Financial Results for FY2002
(April 1, 2002 – March 31, 2003)

May 2003
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outline of Consolidated Financial Results for FY2002</td>
<td>P3</td>
</tr>
<tr>
<td>Consolidated Orders Received and Sales by Segment</td>
<td>P5</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>P7</td>
</tr>
<tr>
<td>Debt with Interest and Free Cash Flows</td>
<td>P8</td>
</tr>
<tr>
<td>R&amp;D Expenses, Depreciation and Capital Investment</td>
<td>P9</td>
</tr>
<tr>
<td>Outline of Non-Consolidated Results for FY2002</td>
<td>P10</td>
</tr>
<tr>
<td>Consolidated Results by Segment</td>
<td>P11</td>
</tr>
<tr>
<td>Consolidated Forecast for FY2003</td>
<td>P17</td>
</tr>
<tr>
<td>Forecast for FY2003 Orders</td>
<td>P18</td>
</tr>
<tr>
<td>Forecast for FY2003 Earnings</td>
<td>P19</td>
</tr>
<tr>
<td>Forecast for Segment Consolidated Orders and Sales for FY2003</td>
<td>P20</td>
</tr>
<tr>
<td>Non-Consolidated Forecast for FY2003</td>
<td>P21</td>
</tr>
</tbody>
</table>
Outline of Consolidated Results for FY2002

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY02</th>
<th>FY01</th>
<th>Change (amount)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders Received</td>
<td>2,480.9</td>
<td>2,424.9</td>
<td>55.9</td>
<td>2.3%</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,593.8</td>
<td>2,863.9</td>
<td>-270.0</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>115.3</td>
<td>78.6</td>
<td>36.6</td>
<td>46.6%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>78.1</td>
<td>67.9</td>
<td>10.2</td>
<td>15.0%</td>
</tr>
<tr>
<td>Extraordinary Income (Loss)</td>
<td>-12.0</td>
<td>-19.9</td>
<td>7.9</td>
<td>-</td>
</tr>
<tr>
<td>Income (Loss) before Income Taxes</td>
<td>66.1</td>
<td>48.0</td>
<td>18.1</td>
<td>37.8%</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>34.3</td>
<td>26.4</td>
<td>7.8</td>
<td>29.8%</td>
</tr>
</tbody>
</table>

The extraordinary loss (¥12.0 billion) is the net result of a ¥19.2 billion write-down in the value of investment securities, a ¥12.9 billion loss resulting from an accidental fire on a cruise ship under construction, a ¥5.4 billion in gains from sales of investment securities and a ¥14.7 billion in gains on contribution of investment securities to trust for retirement allowance.
### Principal Factors Contributing to ¥36.6 billion Increase in Operating Income
(FY01: ¥78.6 billion → FY02: ¥115.3 billion)

- **Gross profit increase**  +¥20.4 billion
  - Effect of sales decrease  -¥35.1 billion
  - Cost reduction and improvement of business contents  +¥53.1 billion
    (Effect of changes in applicable period for employees’ bonuses: +¥19.5 billion)
  - Foreign exchange  +¥2.4 billion
    US dollar was ¥122 vs. ¥122 in FY01
    Euro was ¥119 vs. ¥110 in FY01 etc.
- **SGA expense decrease**  +¥16.1 billion
  (Effect of changes in applicable period for employees’ bonuses: +¥7 billion)
  - Cost reduction matching lower sales level: +¥14.8 billion
  - R&D expense decrease  +¥3.1 billion
  - Selling expenses decrease etc.  +¥11.7 billion
  - Provision for losses on doubtful receivables  + ¥1.3 billion

**Net Increase in Operating Income**  +¥36.6 billion

### Principal Factors Contributing to ¥18.1 billion Increase in Income Before Income Taxes
(FY01: ¥48.0 billion → FY02: ¥66.1 billion)

- **Ordinary income increase**  +¥10.2 billion
  (FY01: ¥67.9 billion → FY02: ¥78.1 billion)
  - Operating income increase  +¥36.6 billion (same as on the left)
  - Non-operating income/loss  -¥26.4 billion
    (FY01: -¥10.6 billion → FY02: -¥37.1 billion)
    - Foreign exchange  -¥23.0 billion
      (US dollar was ¥120 (as of March 31, 2003) vs. ¥133 (as of March 31, 2002)) etc.
    - Equity in earnings of unconsolidated subsidiaries and affiliates  -¥0.5 billion
      (Mitsubishi Motors Corp. excluded from the scope of companies accounted for under the equity method etc.)
    - Others  -¥2.9 billion
  - **Extraordinary Profit/Loss**  +¥7.9 billion
    (Gains on contribution of investment securities to trust for retirement allowance, etc.)
    (FY01: -¥19.9 billion → FY02: -¥12.0 billion)

**Income before Income Taxes Increase**  +¥18.1 billion

**Net Income:**  +¥7.8 billion
(FY01: ¥26.4 billion → FY02: ¥34.3 billion)
Consolidated Orders Received and Sales by Segment (FY2002)

**Orders Received**
- Shipbuilding & Ocean Development: 10%
- Power Systems: 25%
- Machinery & Steel Structures: 16%
- Mass & Medium-lot Manufactured Machinery: 27%
- Aerospace: 18%
- Others: 4%

Total: 2,480.9 Billion yen

**Net sales**
- Shipbuilding & Ocean Development: 10%
- Power Systems: 25%
- Machinery & Steel Structures: 16%
- Mass & Medium-lot Manufactured Machinery: 26%
- Aerospace: 20%
- Others: 3%

Total: 2,593.8 Billion yen

Net sales: 2,593.8 - Orders received: 2,480.9 = 112.9 Billion yen
Overseas Consolidated Sales by Region

**FY2001**

- **Middle East**: 171.0 Billion yen (12%)
- **South America**: 121.0 Billion yen (12%)
- **Western Europe**: 188.2 Billion yen (15%)
- **Asia**: 157.3 Billion yen (19%)
- **North America**: 34.6 Billion yen (3%)
- **Others**: 3 Billion yen (3%)

Total Overseas Sales: 1,018.7 Billion yen

**FY2002**

- **Middle East**: 193.0 Billion yen (23%)
- **South America**: 55.5 Billion yen (7%)
- **Western Europe**: 212.7 Billion yen (26%)
- **Asia**: 68.4 Billion yen (8%)
- **North America**: 36.8 Billion yen (4%)
- **Others**: 271.2 Billion yen (4%)

Total Overseas Sales: 837.8 Billion yen
Consolidated Balance Sheets

### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>FY01 (Billion yen)</th>
<th>FY02 (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>2598.5</td>
<td>2618.4</td>
</tr>
<tr>
<td>Inventories</td>
<td>1039.5</td>
<td>918.8</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1092.2</td>
<td>1054.4</td>
</tr>
<tr>
<td>Other current assets</td>
<td>466.8</td>
<td>416.1</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>1316.7</td>
<td>1277.5</td>
</tr>
</tbody>
</table>

### Liabilities, Stockholders’ Equity and Minority Interests

<table>
<thead>
<tr>
<th>Category</th>
<th>FY01 (Billion yen)</th>
<th>FY02 (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>2618.4</td>
<td>2383.1</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>1282.7</td>
<td>1270.9</td>
</tr>
<tr>
<td>Minority interests</td>
<td>661.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Equity and Minority Interests</td>
<td>-34.7%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>FY01</td>
<td>FY02</td>
<td></td>
</tr>
</tbody>
</table>

### Changes in assets: (-248.4)

- Current assets: -209.1 (Inventories: -120.6, Trade receivables: -37.8, etc.)
- Fixed assets: -39.2 (Investment securities: -51.9, etc.)

### Changes in liabilities: (-235.2)

- Current liabilities: -159.7 (Trade payables: -86.3, Advances received: -85.5, etc.)
- Long-term liabilities: -75.5
- Stockholders’ equity: -11.7 (Retained earnings: -14.4, Net unrealized gain on investment securities: -3.2, etc.)
Debt with Interest and Free Cash Flows

Summary of FY2002
• Affected by the cost of repairs to the passenger liner under construction for P&O, operating activities provided net cash of only ¥50 billion.
• Cash used in investing activities totaled ¥106.1 billion due mainly to capital expenditures for manufacturing equipment.
• Representing the above factors, the free cash flow was a negative ¥56 billion. Debt with interest increased ¥72.9 billion compared with the previous fiscal year.

<table>
<thead>
<tr>
<th>Activity</th>
<th>FY02</th>
<th>FY01</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities CF</td>
<td>50.0</td>
<td>99.1</td>
<td>-49.0</td>
</tr>
<tr>
<td>Investing activities CF</td>
<td>-106.1</td>
<td>-89.5</td>
<td>-16.6</td>
</tr>
<tr>
<td>Free CF</td>
<td>-56.0</td>
<td>9.5</td>
<td>-65.6</td>
</tr>
<tr>
<td>Financing activities CF</td>
<td>59.3</td>
<td>-69.4</td>
<td>128.7</td>
</tr>
</tbody>
</table>

* CF = Cash flow
Research & Development

- Increase commitment to R&D, mainly in core business lines
  - Gas turbines
  - Solar cells
  - Others

Depreciation and Capital Investment

- Keep capital expenditures above depreciation, mainly to increase production facilities
  - Increase output of high-temperature gas turbine components
  - Production facilities for solar cells
  - Upgrading of transportation systems (APM) works (rolling stock assembly)
  - Increase output of small turbo chargers at European subsidiary
  - Others
## Outline of Non-Consolidated Financial Results for FY2002

<table>
<thead>
<tr>
<th></th>
<th>FY02</th>
<th>FY01</th>
<th>Change (amount)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders Received</td>
<td>2,050.7</td>
<td>1,970.4</td>
<td>80.3</td>
<td>4.1%</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,171.7</td>
<td>2,388.6</td>
<td>-216.8</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>103.0</td>
<td>66.8</td>
<td>36.2</td>
<td>54.1%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>65.1</td>
<td>59.4</td>
<td>5.6</td>
<td>9.6%</td>
</tr>
<tr>
<td>Extraordinary Income (Loss)</td>
<td>-10.6</td>
<td>-26.0</td>
<td>15.3</td>
<td>-</td>
</tr>
<tr>
<td>Income (Loss) before Taxes</td>
<td>54.5</td>
<td>33.4</td>
<td>21.0</td>
<td>63.0%</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>30.1</td>
<td>22.4</td>
<td>7.7</td>
<td>34.6%</td>
</tr>
</tbody>
</table>

The extraordinary loss (¥10.6 billion) is the net result of a ¥17.9 billion write-down in the value of investment securities, a ¥12.9 billion loss resulting from an accidental fire on a cruise ship under construction, ¥5.5 billion in gains from sales of investment securities and a ¥14.7 billion in gains on contribution of investment securities to trust for retirement allowance.
Operating Environment and Orders Received
• Orders down due to a steep drop in demand for new vessels caused by the global recession and increasing competition from S. Korea and China
• Orders received for 26 vessels, including two LPG carriers, one LNG carrier, five ferries and three VLCCs (Total of 48 vessels order backlog, including 7 LNG carriers)

Sales and Earnings
• Sales were down because of fewer deliveries of merchant vessels and JDA vessels (new vessels) in Japan but earnings rose reflecting higher productivity.

Topics
• Continued to make progress in cutting personnel and other fixed expenses

<table>
<thead>
<tr>
<th>Segment employment</th>
<th>5,610</th>
<th>5,380</th>
<th>5,160</th>
<th>4,940</th>
</tr>
</thead>
<tbody>
<tr>
<td>('00/4)</td>
<td>('01/4)</td>
<td>('02/4)</td>
<td>('03/4)</td>
<td></td>
</tr>
</tbody>
</table>

Forecast for Orders Received/Sales/Earnings
FY03 forecast: 250.0 / 200.0 / 7.0
FY02 results: 257.0 / 265.8 / 11.1
(FY02 first-half forecast 270.0 / 285.0 / 9.0)
[Operating Environment and Orders Received]
- Market remains extremely difficult in Japan due to cutbacks in capital investment for new power generation capacity.
- Overseas, planned new capacity is being postponed in the U.S. due to a slowing economy but demand is relatively solid in Europe and Asia.
- Exports declined due to decline in new plant orders, but service contracts were up. Segment sales were largely unchanged as orders related to nuclear power plants rose.

[Sales and Earnings]
- Sales were lower due to a decline in deliveries of large plants. However, fewer unprofitable contracts and cost-cutting initiatives produced higher earnings.

[Topics]
- Gas turbines: Alliance with Dongfang Electric Corp. resulted in obtaining the order for large gas turbine project in China.
- Nuclear energy: Received orders in U.S. and Sweden for reactor vessel closure heads and in U.S. for replacement steam generators.

< Forecast for Orders Received/Sales/Earnings >
FY03 forecast : 700.0 / 550.0 / 30.0
FY02 results : 608.3 / 646.2 / 51.9
(FY02 first-half forecast 650.0 / 720.0 / 41.0)
Operating Environment and Orders Received]
- Exports rose reflecting increased demand for transportation systems and orders for a large chemical plant.
- In Japan, there were large orders for environmental (waste-processing equipment) systems but public works and private sector investment remain sluggish. As a result, total orders received were lower.

Sales and Earnings]
- Although there was growth in sales of environmental systems and bridges in Japan, total segment sales fell as export sales from chemical and other plants decreased. The operating loss was about the same as the previous fiscal year.

Topics]
- Taiwan high-speed rail system Project: Received contracts for track work for sectors 2 and 3 following those for sectors 4 and 5.
- Received order for an APM system for Washington Dulles International Airport.
- Established the Plant and Transportation Systems Engineering & Construction Center (April 1, 2003)

Forecast for Orders Received/Sales/Earnings>
- FY03 forecast: 490.0 / 480.0 / 12.0
- FY02 results: 388.5 / 418.7 / 10.0
  (FY02 first-half forecast 530.0 / 430.0 / 10.0)
Aerospace

(Billion yen)

[Operating Environment and Orders Received]
- Japanese gov’t defense budget for front-line defense equipment was about the same as previous year.
- Although orders for passenger aircraft were lower due to delays in demand recovery, orders were largely unchanged across the entire segment.

[Sales and Earnings]
- Passenger aircraft sales fell mainly due to a decline in B-777 deliveries. However, total segment sales rose due to adoption of the percentage-of-completion method for the F-2 aircraft project. Earnings were higher, too.

[Topics]
- March 2003: Commenced mass production of SH-60K patrol helicopters.
- Successful launch of H-IIA rocket flight No. 4 (Dec. 2002) and No. 5 (March 2003) with commercial satellites.
- December 2002: Reached an agreement to transfer production of Boeing-747 wing center section.
- Feb. 2003: Delivered the first mass produced S-92 large twin-engine helicopter developed jointly with an international consortium.

<Forecast for Orders Received/Sales/Earnings>
FY03 forecast: 450.0 / 380.0 / 28.0
FY02 results: 441.2 / 506.7 / 40.9
(FY02 first-half forecast 450.0 / 445.0 / 39.0)
Mass and Medium-Lot Manufactured Machinery

[Operating Environment and Orders Received]
- Overseas, orders in the U.S. were weak due to the U.S. sluggish economy, but orders were strong in Asia, especially in China.
- In Japan, orders were generally weak due to the soft domestic economy. However, exports of industrial machinery to China including printing presses increased, producing orders on a par with previous fiscal year.

[Sales and Earnings]
- Export sales increased due to growth in demand for industrial machinery. Total sales, however, were lower as sales volumes in Japan fell.
- Operating income increased due to cost cutting and other measures at foreign subsidiaries.

[Topics]
- Air-conditioning and refrigeration systems: Performance improved significantly at our North American automotive thermal systems manufacturing subsidiary due to higher productivity and cost cutting.

Forecast for Orders Received/Sales/Earnings:
- FY03 forecast: 700.0 / 720.0 / 5.0
- FY02 results: 677.3 / 683.8 / -3.4
  (FY02 first-half forecast 690.0 / 690.0 / -3.0)

* GM&SV: General Machinery&Special Vehicle
Air con: Air-conditioning and Refrigeration Systems
Industrial: Industrial Machinery

<table>
<thead>
<tr>
<th>Orders Received</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'01 FY'02 FY'03</td>
<td>FY'01 FY'02 FY'03</td>
<td>FY'01 FY'02 FY'03</td>
</tr>
<tr>
<td>GM &amp; SV</td>
<td>Air con</td>
<td>Industrial</td>
</tr>
<tr>
<td>675.7</td>
<td>677.3</td>
<td>700.0</td>
</tr>
</tbody>
</table>
Others

(Billion yen)

- Construction and real estate
- Information and communication systems and others

<Forecast for Sales/Earnings >

FY03 forecast : 70.0 / 3.0

FY02 results : 72.4 / 4.6
  (FY02 first-half forecast 60.0 / 7.0)
## Consolidated Forecast for FY2003

(Year ending March 31) (Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2002 Actual</th>
<th>FY2003 Forecast</th>
<th>Change (amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders Received</td>
<td>2,480.9</td>
<td>2,700.0</td>
<td>219.1</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,593.8</td>
<td>2,400.0</td>
<td>-193.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>115.3</td>
<td>85.0</td>
<td>-30.3</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>78.1</td>
<td>60.0</td>
<td>-18.1</td>
</tr>
<tr>
<td>Income (Loss) before Income Taxes</td>
<td>66.1</td>
<td>60.0</td>
<td>-6.1</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>34.3</td>
<td>35.0</td>
<td>0.7</td>
</tr>
</tbody>
</table>

- Forecasts are based on exchange rates of ¥120 to the U.S. dollar and ¥125 to the euro. (US$3.8 billion and 0.3 billion euros remain unhedged.)

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, those projections imply risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the company’s operating environment, currency movement of the Yen value to the U.S. dollar and other foreign currencies, and trends of stock market in Japan.
Forecast for FY2003 Orders

Market Environment and Issues

- Orders from the public sectors and electric utilities continues to decline. Orders in Japanese domestic market are expected to be unchanged at ¥1.3 trillion.

- Focus is on expanding export (Target: ¥900 billion)

1. Power Systems
   - Expand sales operations for power plant business in China, Taiwan and Southeast Asia.
     - Gas turbines: Continue to be one of the two leading manufacturers for large gas turbine project in China.
     - Coal and oil-fired plants: Focus on orders for full turnkey projects by establishing closer relations with customers.
   - Expansion of service exports
     - Expand rehabilitation projects business of existing large power plant.
     - Increase LTSA (Long-term Service Agreements)

2. Machinery & Steel Structures
   - Transportation systems
     - Target APM (Automated People Mover) projects in the U. S. and South East Asia
   - Chemical plants, flue gas desulfurization plants and LNG storage tanks:
     - Expand sales through alliances and by leveraging own technological strengths

3. Aerospace
   - Orders for current models from Boeing and Bombardier remain flat.
   - Planning order for a large package of structural components from Boeing
Forecast for FY2003 Earnings

**Net Sales**
- Net sales are expected to be slow in FY2003 (-¥193.8 billion from the previous fiscal year).
- Focus on increasing orders in FY2003 to apply brakes to decline in orders and resume sales growth from FY2004 (particularly in power systems).

**Issues**
- Secure income on a par with previous fiscal year.
- Sustain the trend toward improving profit margins.
- Operating income, on the other hand, is likely to decline, affected by a lower sales level.
- Improve earnings growth by raising sales from FY2004

- Expand earnings strength of core business
  - Further strengthen export competitiveness to expand orders and sales.
- Restructure residential-use air-conditioner business
  - Production concentrated at base in Thailand (MACO)
  - Discontinue production of unprofitable models
  - Reduce fixed costs (personnel cutbacks, inventory reduction and other measures)
Forecast for Segment Consolidated Orders and Sales for FY2003

**Orders** (Billion yen)

- Mass & Medium-lot Manufactured Machinery: 26%
- Power Systems: 26%
- Aerospace: 17%
- Machinery & Steel Structures: 18%
- Others: 4%
- Shipbuilding & Ocean Development: 9%

**Net sales** (Billion yen)

- Mass & Medium-lot Manufactured Machinery: 30%
- Machinery & Steel Structures: 20%
- Aerospace: 16%
- Power Systems: 23%
- Others: 3%
- Shipbuilding & Ocean Development: 8%
## Non-Consolidated Forecast for FY2003

<table>
<thead>
<tr>
<th></th>
<th>FY2002</th>
<th>FY2003</th>
<th>Change (amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Forecast</td>
<td></td>
</tr>
<tr>
<td>Orders Received</td>
<td>2,050.7</td>
<td>2,200.0</td>
<td>149.3</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,171.7</td>
<td>1,900.0</td>
<td>-271.7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>103.0</td>
<td>67.0</td>
<td>-36.0</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>65.1</td>
<td>50.0</td>
<td>-15.1</td>
</tr>
<tr>
<td>Income (Loss) before Income Taxes</td>
<td>54.5</td>
<td>50.0</td>
<td>-4.5</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>30.1</td>
<td>30.0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Annual Dividend per Share</td>
<td>6.0yen</td>
<td>6.0yen</td>
<td>-</td>
</tr>
</tbody>
</table>

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, those projections imply risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the company’s operating environment, currency movement of the Yen value to the U.S. dollar and other foreign currencies, and trends of stock market in Japan.