

MHI ANNOUNCES FY2003 FIRST-HALF CONSOLIDATED FINANCIAL RESULTS

Tokyo, November 6, 2003 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first-half of fiscal year (FY) 2003 ended September 30, 2003.

(billions of yen)

	FY2003 April – Sept.	FY2002 April – Sept.	Changes (%)	FY2002 Full-Year
Orders Received	1,233.5	810.5	52.2	2,480.9
Net Sales	1,000.0	1,090.1	- 8.3	2,593.8
Operating Income	10.5	26.5	- 60.4	115.3
Ordinary Income (Loss)	- 9.4	2.5	-	78.1
Income (Loss) Before Tax	- 11.4	3.3	-	66.1
Net Income (Loss)	- 10.4	0.6	-	34.3
Operation Cash Flow	94.9	94.6	0.3	50.0
Investment Cash Flow	- 41.3	- 51.7	- 20.2	- 106.1
Financing Cash Flow	- 44.1	- 44.7	- 1.3	59.3
Net Income (Loss) Per Share (Fiscal)	- 3.10 yen	0.18 yen	-	10.14 yen

Consolidated financial results (continued)

Orders Received by Operational Segment

(billions of yen)

	FY2003 Apr. – Sept.	FY2002 Apr. – Sept.	Differences	FY2002 Full-Year
Shipbuilding & Ocean Development	136.1 (11.0)	71.5 (8.8)	64.5	257.0 (10.4)
Power Systems	418.0 (33.9)	149.3 (18.4)	268.7	608.3 (24.5)
Machinery & Steel Structures	202.0 (16.4)	119.1 (14.7)	82.9	388.5 (15.7)
Aerospace	90.3 (7.3)	95.2 (11.8)	- 4.9	441.2 (17.8)
Mass and Medium-Lot Manufactured Machinery	342.6 (27.8)	325.8 (40.2)	16.8	677.3 (27.3)
Others	44.3 (3.6)	49.4 (6.1)	- 5.0	108.3 (4.3)
TOTAL	1,233.5 (100.0)	810.5 (100.0)	423.0	2,480.9 (100.0)

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

Sales by Operational Segment

(billions of yen)

	FY2003 Apr. – Sept.	FY2002 Apr. – Sept.	Differences	FY2002 Full-Year
Shipbuilding & Ocean Development	102.3 (10.2)	123.4 (11.3)	- 21.0	265.8 (10.2)
Power Systems	224.4 (22.4)	292.4 (26.8)	- 67.9	646.2 (24.9)
Machinery & Steel Structures	143.0 (14.3)	121.2 (11.1)	21.8	418.7 (16.1)
Aerospace	158.8 (15.9)	188.8 (17.3)	- 29.9	506.7 (19.5)
Mass and Medium-Lot Manufactured Machinery	335.5 (33.6)	332.5 (30.5)	2.9	683.8 (26.4)
Others	35.7 (3.6)	31.7 (3.0)	4.0	72.4 (2.9)
TOTAL	1,000.0 (100.0)	1,090.1 (100.0)	- 90.1	2,593.8 (100.0)

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

Consolidated financial results (continued)

Operating Income (Loss) by Operational Segment (millions of yen)

	FY2003 Apr. – Sept.	FY2002 Apr. – Sept.	Differences	FY2002 Full-Year
Shipbuilding & Ocean Development	- 2,513	540	- 3,053	11,118
Power Systems	3,103	18,283	- 15,180	51,994
Machinery & Steel Structures	- 9,659	- 6,873	- 2,785	10,037
Aerospace	10,884	18,788	- 7,904	40,995
Mass and Medium-Lot Manufactured Machinery	2,384	- 7,652	10,037	- 3,470
Others	6,309	3,437	2,872	4,634
TOTAL	10,508	26,523	- 16,014	115,308

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, 69 billion yen in operating income, 30 billion yen in ordinary income, 30 billion yen in income before tax and 15 billion yen in net income.

(This estimate is based on the assumption of currency exchange rate of US\$1.00 = ¥110.00)

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: 138 (131 in FY2002)

Number of companies under the application of equity method:

<u>FY2003</u>	<u>FY2002</u>
52	54

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

CONSOLIDATED BALANCE SHEETS (1/2)

(millions of Yen)

	As of Sep. 30, 2003	As of Mar. 31, 2003	Differences
<u>ASSETS</u>			
Current Assets:			
Cash and deposits	229,888	219,527	10,361
Trade receivables	880,983	1,054,416	(173,432)
Securities	845	1,111	(266)
Inventories	1,045,143	918,889	126,254
Deferred income taxes	50,343	68,854	(18,511)
Other current assets	130,927	132,374	(1,446)
Allowance for doubtful receivables	(6,245)	(5,815)	(429)
Total Current Assets	2,331,887	2,389,357	(57,470)
Fixed Assets:			
Property, plant and equipment	751,491	759,757	(8,265)
Intangible fixed assets	34,182	32,981	1,201
Investments and advances			
Investment securities	415,480	370,267	45,212
Deferred income taxes	56,692	50,482	6,210
Other assets	127,573	131,291	(3,717)
Allowance for doubtful accounts	(72,246)	(67,271)	(4,974)
Total Investments and advances	527,499	484,769	42,729
Total Fixed Assets	1,313,173	1,277,507	35,665
TOTAL ASSETS	3,645,060	3,666,865	(21,804)

CONSOLIDATED BALANCE SHEETS (2/2)

(millions of Yen)

	As of Sep. 30, 2003	As of Mar. 31, 2003	Differences
<u>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current Liabilities:			
Trade payables	553,469	607,686	(54,217)
Bank loans	378,902	403,209	(24,307)
Commercial papers	70,000	133,000	(63,000)
Current portion of debentures	150	100,000	(99,850)
Allowance for losses on construction contracts	1,059	5,844	(4,785)
Advance payments received on contracts	384,692	308,540	76,151
Other current liabilities	130,170	163,233	(33,063)
Total Current Liabilities	1,518,444	1,721,514	(203,070)
Long-term Liabilities:			
Debentures	247,840	175,995	71,845
Long-term debt	398,330	310,718	87,612
Reserve for retirement allowance	159,536	152,096	7,439
Other long-term liabilities	27,192	22,785	4,407
Total Long-term Liabilities	832,899	661,595	171,304
TOTAL LIABILITIES	2,351,344	2,383,110	(31,766)
MINORITY INTERESTS	14,608	12,787	1,821
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	-
Capital surplus	203,853	203,853	-
Retained earnings	725,738	745,287	(19,549)
Net unrealized gains on investment securities	86,814	59,984	26,830
Foreign currency translation adjustments	(2,761)	(3,621)	859
Treasury stock	(146)	(145)	(1)
TOTAL STOCKHOLDERS' EQUITY	1,279,108	1,270,968	8,140
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	3,645,060	3,666,865	(21,804)

CONSOLIDATED STATEMENTS OF OPERATIONS

(millions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2002	Differences
Net sales	1,000,043	1,090,183	(90,140)
Cost of sales	860,567	923,129	(62,561)
Selling, general and administrative expenses	128,966	140,530	(11,564)
Operating income	10,508	26,523	(16,014)
Non-operating income:			
Interest and dividend income	5,838	7,156	(1,317)
Equity in earnings of unconsolidated subsidiaries and affiliates	3,825	2,186	1,638
Other income	1,352	2,675	(1,323)
Total	11,015	12,018	(1,002)
Non-operating expenses:			
Interest expense	9,353	11,748	(2,395)
Foreign exchange losses	13,953	19,349	(5,396)
Other expenses	7,647	4,846	2,801
Total	30,953	35,944	(4,990)
Ordinary income (loss)	(9,429)	2,598	(12,027)
Extraordinary income:			
Gains on sales of investment securities		3,280	(3,280)
Extraordinary expenses:			
Business improvement and restructuring charges	2,057		2,057
Losses on revaluation of investment securities		2,511	(2,511)
Income (loss) before income taxes and minority interests	(11,487)	3,367	(14,854)
Income taxes			
Current	4,099	4,700	(600)
Deferred	(5,984)	(1,996)	(3,987)
Minority interests in income after taxes	863	61	801
Net income (loss)	(10,465)	602	(11,068)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Differences
Cash flows from operating activities:			
Income (loss) before income taxes	(11,487)	3,367	(14,854)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities			
Depreciation and amortization	48,281	46,221	2,060
(Increase) decrease in receivables	178,776	202,678	(23,901)
(Increase) decrease in inventories and advances to suppliers	(127,262)	(108,215)	(19,046)
Increase (decrease) in payables	(59,282)	(103,390)	44,108
Increase (decrease) in advance payments received on contracts	74,461	105,770	(31,308)
Others	(4,312)	(32,265)	27,953
Subtotal	99,175	114,164	(14,989)
Interest and dividends received	6,132	7,537	(1,405)
Interest paid	(9,664)	(12,170)	2,505
Payments for income taxes	(698)	(14,864)	14,165
Net cash provided by operating activities	94,943	94,668	274
Cash flows from investing activities:	(41,314)	(51,769)	10,455
Cash flows from financing activities:	(44,141)	(44,730)	589
Effect of exchange rate changes on cash and cash equivalents	(164)	(3,699)	3,534
Net increase (decrease) in cash and cash equivalents	9,322	(5,530)	14,853
Cash and cash equivalents at beginning of year	190,455	189,717	738
Increase in cash and cash equivalents by adding newly consolidated subsidiaries	3,063	961	2,101
Cash and cash equivalents at end of year	202,841	185,148	17,693