

No.0988

MHI ANNOUNCES FY2003 CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 28, 2004 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2003 ended March 31, 2004.

(billions of yen)

	FY2003	FY2002	Changes (%)
Orders Received	2,662.8	2,480.9	7.3
Net Sales	2,373.4	2,593.8	- 8.5
Operating Income	66.6	115.3	- 42.2
Ordinary Income	29.7	78.1	- 61.9
Income Before Tax	50.1	66.1	- 24.2
Net Income	21.7	34.3	- 36.5
Operation Cash Flow	134.2	50.0	168.0
Investment Cash Flow	- 95.3	- 106.1	- 10.1
Financing Cash Flow	- 44.4	59.3	-
Net Income Per Share	6.46 yen	10.14 yen	- 36.3

Orders Received by Operational Segment

(billions of yen)

	FY2003	FY2002	Differences
Shipbuilding & Ocean Development	329.9 (12.4)	257.0 (10.4)	72.9
Power Systems	670.7 (25.2)	608.3 (24.5)	62.3
Machinery & Steel Structures	422.7 (15.9)	388.5 (15.7)	34.1
Aerospace	407.5 (15.3)	441.2 (17.8)	- 33.6
Mass and Medium-Lot Manufactured Machinery	727.1 (27.3)	677.3 (27.3)	49.7
Others	104.6 (3.9)	108.3 (4.3)	- 3.6
TOTAL	2,662.8 (100.0)	2,480.9 (100.0)	181.9

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2003	FY2002	Differences
Shipbuilding & Ocean Development	200.0 (8.4)	265.8 (10.2)	-65.7
Power Systems	549.8 (23.2)	646.2 (24.9)	-96.3
Machinery & Steel Structures	471.5 (19.9)	418.7 (16.1)	52.7
Aerospace	392.2 (16.5)	506.7 (19.5)	-114.5
Mass and Medium-Lot Manufactured Machinery	687.6 (29.0)	683.8 (26.4)	3.7
Others	72.0 (3.0)	72.4 (2.9)	-0.3
TOTAL	2,373.4 (100.0)	2,593.8 (100.0)	-220.4

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

Operating Income (Loss) Operational Segment

(billions of yen)

	FY2003	FY2002	Differences
Shipbuilding & Ocean Development	-14.9	11.1	-26.1
Power Systems	23.4	51.9	-28.5
Machinery & Steel Structures	9.6	10.0	-0.3
Aerospace	29.5	40.9	-11.4
Mass and Medium-Lot Manufactured Machinery	9.8	-3.4	13.3
Others	9.0	4.6	4.4
TOTAL	66.6	115.3	-48.6

Consolidated financial results (continued)

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: 136 (130 in FY2002)

Number of companies under the application of equity method:

<u>FY2003</u>	<u>FY2002</u>
54	54

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CONSOLIDATED BALANCE SHEETS (1/2)

(millions of Yen)

	As of Mar. 31, 2004	As of Mar. 31, 2003	Differences
<u>ASSETS</u>			
Current Assets:			
Cash and deposits	209,805	219,527	(9,722)
Trade receivables	995,306	1,054,416	(59,109)
Securities	1,759	1,111	647
Inventories	975,976	918,889	57,087
Deferred income taxes	59,818	68,854	(9,035)
Other current assets	167,028	132,374	34,654
Allowance for doubtful receivables	(6,708)	(5,815)	(892)
Total Current Assets	2,402,987	2,389,357	13,629
Fixed Assets:			
Property, plant and equipment	743,231	759,757	(16,525)
Intangible fixed assets	33,728	32,981	747
Investments and advances			
Investment securities	462,590	370,267	92,322
Deferred income taxes	22,797	50,482	(27,685)
Other assets	112,016	131,291	(19,274)
Allowance for doubtful accounts	(61,992)	(67,271)	5,279
Total Investments and advances	535,411	484,769	50,641
Total Fixed Assets	1,312,371	1,277,507	34,863
TOTAL ASSETS	3,715,358	3,666,865	48,492

CONSOLIDATED BALANCE SHEETS (2/2)

(millions of Yen)

	As of Mar. 31, 2004	As of Mar. 31, 2003	Differences
<u>LIABILITIES, MINORITY INTERESTS</u> <u>AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current Liabilities:			
Trade payables	630,970	607,686	23,283
Bank loans	402,976	403,209	(233)
Commercial papers	-	133,000	(133,000)
Current portion of debentures	300	100,000	(99,700)
Allowance for losses on construction contracts	649	5,844	(5,195)
Advance payments received on contracts	327,300	308,540	18,760
Other current liabilities	157,270	163,233	(5,963)
Total Current Liabilities	1,519,466	1,721,514	(202,048)
Long-term Liabilities:			
Debentures	246,906	175,995	70,911
Long-term debt	451,086	310,718	140,367
Reserve for retirement allowance	114,609	152,096	(37,487)
Other long-term liabilities	44,575	22,785	21,789
Total Long-term Liabilities	857,177	661,595	195,581
TOTAL LIABILITIES	2,376,643	2,383,110	(6,466)
MINORITY INTERESTS	14,216	12,787	1,429
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	0
Capital surplus	203,854	203,853	0
Retained earnings	747,872	745,287	2,584
Net unrealized gains on investment securities	114,245	59,984	54,261
Foreign currency translation adjustments	(5,722)	(3,621)	(2,101)
Treasury stock	(1,360)	(145)	(1,215)
TOTAL STOCKHOLDERS' EQUITY	1,324,497	1,270,968	53,529
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,715,358	3,666,865	48,492

CONSOLIDATED STATEMENTS OF INCOME

(millions of Yen)

	FY2003	FY2002	Differences
Net sales	2,373,440	2,593,894	(220,453)
Cost of sales	2,041,244	2,203,902	(162,657)
Selling, general and administrative expenses	265,565	274,683	(9,117)
Operating income	66,630	115,308	(48,677)
Non-operating income:			
Interest and dividend income	10,461	13,443	(2,981)
Equity in earnings of unconsolidated subsidiaries and affiliates	6,103	5,195	908
Other income	5,758	5,999	(240)
Total	22,324	24,638	(2,314)
Non-operating expenses:			
Interest expense	16,793	21,836	(5,042)
Foreign exchange losses	17,626	23,094	(5,467)
Loss on disposal of fixed assets	7,054		7,054
Other expenses	17,706	16,822	884
Total	59,182	61,753	(2,571)
Ordinary income	29,772	78,193	(48,420)
Extraordinary income:			
Prior service cost due to change in defined interest rate of employee retirement annuity	35,845	-	35,845
Gains on sales of fixed assets	5,733	-	5,733
Gains on contribution of investment securities to trust for retirement allowance	-	14,790	(14,790)
Gains on sales of investment securities	-	5,447	(5,447)
Extraordinary expenses:			
Business improvement and restructuring charges	20,208		20,208
Losses on revaluation of investment securities	1,018	19,273	(18,255)
Losses on damage from the cruise ship fire incident	-	12,996	(12,996)
Income before income taxes and minority interests	50,123	66,161	(16,037)
Income taxes			
Current	6,763	10,250	(3,486)
Deferred	20,946	21,445	(498)
Minority interests in income after taxes	626	135	491
Net income	21,787	34,330	(12,543)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	FY 2003	FY 2002	Differences
Cash flows from operating activities:			
Income (loss) before income taxes	50,123	66,161	(16,037)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	99,816	97,015	2,800
(Increase) decrease in receivables	57,199	33,020	24,179
(Increase) decrease in inventories and advances to suppliers	(64,495)	138,889	(203,384)
Increase (decrease) in payables	19,871	(65,390)	85,262
Increase (decrease) in advance payments received on contracts	18,010	(82,029)	100,040
Others	(35,858)	(111,620)	75,759
Subtotal	144,666	76,046	68,619
Interest and dividends received	11,591	15,390	(3,798)
Interest paid	(16,765)	(22,514)	5,748
Payments for income taxes	(5,252)	(18,827)	13,574
Net cash provided by operating activities	134,240	50,094	84,145
Cash flows from investing activities:	(95,379)	(106,150)	10,770
Cash flows from financing activities:	(44,402)	59,301	(103,704)
Effect of exchange rate changes on cash and cash equivalents	(3,190)	(3,469)	279
Net increase (decrease) in cash and cash equivalents	(8,731)	(223)	(8,508)
Cash and cash equivalents at beginning of year	190,455	189,717	738
Increase in cash and cash equivalents by adding newly consolidated subsidiaries	3,042	961	2,080
Cash and cash equivalents at end of year	184,766	190,455	(5,689)