

No.0942

MHI ANNOUNCES FY2002 CONSOLIDATED FINANCIAL RESULTS

Tokyo, May 14, 2003 — Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2002 ended March 31, 2003.

	(billions of yen)		
	FY2002	FY2001	Change (%)
Orders Received	2480.9	2424.9	2.3
Net Sales	2593.8	2863.9	-9.4
Operating Income	115.3	78.6	46.6
Ordinary Income	78.1	67.9	15.0
Income (Loss) Before Tax	66.1	48.0	37.8
Net Income (Loss)	34.3	26.4	29.8
Operation Cash Flow	50.0	99.1	-49.5
Investment Cash Flow	-106.1	-89.5	18.6
Financing Cash Flow	59.3	-69.4	-
Net Income (Loss) Per Share	10.14 yen	7.84 yen	29.4

Orders Received by Industry Segment (billions of yen)

	FY2002	FY2001	Difference
Shipbuilding & Ocean Development	257.0 (10.4)	168.1 (6.9)	88.8
Power Systems	608.3 (24.5)	596.0 (24.6)	12.3
Machinery & Steel Structures	388.5 (15.7)	424.1 (17.5)	-35.6
Aerospace	441.2 (17.8)	447.2 (18.4)	-6.0
Mass and Medium-Lot Manufactured Machinery	677.3 (27.3)	675.7 (27.9)	1.5
Others	108.3 (4.3)	113.4 (4.7)	-5.1
TOTAL	2,480.9 (100.0)	2,424.9 (100.0)	55.9

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

Consolidated financial results (continued)

Sales by Industry Segment

(billions of yen)

	FY2002	FY2001	Difference
Shipbuilding & Ocean Development	265.8 (10.2)	290.0 (10.1)	− 24.1
Power Systems	646.2 (24.9)	899.7 (31.4)	− 253.4
Machinery & Steel Structures	418.7 (16.1)	430.0 (15.0)	− 11.2
Aerospace	506.7 (19.5)	472.0 (16.5)	34.7
Mass and Medium-Lot Manufactured Machinery	683.8 (26.4)	696.9 (24.3)	− 13.0
Others	72.4 (2.9)	75.2 (2.7)	− 2.8
TOTAL	2,593.8 (100.0)	2863.9 (100.0)	− 270.0

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

Operating Income (Loss) by Industry Segment

(billions of yen)

	FY2002	FY2001	Difference
Shipbuilding & Ocean Development	11.1	5.4	5.6
Power Systems	51.9	31.5	20.4
Machinery & Steel Structures	10.0	9.5	0.4
Aerospace	40.9	33.3	7.6
Mass and Medium-Lot Manufactured Machinery	− 3.4	− 8.2	4.7
Others	4.6	6.9	− 2.2
TOTAL	115.3	78.6	36.6

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2003

For the fiscal year 2003 ending March 31, 2004, MHI is expecting 2,400 billion yen in net sales, 85 billion yen in operating income, 60 billion yen in ordinary income, 60 billion yen in income before tax and 35 billion yen in net income.

(This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥120.00)

This estimate has been projected with the information and the data obtained at the date of May 14, 2003. Therefore please be advised the real result can be quite different after a year 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: 130 (128 in FY2001)

Number of companies under the application of equity method:

<u>FY2002</u>	<u>FY2001</u>
54	53

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CONSOLIDATED BALANCE SHEETS (1/2)

(millions of Yen)

	As of Mar. 31, 2003	As of Mar. 31, 2002	Differences
<u>ASSETS</u>			
Current Assets:			
Cash and deposits	219,527	221,287	(1,759)
Trade receivables	1,054,416	1,092,277	(37,861)
Securities	1,111	2,827	(1,716)
Inventories	918,889	1,039,518	(120,628)
Deferred income taxes	68,854	101,196	(32,342)
Other current assets	132,374	150,950	(18,575)
Allowance for doubtful receivables	(5,815)	(9,530)	3,715
Total Current Assets	2,389,357	2,598,526	(209,168)
Fixed Assets:			
Property, plant and equipment	759,757	758,065	1,691
Intangible fixed assets	32,981	31,027	1,953
Investments and advances			
Investment securities	370,267	422,264	(51,997)
Deferred income taxes	50,482	40,257	10,224
Other assets	131,291	127,871	3,419
Allowance for doubtful advances	(67,271)	(62,736)	(4,534)
Total Investments and advances	484,769	527,656	(42,887)
Total Fixed Assets	1,277,507	1,316,749	(39,241)
TOTAL ASSETS	3,666,865	3,915,276	(248,410)

CONSOLIDATED BALANCE SHEETS (2/2)

(millions of Yen)

	As of Mar. 31, 2003	As of Mar. 31, 2002	Differences
<u>LIABILITIES, MINORITY INTERESTS</u>			
<u>AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current Liabilities:			
Trade payables	607,686	693,994	(86,307)
Bank loans	403,209	455,966	(52,757)
Commercial papers	133,000	20,000	113,000
Current portion of debentures	100,000	90,000	10,000
Allowance for losses on construction contracts	5,844	9,685	(3,841)
Advance payments received on contracts	308,540	394,098	(85,558)
Other current liabilities	163,233	217,480	(54,246)
Total Current Liabilities	1,721,514	1,881,225	(159,710)
Long-term Liabilities:			
Debentures	175,995	226,597	(50,602)
Long-term debt	310,718	257,433	53,284
Reserve for retirement allowance	152,096	222,467	(70,370)
Other long-term liabilities	22,785	30,683	(7,897)
Total Long-term Liabilities	661,595	737,182	(75,586)
TOTAL LIABILITIES	2,383,110	2,618,407	(235,297)
MINORITY INTERESTS	12,787	14,141	(1,353)
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	-
Capital surplus	203,853	203,853	-
Retained earnings	745,287	759,772	(14,484)
Net unrealized gains on investment securities	59,984	63,204	(3,220)
Foreign currency translation adjustments	(3,621)	(9,696)	6,075
Treasury stock	(145)	(16)	(128)
TOTAL STOCKHOLDERS' EQUITY	1,270,968	1,282,727	(11,759)
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,666,865	3,915,276	(248,410)

CONSOLIDATED STATEMENTS OF OPERATIONS

(millions of Yen)

	FY2002	FY2001	Differences
Net sales	2,593,894	2,863,984	(270,090)
Cost of sales	2,203,902	2,494,489	(290,586)
Selling, general and administrative expenses	274,683	290,840	(16,157)
Operating income	115,308	78,655	36,653
Non-operating income:			
Interest and dividend income	13,443	16,553	(3,110)
Equity in earnings of unconsolidated subsidiaries and affiliates	5,195	5,712	(517)
Other income	5,999	6,543	(543)
Total	24,638	28,809	(4,170)
Non-operating expenses:			
Interest expense	21,836	25,961	(4,124)
Foreign exchange losses	23,094	-	23,094
Other expenses	16,822	13,515	3,306
Total	61,753	39,476	22,276
Ordinary income	78,193	67,987	10,206
Extraordinary income:			
Gains on contribution of investment securities to trust for retirement allowance	14,790	-	14,790
Gains on sales of investment securities	5,447	2,640	2,807
Gains on sales of fixed assets	-	2,887	(2,887)
Extraordinary expenses:			
Losses on revaluation of investment securities	19,273	12,940	6,333
Losses on damage from the cruise ship fire incident	12,996	-	12,996
Business improvement and restructuring charges	-	12,545	(12,545)
Income before income taxes	66,161	48,028	18,133
Income taxes			
Current	10,250	29,345	(19,095)
Deferred	21,445	(8,419)	29,865
Minority interests in income after taxes	135	655	(519)
Net income	34,330	26,447	7,883

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	FY 2002	FY 2001	Differences
Cash flows from operating activities:			
Income (loss) before income taxes	66,161	48,028	18,133
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	97,015	95,962	1,053
(Increase) decrease in receivables	33,020	(8,351)	41,371
(Increase) decrease in inventories and advances to suppliers	138,889	254,452	(115,563)
Increase (decrease) in payables	(65,390)	(54,324)	(11,066)
Increase (decrease) in advance payments received on contracts	(82,029)	(163,041)	81,011
Others	(111,620)	(35,539)	(76,080)
Subtotal	76,046	137,187	(61,141)
Interest and dividends received	15,390	18,031	(2,640)
Interest paid	(22,514)	(26,791)	4,277
Payments for income taxes	(18,827)	(29,309)	10,482
Net cash provided by operating activities	50,094	99,116	(49,022)
Cash flows from investing activities:	(106,150)	(89,538)	(16,611)
Cash flows from financing activities:	59,301	(69,462)	128,763
Effect of exchange rate changes on cash and cash equivalents	(3,469)	5,896	(9,365)
Net increase (decrease) in cash and cash equivalents	(223)	(53,986)	53,763
Cash and cash equivalents at beginning of year	189,717	243,376	(53,658)
Increase in cash and cash equivalents by adding newly consolidated subsidiaries	961	327	634
Cash and cash equivalents at end of year	190,455	189,717	738