Financial Results for the
Fiscal Year Ended March 31, 2002
(April 1, 2001 – March 31, 2002)

May 2002

MITSUBISHI HEAVY INDUSTRIES, LTD.
• Outline of consolidated financial results for the fiscal year ended March 2002  
• Consolidated financial results by segment  
• Consolidated Balance Sheets  
• Debt with Interest and Free Cash Flow  
• R&D, Depreciation and Capital Investment  
• Outline of non-consolidated financial results for the fiscal year ended March 2002  
• Forecast for FY2002

Some of the figures contained in this material, such as the forecast of financial results, are the Company’s expectations judged from currently available information and may contain risks and uncertainties. Therefore, please refrain from making investment judgments solely based on this forecast. Please note that actual financial results could largely differ from those forecast due to various important factors. Major factors that could influence on actual results include economic conditions surrounding the Company’s business areas and foreign exchange rates, including yen-dollar relationship.
Outline of Consolidated Financial Results for the Fiscal Year Ended March 2002

<table>
<thead>
<tr>
<th></th>
<th>FY’01</th>
<th>FY’00</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders Received</td>
<td>2,424.9</td>
<td>2,640.3</td>
<td>-215.3</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,863.9</td>
<td>3,045.0</td>
<td>-181.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>78.6</td>
<td>74.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>67.9</td>
<td>63.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Extraordinary Loss</td>
<td>-19.9</td>
<td>-68.3</td>
<td>48.3</td>
</tr>
<tr>
<td>Income (Loss) before Tax</td>
<td>48.0</td>
<td>-5.1</td>
<td>53.1</td>
</tr>
<tr>
<td>Net Income</td>
<td>26.4</td>
<td>-20.3</td>
<td>46.7</td>
</tr>
</tbody>
</table>

The extraordinary loss (19.9 billion yen) are the net result of 12.9 billion yen write-down in the value of investment securities, 12.5 billion yen for business improvement and restructuring, 2.6 billion yen in gain on sales of investment securities and 2.8 billion yen in gain on sales of fixed assets.
### Factors That Contributed to Increase in Operating Income of 3.7 billion yen

- **Gross profit increase** 32.2 billion yen  
  (32.4 billion yen non-consolidated)
  - Foreign exchange 33.9 billion yen  
    (US dollar was 122 JPY vs. 114 JPY in FY’00)
  - Effect of sales decrease -24.8 billion yen
  - Cost reduction 23.1 billion yen
- **SGA expenses increase** -28.5 billion yen  
  (-18.5 billion yen non-consolidated)
  - R&D expenses increase -9.5 billion yen  
    (for Power Systems etc.)
  - Provision for losses on doubtful receivables -4.2 billion yen
  - Selling expenses increase -14.8 billion yen
  - Initial expenses with U.S. Power Systems subsidiary
  - Expense for estimation of specification, price, and project risk

**Net change in operating income** 3.7 billion yen  
(13.9 billion yen non-consolidated)

### Factors That Contributed to Increase in Income Before Income Taxes of 53.1 billion yen

- Increase in operating income as shown in the left column: 3.7 billion yen
- Non-operating income: 1 billion yen
- Decrease in extraordinary loss: 48.3 billion yen
  - Equity in loss of Mitsubishi Motor Corp. accounted by the equity method: 42.7 billion yen
  - Other extraordinary items: 5.6 billion yen

**Increase in income before income taxes:** 53.1 billion yen
Consolidated Financial Results by Segment (FY2001)

Orders Received

- Mass & Medium-lot Manufactured Machinery: 28%
- Power Systems: 25%
- Machinery & Steel Structures: 17%
- Aerospace: 18%
- Others: 5%
- Shipbuilding & Ocean Development: 7%

2,424.9 billion yen

Net Sales

- Mass & Medium-lot Manufactured Machinery: 24%
- Machinery & Steel Structures: 15%
- Aerospace: 17%
- Power Systems: 31%
- Others: 3%
- Shipbuilding & Ocean Development: 10%

2,863.9 billion yen

290 billion yen

696.9

472

430

447.2

596

675.7

113.4

2,424.9 billion yen

2,863.9 billion yen
Overseas Consolidated Sales by Region

**FY2000**

- **Total Overseas Sales**: 1,173 billion yen
- **Asia**: 417.8 billion yen (35%)
- **North America**: 149.4 billion yen (25%)
- **Middle East**: 186 billion yen (16%)
- **South America**: 26 billion yen (2%)
- **Central/South America**: 104.4 billion yen (9%)
- **Western Europe**: 289.2 billion yen (25%)
- **Others**: 34.6 billion yen (3%)

**FY2001**

- **Total Overseas Sales**: 1,018.7 billion yen
- **Asia**: 188.2 billion yen (19%)
- **North America**: 346.5 billion yen (34%)
- **Middle East**: 171 billion yen (17%)
- **South America**: 157.3 billion yen (15%)
- **Central/South America**: 121 billion yen (12%)
- **Western Europe**: 171 billion yen (17%)
- **Others**: 3 billion yen (3%)
Shipbuilding & Ocean Development

**Orders Received**

- FY'00: 272.7
- FY'01: 168.1
- FY'02: 270

**Net Sales**

- FY'00: 293.7
- FY'01: 290
- FY'02: 285

**Operating Income**

- FY'00: -4.1
- FY'01: 5.4
- FY'02: 9

(Yen in billions)

**[Market conditions/Orders received]**

- Downturn in new ship orders due to global economic slowdown
  - (Orders for LNG carriers and other type of vessels postponed)
- Orders received for 14 ships, including 3 LNG carriers and 3 LPG carriers
  - (Order backlog: 40 vessels, including 10 LNG carriers)

**[Sales/Profit/(Loss)]**

- Lower sales due to decline in ship deliveries, but operations return to black due to strong US$ and cost reduction.

**[Topics]**

- Fixed costs continue to decline reflecting further payroll cutbacks and other cost cutting initiatives:
  - (Division employment)
    - 5,730 → 5,610 → 5,380 → 5,160
    - (‘99/4) → (‘00/4) → (‘01/4) → (‘02/4)

**< FY2002 forecast (orders/sales/profit) >**

- FY2002(estimated): 270 / 285 / 9
- FY2001 results: 168.1 / 290 / 5.4
- (Interim estimates: 230 / 275 / 4)

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**Export Ratio (Non-consolidated)**

- 45.9% 56.9% 51.1% 52.8%

**Number of Ships (Non-consolidated)**

- 22 ships 14 ships 19 ships 17 ships
- (814KGT) (558KGT) (1247KGT) (574KGT)
### Power Systems

#### [Market conditions/Orders received]
- Harsh conditions continued in utility and industrial markets in Japan as demand for electricity has declined and private sector capital investment has slumped.
- Affected by slowdown in the U. S. economy following the Sept. 11 terrorist attacks, overseas orders slowed (postponed in many cases) and competition turned brutal amid excess supply.
- Decline in plant orders and postponement of export orders for gas turbines caused total orders to fall below the FY2000 level

#### [Sales/Profit (Loss)]
- Sales were largely unchanged. (despite a decline in plant exports)
- Profit increased, a result of enhanced productivity and cost competitiveness (40.2 billion Yen reversal from loss reserve)

#### [Topics]
- Entered the U. S. wind power market through a joint venture established in March 2002.
- Nuclear power: Aim to enter the French A/S market through a tie-up with COMEX Corp.

### FY2002 forecast (orders/sales/profit) >
- FY2002 (estimates): 650 / 720 / 32
- FY2001 results: 596 / 899.7 / 31.5
- Interim estimates: 690 / 860 / 30

### Gas turbine order backlog (non-con)  
<table>
<thead>
<tr>
<th>FY'00</th>
<th>FY'01</th>
<th>FY'02</th>
</tr>
</thead>
<tbody>
<tr>
<td>67 units (for North America)</td>
<td>59 units</td>
<td>15 units</td>
</tr>
</tbody>
</table>

### Orders received (Yen in billions)
- FY'00: 739.1
- FY'01: 596
- FY'02: 650

### Net Sales (Yen in billions)
- FY'00: 900.3
- FY'01: 899.7
- FY'02: 720

### Operating Income (Yen in billions)
- FY'00: 29
- FY'01: 31.5
- FY'02: 32

### Gas turbine order backlog (non-con)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY'00</th>
<th>FY'01</th>
<th>FY'02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic utility</td>
<td>+13.1</td>
<td>369.3</td>
<td></td>
</tr>
<tr>
<td>Domestic industrial</td>
<td>+66.2</td>
<td>124.5</td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>-114.3</td>
<td>326.1</td>
<td></td>
</tr>
</tbody>
</table>

### Market conditions/Orders received

- Harsh conditions continued in utility and industrial markets in Japan as demand for electricity has declined and private sector capital investment has slumped.
- Affected by slowdown in the U. S. economy following the Sept. 11 terrorist attacks, overseas orders slowed (postponed in many cases) and competition turned brutal amid excess supply.
- Decline in plant orders and postponement of export orders for gas turbines caused total orders to fall below the FY2000 level

### Sales/Profit (Loss)
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### Topics

- Entered the U. S. wind power market through a joint venture established in March 2002.
- Nuclear power: Aim to enter the French A/S market through a tie-up with COMEX Corp.
**Machinery & Steel Structures**

**(Yen in billions)**

### Market Conditions/Orders Received
- Public sector orders declined reflecting a downturn or postponement of public works projects due to cutbacks in public works spending.
- Despite sluggish private sector capital investment, orders increased, due to increase of orders for plants.

### Sales/Profit (Loss)
- Despite lower chemical plant exports and domestic sales of environmental systems, operating income rose due to enhanced profit margins (3.9 billion Yen reversal from loss reserve).

### Topics
- Diversification into new energy fields (GTL, DME etc.) through alliance with engineering firms.
- Steel Production machinery
  - Rolling mill equipment: Transferred the business to Mitsubishi Hitachi Metals Machinery, Inc., a joint venture with Hitachi, Ltd commencing FY2002.
  - Continuous casting machine: Formed an alliance with Nippon Steel Corp.

### FY2002 forecast (orders/sales/profit)
- FY2002 forecast (estimates): 530 / 430 / 10
- FY2001 results: 424.1 / 430 / 9.5
- Interim estimates: 520 / 450 / 13

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**Orders Received**

- FY'00: 364.1
- FY'01: 424.1
- FY'02: 530

**Net Sales**

- FY'00: 541.2
- FY'01: 430
- FY'02: 430

**Operating Income**

- FY'00: 8.4
- FY'01: 9.5
- FY'02: 10

**Vs. FY2000 (non-con.)**

- Environmental systems: -4.3 (68.9)  
- General machinery: +19.9 (52.8)  
- Steel structures: +59.9 (129)

- Environmental systems: -25.3 (107.7)  
- Chemical plants: -52.5 (48.6)  
- Steel Production Machinery: -20.3 (7.4)
**Aerospace**

(Yen in billions)

- **Orders Received**
- **Net Sales**
- **Operating Income**

### FY2002 forecast (orders/sales/profit)>
- **B777**: 61 / 61
- **F-2**: 18 / 10

### [Market Conditions/Orders Received]
- Orders for FY2002 front-line defense equipment of Japan Defense Agency were largely unchanged from the previous fiscal year.
- Divisional orders increased reflecting increased orders for F-2 aircraft.

### [Sales/Profit (Loss)]
- Sales to the Japan Defense Agency declined since deliveries of F-2 were concentrated in the previous fiscal year but stable production of commercial aircrafts and a strong U. S. dollar raised profit.

### [Topics]
- Dec. 2001: Participation in P&W PW6000 engine development project
- Feb. 2002: Participation in Bombardier business jet “Global 5000 program”

### < FY2002 forecast (orders/sales/profit)>
- **FY2002 (estimates)**: 450 / 445 / 34
- **FY2001 results**: 447.2 / 472 / 33.3
- **Interim estimates**: 420 / 465 / 33
## Mass and Medium-Lot Manufactured Machinery

### Market Conditions/Orders received
- Markets conditions continue to be severe both at home and abroad as the global economy slows.
- Orders for industrial machinery, air conditioning equipment and general machinery were lower compared to previous year.

### Sales/Profit (Loss)
- Affected by cost control problems at the U.S manufacturing subsidiary and inappropriate strategy for domestic market (principally related to design specifications), air conditioning products fell into the red.
- Sales of industrial machinery stayed sluggish due to global economic weakness.

### Topics
- Machine tools: Management resources would be re-channeled into selected items.
- General machinery: Focussing on the market for dispersed power generators and increasing the output of turbochargers.

### FY2002 forecast (orders/sales/profit)
- Orders: 711.2 / 675.7 / 690
- Sales: 717 / 696.9
- Profit: 0.4 / -8.2
- FY2002 (estimates): 690 / 690 / 0
- FY2001 results: 675.7 / 696.9 / -8.2
- Interim estimates: 670 / 705 / -7

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<table>
<thead>
<tr>
<th>Orders Received</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'00</td>
<td>GM&amp;SV</td>
<td>Air con</td>
</tr>
<tr>
<td>297.9</td>
<td>717</td>
<td>202.9</td>
</tr>
<tr>
<td>287.5</td>
<td>304.4</td>
<td>200.8</td>
</tr>
<tr>
<td>211</td>
<td>195</td>
<td></td>
</tr>
<tr>
<td>FY'01</td>
<td>GM&amp;SV</td>
<td>Air con</td>
</tr>
<tr>
<td>218.5</td>
<td>696.9</td>
<td>201.3</td>
</tr>
<tr>
<td>210</td>
<td>180</td>
<td>200</td>
</tr>
<tr>
<td>FY'02</td>
<td>GM&amp;SV</td>
<td>Air con</td>
</tr>
<tr>
<td>194.7</td>
<td>690</td>
<td>195</td>
</tr>
<tr>
<td>177.1</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>180</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*GM&SV: General Machinery & Special Vehicle
Air con: Air Conditioning Equipment
Industrial: Industrial Machinery
Others

(Yen in billions)

• Construction and real estate

• Information, communication services and others

<FY2002 forecast (sales/profit)>

FY2002 (estimates): 60 / 7
FY2001 results: 75.2 / 6.9
Interim estimates: 95 / 7

Figures in parentheses show deductions for intra-firm transactions.
Balance Sheets

**Assets**

**Liabilities and Stockholders’ Equity and Minority Interests**

**Current assets**
- **2001**
  - Inventories: 1290.6
  - Trade receivables: 1076.1
  - Other current assets: 524.5
  - Fixed Assets: 1345.3
  - Total: 2891.2

- **2002**
  - Inventories: 1039.5
  - Trade receivables: 1092.2
  - Other current assets: 466.8
  - Fixed Assets: 1316.7
  - Total: 2598.5

**Current assets change**
- Down 292.7 billion yen (Inventories down 251.1 billion yen, Marketable securities down 157.9 billion yen etc)

**Changes in liabilities**
- Down 326.9 billion yen
- Current liabilities: Down 84.5 billion yen (Advances received down 157.9 billion yen etc)
- Long-term liabilities: Down 242.3 billion yen

**Changes in stockholders’ equity**
- Up 4.4 billion yen
- Consolidated retained earnings: Up 12.1 billion yen, Net unrealized gains on investment securities down 15.0 billion yen

**Stockholders’ equity ratio**
- 2001: 30.2% → 2002: 32.8%
- ROE: -1.6% → 2001: 2.1%

**Liabilities**
- **2001**
  - Advances received: 552
  - Other current liabilities: 1431.8
  - Long-term liabilities: 979.5
  - Minority interest: 13
  - Stockholders’ equity: 1278.2
  - Total: 2618.4

- **2002**
  - Advances received: 394
  - Other current liabilities: 1487.2
  - Long-term liabilities: 737.1
  - Minority interest: 14.1
  - Stockholders’ equity: 1282.7
  - Total: 2945.3
Debt with Interest and Free Cash Flow

FY2001 review

Operating activities provided net cash of 99.1 billion yen, resulting in a free cash flow of 9.5 billion yen, after deducting 89.5 billion yen in net cash used in investing activities.

Much of this cash was used for reducing debt. As a result, interest-bearing debt declined by 40.6 billion yen compared to the end of the previous fiscal year.
Research & Development

(Yen in billions)

Consolidated subsidiaries

- FY'99: 129.7
- FY'00: 116.2
- FY'01: 118.5
- FY'02: 125

Non consolidated

- FY'99: 127
- FY'00: 113.6
- FY'01: 115.9
- FY'02: 122

• Aggressive investment in core business lines
  (Power systems)
  • H-type gas turbines
  • Solar cells (photovoltaics)
  • New type of light water reactor

Depreciation and Capital Investment

(Yen in billions)

- Capital investment
- Depreciation

Consolidated subsidiaries

- FY'99: 105.3
- FY'00: 99.3
- FY'01: 95.9
- FY'02: 97

- FY'99: 28.7
- FY'00: 27.8
- FY'01: 29.2
- FY'02: 28

Non consolidated

- FY'99: 76.6
- FY'00: 71.5
- FY'01: 66.7
- FY'02: 69

• Capacity addition for main products
  (Power systems)
• Capital investment exceeds depreciation
  (Power systems)
  • Higher output of gas turbines parts
  • Photovoltaics production facilities
# Outline of Non-consolidated Financial Results for FY2001

<table>
<thead>
<tr>
<th></th>
<th>FY2001</th>
<th>FY2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders Received</td>
<td>1,970.4</td>
<td>2,213.8</td>
<td>-243.3</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,388.6</td>
<td>2,637.7</td>
<td>-249.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>66.8</td>
<td>52.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>59.4</td>
<td>46.5</td>
<td>12.9</td>
</tr>
<tr>
<td>Extraordinary Loss</td>
<td>-26.0</td>
<td>-22.0</td>
<td>-3.9</td>
</tr>
<tr>
<td>Income before Tax</td>
<td>33.4</td>
<td>24.4</td>
<td>8.9</td>
</tr>
<tr>
<td>Net Income</td>
<td>22.4</td>
<td>15.0</td>
<td>7.3</td>
</tr>
</tbody>
</table>

The extraordinary loss (26.0 billion yen) are the net result of 14.1 billion yen write-down in the value of investment securities, 18.5 billion yen in loss on business improvement and restructuring, 2.6 billion yen gain on sales of investment securities and 4.0 billion yen gain on sales of fixed assets.
FY 2002 Consolidated Forecast by Operating Segment

**Orders**
- Shipbuilding & Ocean Development: 270 billion yen (10%)
- Power systems: 250 billion yen (24%)
- Machinery & Steel Structures: 530 billion yen (20%)
- Mass & Medium-lot Manufactured Machinery: 650 billion yen (25%)
- Aerospace: 690 billion yen (17%)
- Others: 110 billion yen (4%)

**Net sales**
- Shipbuilding & Ocean Development: 720 billion yen (28%)
- Power systems: 430 billion yen (26%)
- Machinery & Steel Structures: 445 billion yen (16%)
- Mass & Medium-lot Manufactured Machinery: 690 billion yen (17%)
- Aerospace: 60 billion yen (2%)
- Others: 285 billion yen (11%)
## Forecast for FY2002 (1)

(Yen in billions)

<table>
<thead>
<tr>
<th></th>
<th>FY2001 results</th>
<th>FY2002 forecast</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders</strong></td>
<td>2,424.9</td>
<td>2,700</td>
<td>275.1</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>2,863.9</td>
<td>2,630</td>
<td>-233.9</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>78.6</td>
<td>92</td>
<td>13.4</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>67.9</td>
<td>80</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>48.0</td>
<td>80</td>
<td>32.0</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>26.4</td>
<td>45</td>
<td>18.6</td>
</tr>
</tbody>
</table>

(Assumption of exchange rates: US$1=125JPY 1Euro=115JPY (US$3.2 billion and 0.3 billion Euro remain unhedged).

### Changes by segment

- Orders ( + 275.1) : Machinery+105.9, Shipbuilding+101.9, Power+54, Mass/Medium-lot+14.3
- Net sales ( - 233.9) : Power-179.7, Aerospace-27
- Operating income ( + 13.4) : Mass/Medium-lot+8.2, Shipbuilding+3.6

*Effective from FY2002, investment in Mitsubishi Motors Corp. will not be accounted by the equity method. Equity in earnings of Mitsubishi Motors is therefore excluded from the above forecast.*

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Forecast for FY2002 (2)

<table>
<thead>
<tr>
<th>(Non-Consolidated)</th>
<th>FY2001 results</th>
<th>FY2002 forecast</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>1,970.4</td>
<td>2,300</td>
<td>329.6</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,388.6</td>
<td>2,200</td>
<td>-188.6</td>
</tr>
<tr>
<td>Operating Income</td>
<td>66.8</td>
<td>81</td>
<td>14.2</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>59.4</td>
<td>70</td>
<td>10.6</td>
</tr>
<tr>
<td>Income before Tax</td>
<td>33.4</td>
<td>70</td>
<td>36.6</td>
</tr>
<tr>
<td>Net Income</td>
<td>22.4</td>
<td>40</td>
<td>17.6</td>
</tr>
</tbody>
</table>

Annual dividend forecast: 6 JPY per common share (Interim: 3 JPY, Year-end: 3 JPY)

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