected to increase

[Topics]

- Growth in LNG and businesses involving new fuel sources (GTL, DME)
- Expansion into new environmental fields (PCB treatment, soil remediation, others)

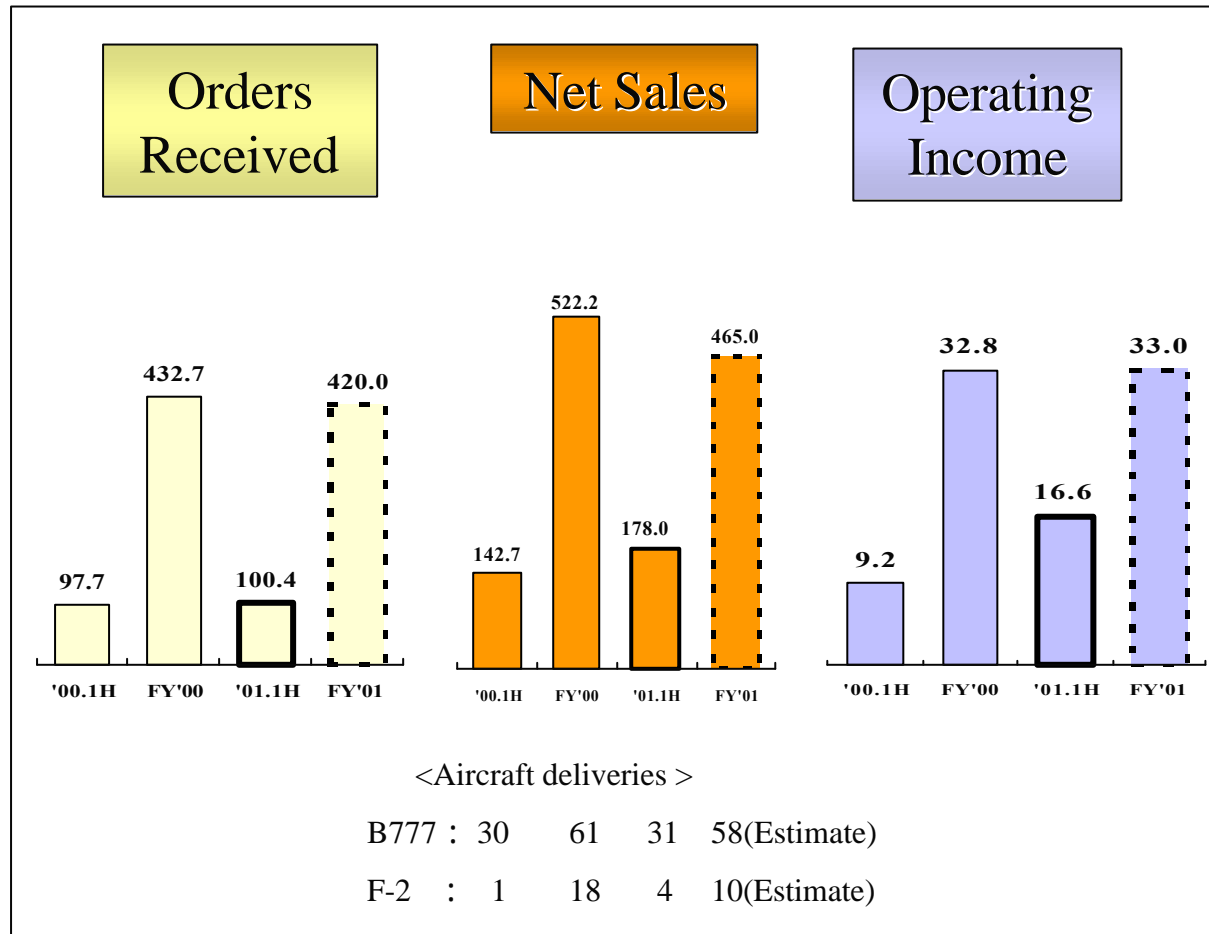
< Full-year forecast (orders/sales/profit) >

FY2001 : 520/450/13
 (Previous forecast: 460/460/13)

FY2000 : 364.1/541.2/8.4

Aerospace

(Yen in billions)



[Market Conditions/Orders Received]

- First year of the Japan Defense Agency's new Mid-Term Defense Program, resulting in front-line equipment budget of about the same as in the previous year
- Interim orders for Boeing 777 and other commercial aircraft stay the same as that in the 1st half FY00; total aerospace orders also remain unchanged

[Sales/Profit]

- Strong US dollar and increased sales to Japan Defense Agency raised interim sales and profit
- Less fiscal year sales forecast with flat profit due to large number of F-2 deliveries to Defense Agency in the previous fiscal year

[Topics]

- August 2001—First flight of SH-60J kai maritime patrol helicopter for Defense Agency
- August 2001—First flight of Bombardier Continental business jet, co-developed with Bombardier
- August 2001—First launch of H-IIA Rocket

<Full-year forecast (orders/sales/profit) >

FY2001: 420/465/33
(Previous forecast: 430/455/27)

FY2000: 432.7/522.2/32.8

Aerospace Strategic Overview

[Operating environment]

- Defense :The Japan Defense Agency’s Mid-Term Defense Program(2001-2005) kept same level of orders for defense equipment, mainly fighters, helicopters and missiles, as the previous Defense Program level.
- Space Systems: Following successful first launch of H-IIA Rocket, steady domestic demand is foreseen mainly in the public sector, but the competition is intense globally.
- Commercial aircraft: Despite a temporary disruption due to the terrorist attacks, steady growth is foreseen over the mid and long terms.

[Business strategy]

Defense and Space Systems

- Steady Manufacturing and other support for front-line equipment such as fighters
- Aggressive development of new fields involving Information-Based RMA (Unmanned Aerial Vehicle,Ballistic Missile Defense, Command and Control Systems, others)

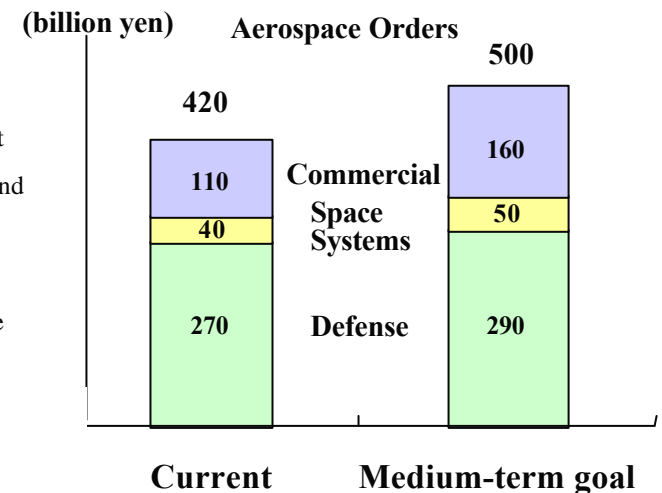
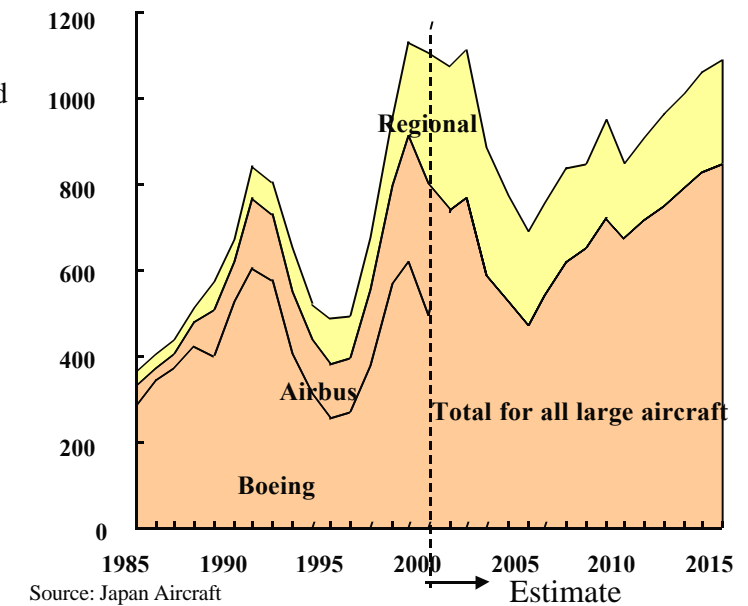
RMA = Revolution in Military Affairs

- Increase reliability of H-IIA Rocket to develop this as a steady business
- In Space Systems field, expand Boeing Alliance (export MB-XX engine, etc.)

Commercial Aircraft and Engines

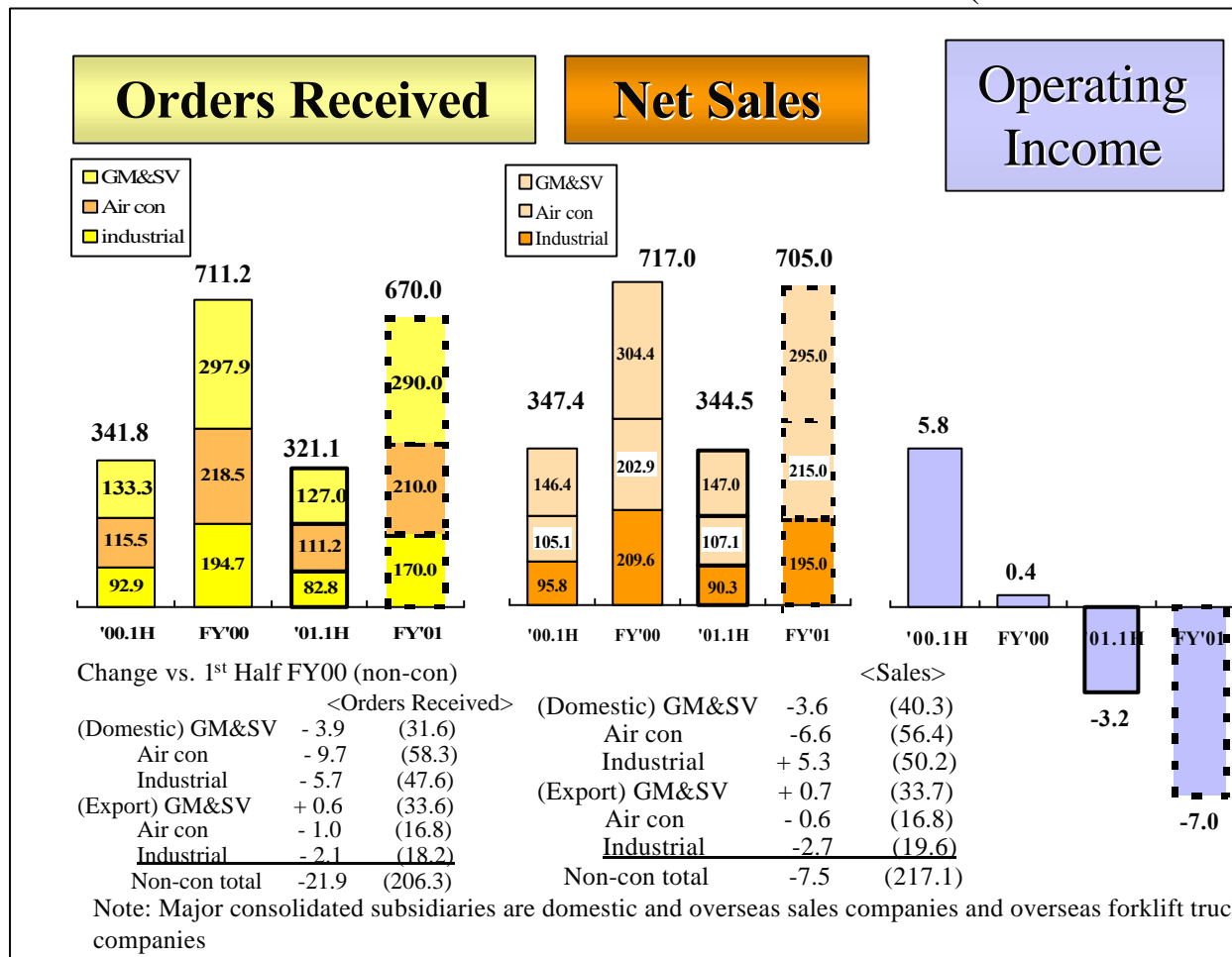
- Aircraft : Leverage Boeing Alliance to expand business to a global market
 - Offset current declines of orders by taking on new portions and new work area for the 777/767 and other aircraft
 - Take part in Sonic Cruiser and other new projects by focusing on fuselages, flight control, composite structure and other fields of strength. Participate in upstream tasks such as planning and specifications definition.
- Engines : Increase sales by participating in development of new engines and capturing new subcontracting and maintenance / repair / overhaul work
 - Utilize relationship with Pratt & Whitney to participate in the development of new engines from the design stage onward
 - Increase subcontracts for components from Pratt & Whitney ,Rolls-Royce and GE
 - Expand maintenance / repair / overhaul business through ties with engine manufacturers and airlines

Aircraft Global Deliveries of Commercial Aircraft



Mass and Medium-Lot Manufactured Machinery

(Yen in billions)



[Market Conditions/Orders Received]

- Markets are deteriorating in Japan and overseas as the global economy weakens
- Excluding printing machinery, sales of industrial and air con machinery were both lower than in 1st half FY00
- Fiscal year sales are expected to fall below FY00

[Net Sales/Profit]

- Sales declined and the operating loss grew as sales prices fell, offsetting the contribution of the yen's depreciation
- For the full year, sales are expected to decline and the loss to increase as there are no signs of a rebound in orders or prices

[Topics]

- North American orders have dropped sharply following the U.S. terrorist attacks
- Working to serve the market for dispersed power generation (upgrading development, sales and service network for micro gas turbines)
- Increasing output of turbochargers to expand this business (increase market share in Europe)

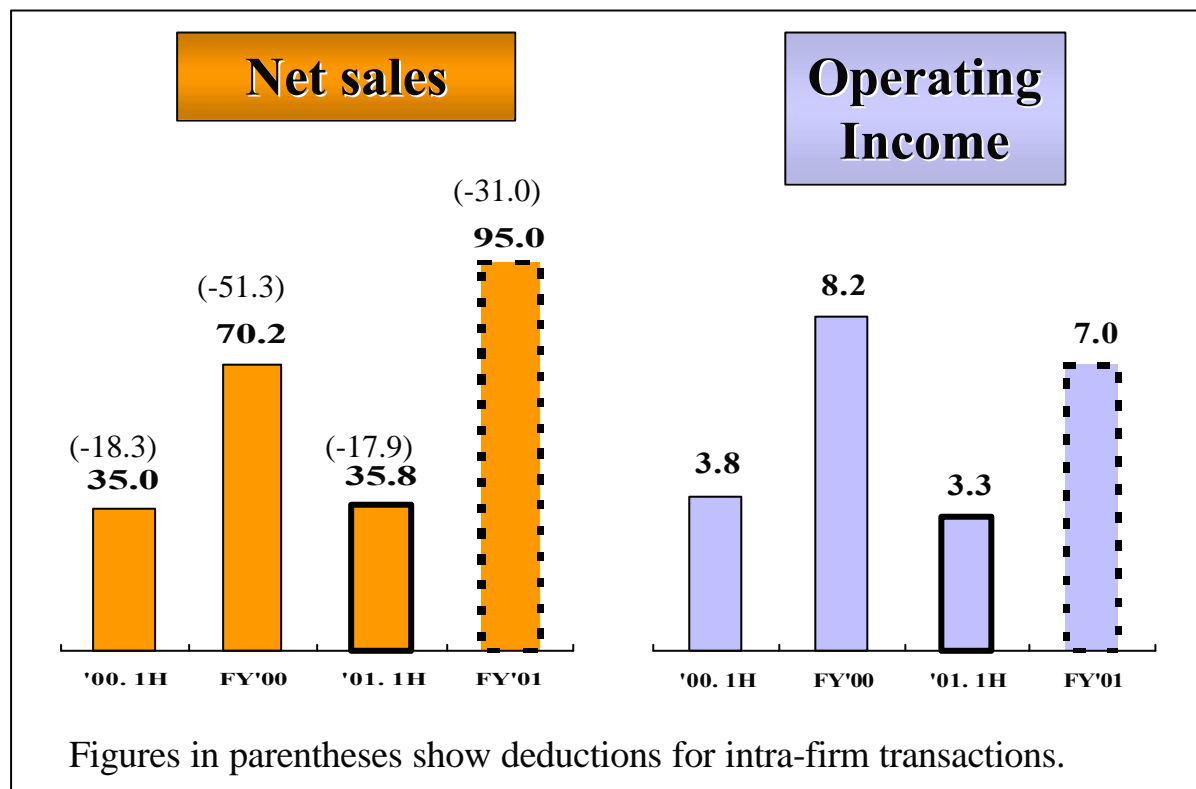
< Full-year forecast (orders/sales/profit) >

FY2001: **670/ 705/ -7**
(Previous forecast: 720/ 735 / 8)

FY2000: **711.2/717.0/ 0.4**

Others

(Yen in billions)



- Construction and real estate
- Information, communication services and others

<Full-year forecast (sales/profit) >
 FY2001(Estimate): 95/7
 (Previous forecast: 95/7)

FY2000: 70.2/8.2

Effect of U.S. Terrorist Attacks

[Current Status]

- The attacks and slowdown in the U.S. economy have led MHI to reduce its estimated orders for the year.
 - Possibility of lower orders and sales due to reduction in commercial aircraft production (Aerospace)
 - Possibility of lower orders and sales due to postponements in North American projects where orders have not yet been placed (Power Systems, Machinery & Steel Structures, Mass and Medium-Lot Manufactured Machinery)

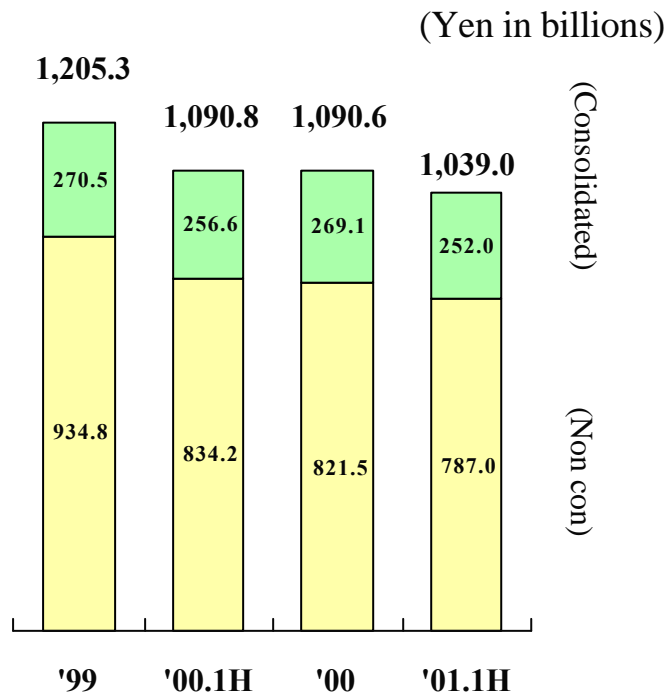
[Possible Impact on Orders and Sales by Segment]

(as of November 15th, billion yen)

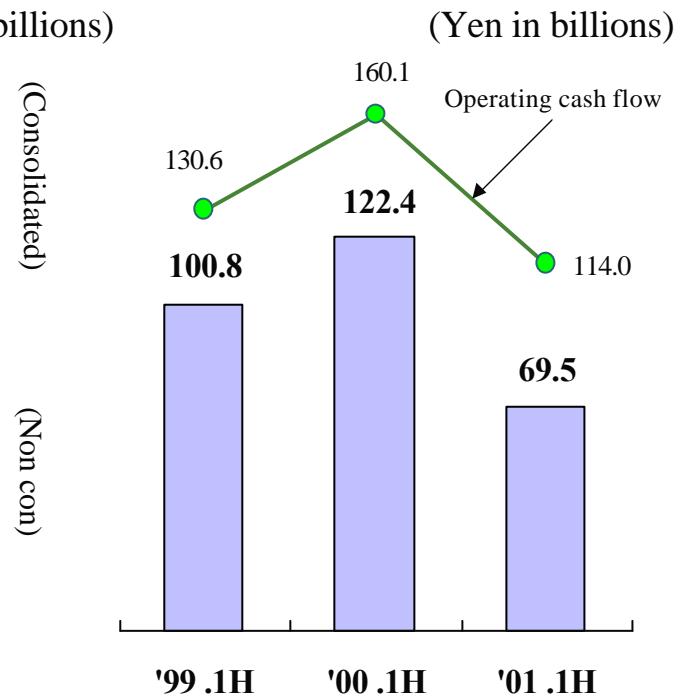
segment	FY 2001		Following years		Explanation
	Orders	Sales	Orders	Sales	
Shipbuilding & Ocean Development	0.0	0.0	0.0	0.0	
Power Systems	-72.5	0.0	72.5	0.0	Possible delays in orders for gas turbines for North America
Machinery & Steel Structures	-12.0	0.0	12.0	0.0	Possible delays in plans for North America projects involving machinery
Aerospace	-10.0	-1.0	-10.0	-19.0	Possible reductions in production of commercial aircraft
Mass and Medium-lot Manufactured Machinery	-8.0	-5.0	-16.0	-19.0	Possibility of decline in orders for North American projects
Total	-102.5	-6.0	58.5	-38.0	

Debt with Interest and Free Cash Flow

Debt with Interest



Free Cash Flow

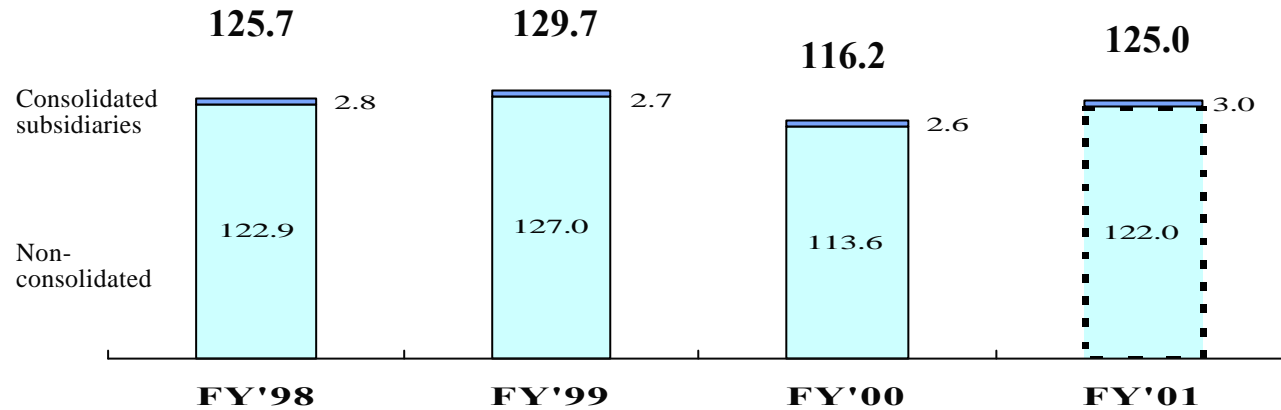


Summary of 1st Half of FY2001

- Operating activities provided net cash of ¥114.0 billion, resulting in a free cash flow of ¥69.5 billion after deducting ¥44.5 billion in net cash used in investing activities.
- Much of this cash was applied to reducing debt, resulting in a net reduction of ¥51.6 billion in interest-bearing liabilities during the six-month period.

Research & Development

(Yen in billions)

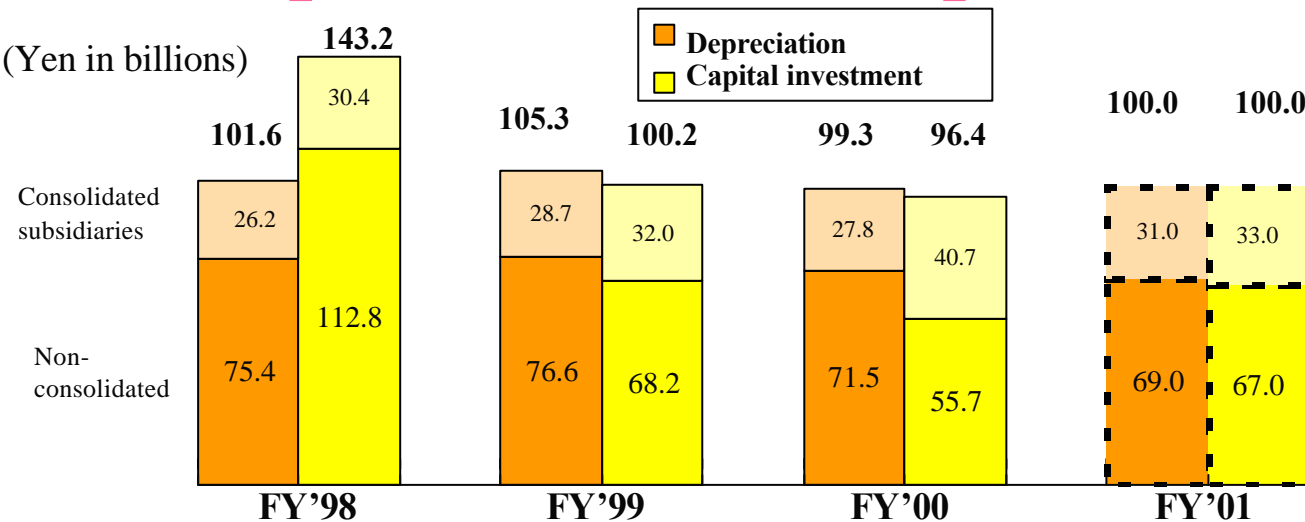


(Power Systems)

- H - type gas turbine

Depreciation and Capital Investment

(Yen in billions)



(Power Systems)

- Higher output of gas turbines
- Photovoltaics production facilities

Outline of Non-Consolidated Financial Results for the First Half of FY2001

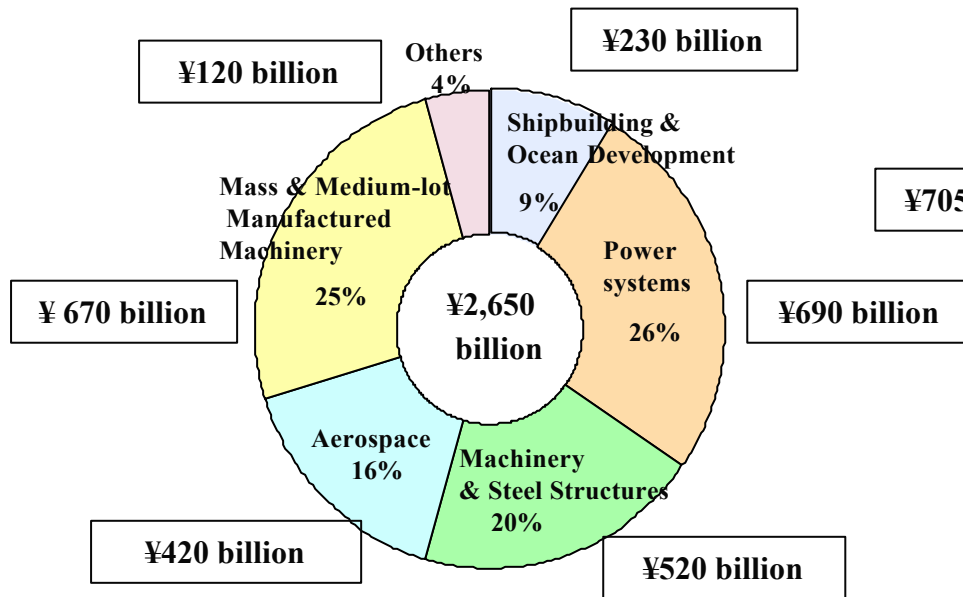
(Yen in billions)

	FY2001 1st half	FY2000 1st half	Change
Orders Received	756.6	804.8	-48.2
Net Sales	1,037.9	1,124.9	-86.9
Operating Income	16.1	10.3	5.7
Ordinary Income	6.2	1.1	5.1
Extraordinary Loss	-13.1	-13.6	0.5
Loss before Tax	-6.8	-12.5	5.6
Net Loss	-1.7	-6.1	4.3

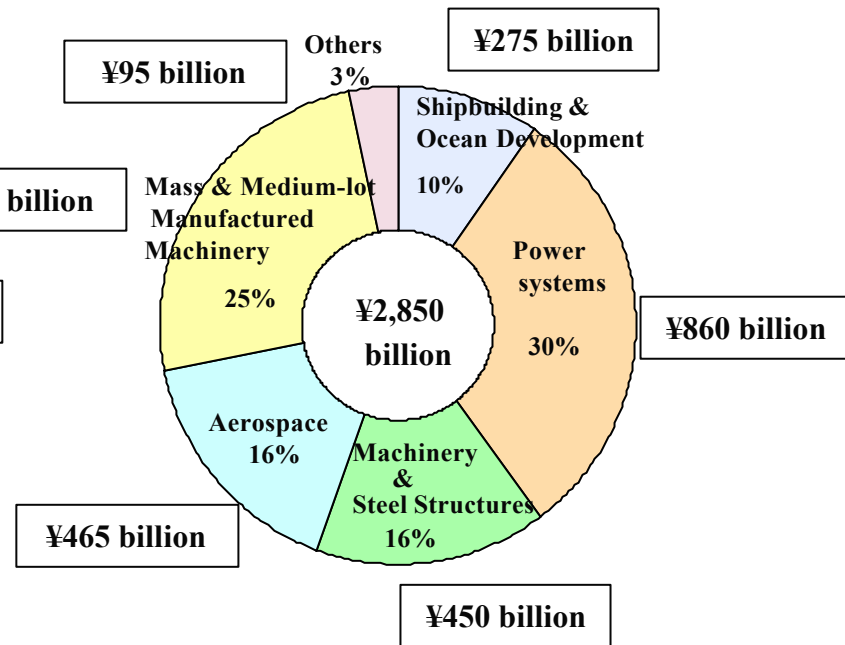
The extraordinary loss (¥13.1 billion) are the net result of a ¥15.3 billion write-down in the value of investment securities and ¥2.1 billion in gains from sales of investment securities

Full-Year Consolidated Forecast by Segment for FY2001

Orders Received



Net Sales



Full-Year Forecast for FY2001 (1)

(Yen in billions)

(Consolidated)	Forecast at Beginning of Year	Present Forecast	<i>Changes</i>	<i>FY2000 Results</i>
Orders Received	2,700.0	2,650.0	-50.0	2,640.3
Net Sales	2,750.0	2,850.0	100.0	3,045.0
Operating Income	90.0	80.0	-10.0	74.8
Ordinary Income	70.0	55.0	-15.0	63.2
Income before Tax	45.0	40.0	-5.0	-5.1
Net Income	20.0	20.0	-	-20.3

Assumption of exchange rates: US\$1=¥120, 1Euro=¥105 (US\$1.9 billion and 0.2 billion Euro remain unhedged).

<Breakdown of revisions >

Orders Received (-50): Machinery (+60), Shipbuilding (+10), Power (-60), Mass/Medium-lot (-50), Aerospace(-10)

Net Sales (+100): Power (+120), Shipbuilding (+10), Aerospace (+10), Mass/Medium-lot (-30), Machinery (-10)

Operating Income (-10): Aerospace (+6), Shipbuilding (+4), Mass/Medium-lot (-15), Power (-5)

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Full-Year Forecast for FY2001 (2)

(Yen in billions)

(Non-consolidated)	Forecast at Beginning of Year	Present Forecast	<i>Changes</i>	<i>FY2000 Results</i>
Orders Received	2,200.0	2,200.0	-	2,213.8
Net Sales	2,320.0	2,420.0	100.0	2,637.7
Operating Income	70.0	67.0	-3.0	52.8
Ordinary Income	55.0	47.0	-8.0	46.5
Income before Tax	30.0	32.0	2.0	24.4
Net Income	15.0	15.0	-	15.0

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