

No.1060

MHI ANNOUNCES FY2004 CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 28, 2005 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2004 ended March 31, 2005.

(billions of yen)

	FY2004	FY2003	Changes (%)
Orders Received	2,722.8	2,662.8	2.3
Net Sales	2,590.7	2,373.4	9.2
Operating Income	14.7	66.6	-77.8
Ordinary Income	12.5	29.7	-57.9
Income Before Tax	16.3	50.1	-67.3
Net Income	4.0	21.7	-81.4
Operation Cash Flow	107.0	134.2	-20.2
Investment Cash Flow	-163.3	-95.3	-
Financing Cash Flow	57.9	-44.4	-
Net Income Per Share	1.20 yen	6.46 yen	-81.4

Orders Received by Operational Segment

(billions of yen)

	FY2004	FY2003	Differences
Shipbuilding & Ocean Development	299.3 (11.0)	329.9 (12.4)	-30.5
Power Systems	691.4 (25.4)	670.7 (25.2)	20.6
Machinery & Steel Structures	455.5 (16.7)	422.7 (15.9)	32.7
Aerospace	411.0 (15.1)	407.5 (15.3)	3.5
Mass and Medium-Lot Manufactured Machinery	747.9 (27.5)	727.1 (27.3)	20.8
Others	117.4 (4.3)	104.6 (3.9)	12.8
TOTAL	2,722.8 (100.0)	2,662.8 (100.0)	60.0

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2004	FY2003	Differences
Shipbuilding & Ocean Development	271.5 (10.5)	200.0 (8.4)	71.4
Power Systems	629.6 (24.3)	549.8 (23.2)	79.7
Machinery & Steel Structures	459.3 (17.7)	471.5 (19.9)	-12.1
Aerospace	407.9 (15.7)	392.2 (16.5)	15.7
Mass and Medium-Lot Manufactured Machinery	757.8 (29.3)	687.6 (29.0)	70.2
Others	64.3 (2.5)	72.0 (3.0)	-7.7
TOTAL	2,590.7 (100.0)	2,373.4 (100.0)	217.2

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

Operating Income (Loss) Operational Segment

(billions of yen)

	FY2004	FY2003	Differences
Shipbuilding & Ocean Development	-11.7	-14.9	3.2
Power Systems	16.0	23.4	-7.3
Machinery & Steel Structures	-8.7	9.6	-18.3
Aerospace	8.7	29.5	-20.8
Mass and Medium-Lot Manufactured Machinery	4.3	9.8	-5.5
Others	6.0	9.0	-2.9
TOTAL	14.7	66.6	-51.8

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2005

For the fiscal year 2005 ending March 31, 2006, MHI is expecting 2,800 billion yen in net sales, 57 billion yen in operating income, 36 billion yen in ordinary income, 36 billion yen in income before tax and 18 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: 154 (136 in FY2003)

Number of companies under the application of equity method:

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

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar. 31, 2005	As of Mar. 31, 2004	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	211,911	209,805	2,105
Trade receivables	1,048,892	995,306	53,586
Securities	2,571	1,759	812
Inventories	958,513	975,976	(17,463)
Deferred income taxes	65,500	59,818	5,682
Other current assets	184,867	167,028	17,838
Allowance for doubtful receivables	(6,612)	(6,708)	95
Total current assets	2,465,645	2,402,987	62,657
Fixed assets:			
Property, plant and equipment	736,500	743,231	(6,731)
Intangible fixed assets	33,726	33,728	(1)
Investments and advances			
Investment securities	538,792	462,590	76,202
Deferred income taxes	9,745	22,797	(13,051)
Other assets	98,445	112,016	(13,570)
Allowance for doubtful accounts	(51,712)	(61,992)	10,280
Total investments and advances	595,272	535,411	59,861
Total fixed assets	1,365,499	1,312,371	53,127
TOTAL ASSETS	3,831,144	3,715,358	115,785

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar. 31, 2005	As of Mar. 31, 2004	Increase (Decrease)
<u>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current liabilities:			
Trade payables	649,144	630,970	18,174
Bank loans	356,682	402,976	(46,293)
Current portion of debentures	33,426	300	33,126
Reserve for product warranties	11,913	-	11,913
Allowance for losses on construction contracts	6,401	649	5,752
Advance payments received on contracts	363,447	327,300	36,146
Other current liabilities	146,972	157,270	(10,298)
Total current liabilities	1,567,987	1,519,466	48,520
Long-term liabilities:			
Debentures	213,334	246,906	(33,572)
Long-term debt	569,452	451,086	118,366
Deferred tax liabilities	17,464	21,583	(4,119)
Reserve for retirement allowance	109,797	114,609	(4,811)
Other long-term liabilities	27,919	22,991	4,928
Total long-term liabilities	937,968	857,177	80,791
TOTAL LIABILITIES	2,505,955	2,376,643	129,312
MINORITY INTERESTS	15,211	14,216	994
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	0
Capital surplus	203,854	203,854	0
Retained earnings	741,234	747,872	(6,637)
Net unrealized gains on investment securities	110,460	114,245	(3,785)
Foreign currency translation adjustments	(6,007)	(5,722)	(285)
Treasury stock	(5,173)	(1,360)	(3,813)
TOTAL STOCKHOLDERS' EQUITY	1,309,977	1,324,497	(14,520)
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,831,144	3,715,358	115,785

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	FY 2004	FY 2003	Differences
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	16,398	50,123	(33,724)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	99,183	99,816	(632)
Losses on impairment for fixed assets	6,107	-	6,107
Increase (decrease) in reserve for retirement allowance	(4,802)	(1,683)	(3,119)
Equity in earnings of unconsolidated subsidiaries and affiliates	(10,003)	(6,103)	(3,899)
Interest and dividend income	(9,907)	(10,461)	554
Interest expense	15,496	16,793	(1,297)
Gains on sales of investment securities	(15,745)	-	(15,745)
Gains on sales of fixed assets	(10,356)	-	(10,356)
Prior service cost due to change in defined interest rate of employee retirement annuity	-	(35,845)	35,845
Provision of reserve for product warranties	10,889	-	10,889
Losses on damage from natural disasters	3,466	-	3,466
Business improvement and restructuring charges	1,778	20,208	(18,429)
(Increase) decrease in receivables	(53,197)	57,199	(110,397)
(Increase) decrease in inventories and advances to suppliers	53,101	(64,495)	117,597
(Increase) decrease in other assets	(41,710)	(6,454)	(35,256)
Increase (decrease) in payables	18,758	19,871	(1,113)
Increase (decrease) in advance payments received on contracts	36,248	18,010	18,237
Increase (decrease) in other liabilities	10,917	(6,351)	17,268
Others	(8,118)	(5,962)	(2,156)
Subtotal	118,503	144,666	(26,160)
Interest and dividends received	9,689	11,591	(1,902)
Interest paid	(15,670)	(16,765)	1,095
Payments for income taxes	(5,457)	(5,252)	(205)
Net cash provided by operating activities	107,065	134,240	(27,174)
Cash flows from investing activities:			
Net (Increase) decrease in time deposits	2,983	4,020	(1,036)
Purchases of property, plant, equipment and intangible assets	(108,233)	(114,061)	5,827
Proceeds from sales of property, plant, equipment and intangible assets	11,813	9,080	2,733
Purchases of investment securities	(91,266)	(2,586)	(88,679)
Proceeds from sales and redemption of marketable securities and investment securities	23,516	5,414	18,101
Disbursement of long-term loans	(3,783)	(2,637)	(1,146)
Collection of long-term loans	4,070	7,821	(3,750)
Others	(2,423)	(2,432)	9
Net cash used in investing activities	(163,321)	(95,379)	(67,942)
Cash flows from financing activities:			
Net increase (decrease) in bank loans	(2,055)	(175,964)	173,909
Proceeds from long-term debt	181,077	251,541	(70,463)
Repayment of long-term debt	(106,533)	(69,534)	(36,998)
Proceeds from issuance of bonds	-	72,000	(72,000)
Payment for redemption of bonds	(300)	(100,150)	99,850
Dividends paid to stockholders	(10,109)	(20,161)	10,051
Dividends paid to minority stockholders of subsidiaries	(316)	(372)	55
Others	(3,828)	(1,759)	(2,068)
Net cash provided by (used in) financing activities	57,933	(44,402)	102,335
Effect of exchange rate changes on cash and cash equivalents	2,798	(3,190)	5,988
Net increase (decrease) in cash and cash equivalents	4,475	(8,731)	13,207
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	3,042	(2,504)
Cash and cash equivalents at end of year	189,780	184,766	5,013

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2004	FY2003	Increase (Decrease)
Net sales	2,590,733	2,373,440	217,292
Cost of sales	2,300,894	2,041,244	259,650
Selling, general and administrative expenses	275,065	265,565	9,500
Operating income	14,772	66,630	(51,858)
Non-operating income:			
Interest and dividend income	9,907	10,461	(554)
Equity in earnings of unconsolidated subsidiaries and affiliates	10,003	6,103	3,899
Foreign exchange income	1,631	-	1,631
Other income	4,229	5,758	(1,529)
Total non-operating income	25,771	22,324	3,447
Non-operating expenses:			
Interest expense	15,496	16,793	(1,297)
Losses on disposal of fixed assets	4,932	7,054	(2,121)
Foreign exchange losses	-	17,626	(17,626)
Other expenses	7,576	17,706	(10,130)
Total non-operating expenses	28,005	59,182	(31,176)
Ordinary income	12,538	29,772	(17,233)
Extraordinary income:			
Gains on sales of investment securities	15,745	-	15,745
Gains on sales of fixed assets	10,356	5,733	4,623
Prior service cost due to change in defined interest rate of employee retirement annuity	-	35,845	(35,845)
Total extraordinary income	26,102	41,578	(15,476)
Extraordinary expenses:			
Provision of reserve for product warranties	10,889	-	10,889
Losses on impairment for fixed assets	6,107	-	6,107
Losses on damage from natural disasters	3,466	-	3,466
Business improvement and restructuring charges	1,778	20,208	(18,429)
Losses on revaluation of investment securities	-	1,018	(1,018)
Total extraordinary expenses	22,242	21,227	1,015
Income before income taxes and minority interests	16,398	50,123	(33,724)
Income taxes			
Current	3,539	6,763	(3,223)
Deferred	7,926	20,946	(13,019)
Minority interests in income after taxes	882	626	255
Net income	4,049	21,787	(17,737)