

No.1068

MHI ANNOUNCES FY2005 FIRST QUARTER FINANCIAL RESULTS
(CONSOLIDATED)

Tokyo, August 5, 2005 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first quarter of fiscal year (FY) 2005 ended June 30, 2005.

(billions of yen)

	FY2005 First Quarter	FY2004 First Quarter	Changes (%)
Orders Received	530.6	400.5	32.5
Net Sales	536.0	501.6	6.9
Operating Income	4.3	—	—
Ordinary Income	5.7	—	—
Income Before Tax	5.7	—	—
Net Income	4.3	—	—
Net Income Per Share	1.31 yen	—	—

In previous first quarter financial results, disclosures were limited to "orders received" and "net sales"; therefore, income figures for the same quarter one year ago are not available.

Orders Received by Operational Segment (billions of yen)

	FY2005 First Quarter	FY2004 First Quarter	Differences
Shipbuilding & Ocean Development	43.0 (8.1)	17.7 (4.4)	25.3
Power Systems	149.4 (28.2)	93.3 (23.3)	56.1
Machinery & Steel Structures	95.0 (17.9)	56.8 (14.2)	38.2
Aerospace	50.0 (9.4)	42.6 (10.6)	7.3
Mass and Medium-Lot Manufactured Machinery	172.4 (32.5)	165.3 (41.3)	7.1
Others	20.4 (3.9)	24.6 (6.2)	-4.1
TOTAL	530.6 (100.0)	400.5 (100.0)	130.0

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2005 First Quarter	FY2004 First Quarter	Differences
Shipbuilding & Ocean Development	42.7 (8.0)	81.7 (16.3)	-38.9
Power Systems	138.2 (25.8)	109.6 (21.9)	28.5
Machinery & Steel Structures	105.5 (19.7)	74.1 (14.8)	31.3
Aerospace	62.0 (11.6)	59.2 (11.8)	2.8
Mass and Medium-Lot Manufactured Machinery	170.0 (31.7)	158.7 (31.6)	11.3
Others	17.3 (3.2)	17.9 (3.6)	-0.6
TOTAL	536.0 (100.0)	501.6 (100.0)	34.4

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

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2005 First Quarter
Shipbuilding & Ocean Development	-0.7
Power Systems	4.0
Machinery & Steel Structures	-2.5
Aerospace	0.4
Mass and Medium-Lot Manufactured Machinery	1.7
Others	1.3
TOTAL	4.3

In previous first quarter financial results, operating income (loss) figures were not disclosed; therefore, operating income (loss) figures for the same quarter one year ago are not available.

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: 179 (154 in FY2004)

Number of companies under the application of equity method:

<u>FY2005</u>	<u>FY2004</u>
33	47

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About Mitsubishi Heavy Industries

Mitsubishi Heavy Industries, Ltd. (MHI), headquartered in Tokyo, Japan, is one of the world's leading heavy machinery manufacturers, with consolidated sales of 2,590 billion yen in fiscal 2004 (year ended March 31, 2005). MHI's diverse lineup of products and services encompasses shipbuilding, steel structures, power plants, chemical plants, steel plants, environmental equipment, industrial and general machinery, aircraft, space rocketry and air-conditioning systems.

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

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Jun. 30, 2005	As of Mar. 31, 2005	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	268,759	211,911	56,848
Trade receivables	883,700	1,048,892	(165,192)
Securities	36,848	2,571	34,276
Inventories	1,070,101	958,513	111,588
Deferred income taxes	66,759	65,500	1,258
Other current assets	188,764	184,867	3,896
Allowance for doubtful receivables	(6,594)	(6,612)	18
Total current assets	2,508,338	2,465,645	42,693
Fixed assets:			
Property, plant and equipment	738,828	736,500	2,327
Intangible fixed assets	32,924	33,726	(802)
Investments and advances			
Investment securities	538,117	538,792	(675)
Deferred income taxes	9,929	9,745	184
Other assets	92,200	98,445	(6,245)
Allowance for doubtful accounts	(52,240)	(51,712)	(527)
Total investments and advances	588,007	595,272	(7,264)
Total fixed assets	1,359,760	1,365,499	(5,739)
TOTAL ASSETS	3,868,098	3,831,144	36,954

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Jun. 30, 2005	As of Mar. 31, 2005	Increase (Decrease)
<u>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current liabilities:			
Trade payables	603,823	649,144	(45,320)
Bank loans	356,181	356,682	(501)
Current portion of debentures	33,521	33,426	95
Reserve for product warranties	14,262	11,913	2,349
Allowance for losses on construction contracts	6,394	6,401	(7)
Advance payments received on contracts	439,242	363,447	75,795
Other current liabilities	156,414	146,972	9,442
Total current liabilities	1,609,840	1,567,987	41,853
Long-term liabilities:			
Debentures	213,397	213,334	63
Long-term debt	559,152	569,452	(10,300)
Deferred tax liabilities	20,480	17,464	3,015
Reserve for retirement allowance	117,078	109,797	7,280
Other long-term liabilities	23,960	27,919	(3,959)
Total long-term liabilities	934,068	937,968	(3,900)
TOTAL LIABILITIES	2,543,909	2,505,955	37,953
MINORITY INTERESTS	16,712	15,211	1,501
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	0
Capital surplus	203,854	203,854	0
Retained earnings	733,063	741,234	(8,171)
Net unrealized gains on investment securities	115,255	110,460	4,795
Foreign currency translation adjustments	(5,126)	(6,007)	880
Treasury stock	(5,179)	(5,173)	(5)
TOTAL STOCKHOLDERS' EQUITY	1,307,477	1,309,977	(2,500)
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,868,098	3,831,144	36,954

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2005 First Quarter (Apr. – Jun.)	FY2004 First Quarter (Apr. – Jun.)	FY2004
Net sales	536,060	501,648	2,590,733
Cost of sales	467,428	-	2,300,894
Selling, general and administrative expenses	64,312	-	275,065
Operating income	4,319	-	14,772
Non-operating income:			
Interest and dividend income	3,548	-	9,907
Equity in earnings of unconsolidated subsidiaries and affiliates	1,159	-	10,003
Foreign exchange gains	1,858	-	1,631
Other income	1,136	-	4,229
Total non-operating income	7,703	-	25,771
Non-operating expenses:			
Interest expense	3,910	-	15,496
Losses on disposal of fixed assets	766	-	4,932
Other expenses	1,600	-	7,576
Total non-operating expenses	6,278	-	28,005
Ordinary income	5,744	-	12,538
Extraordinary income:			
Gains on sales of investment securities	-	-	15,745
Gains on sales of fixed assets	-	-	10,356
Total extraordinary income	-	-	26,102
Extraordinary expenses:			
Provision of reserve for product warranties	-	-	10,889
Losses on impairment for fixed assets	-	-	6,107
Losses on damage from natural disasters	-	-	3,466
Business improvement and restructuring charges	-	-	1,778
Total extraordinary expenses	-	-	22,242
Income before income taxes and minority interests	5,744	-	16,398
Income taxes	1,383	-	11,466
Minority interests in income (loss) after taxes	(27)	-	882
Net income	4,388	-	4,049

In previous first quarter financial results, disclosures were limited to “net sales”; therefore, figures except “net sales” for the same quarter one year ago are not available.