

Financial Results for the First-half of FY 2003
(April 1,2003 – Sep.30,2003)

November 2003

Outline of Consolidated Financial Results for the First-half of FY2003

(Billion yen)

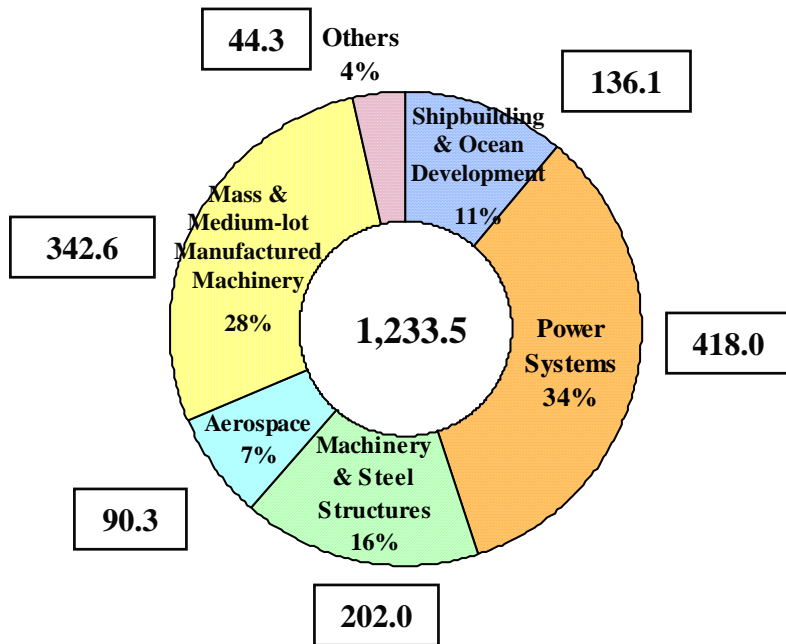
	FY2003 1st half	FY2002 1st half	Change (amount)	Change (%)
Orders Received	1,233.5	810.5	423.0	52.2%
Net Sales	1,000.0	1,090.1	-90.1	-8.3%
Operating Income	10.5	26.5	-16.0	-60.4%
Ordinary Income	-9.4	2.5	-12.0	-
Extraordinary Income (loss)	-2.0	0.7	-2.8	-
Income (loss) before Income Taxes	-11.4	3.3	-14.8	-
Net Income (loss)	-10.4	0.6	-11.0	-

Extraordinary loss (-¥20.0 billion) : Business improvement and restructuring fee

Consolidated Orders Received and Net Sales by Segment (First Half of FY2003)

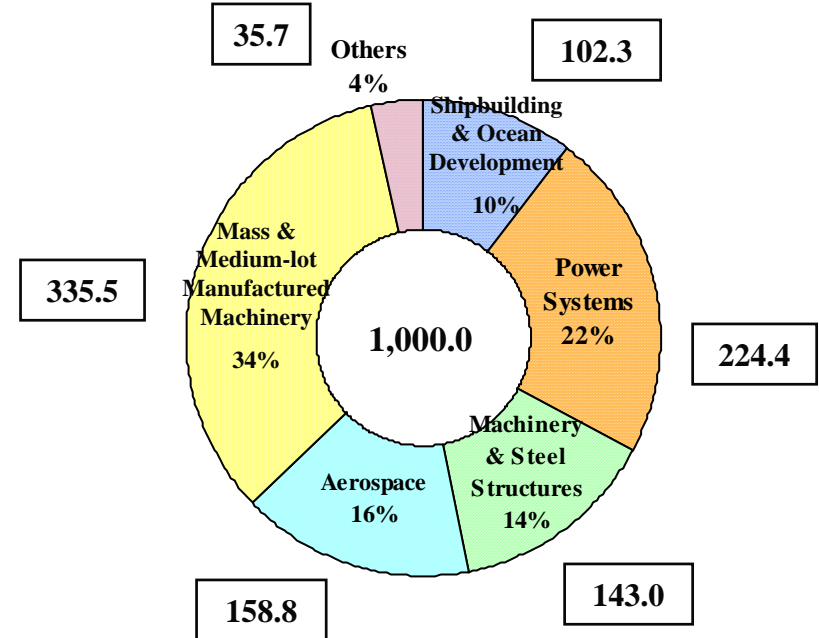
Orders Received

Billion yen



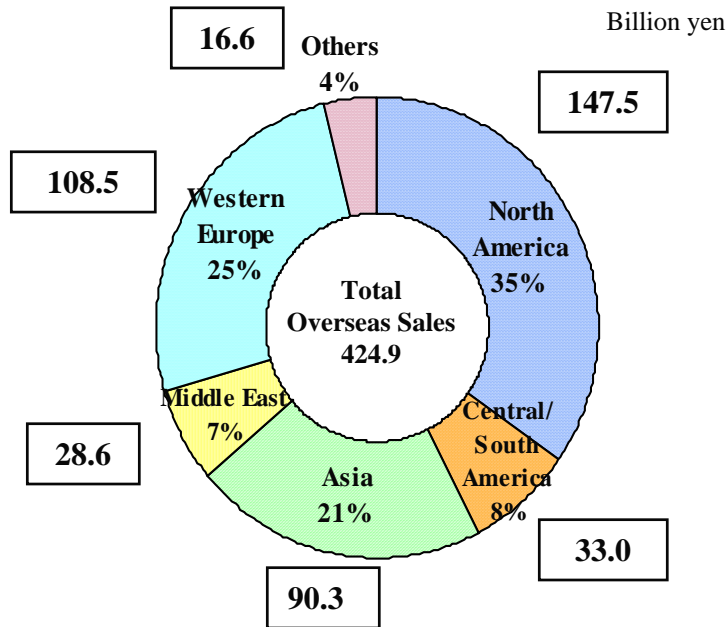
Net sales

Billion yen

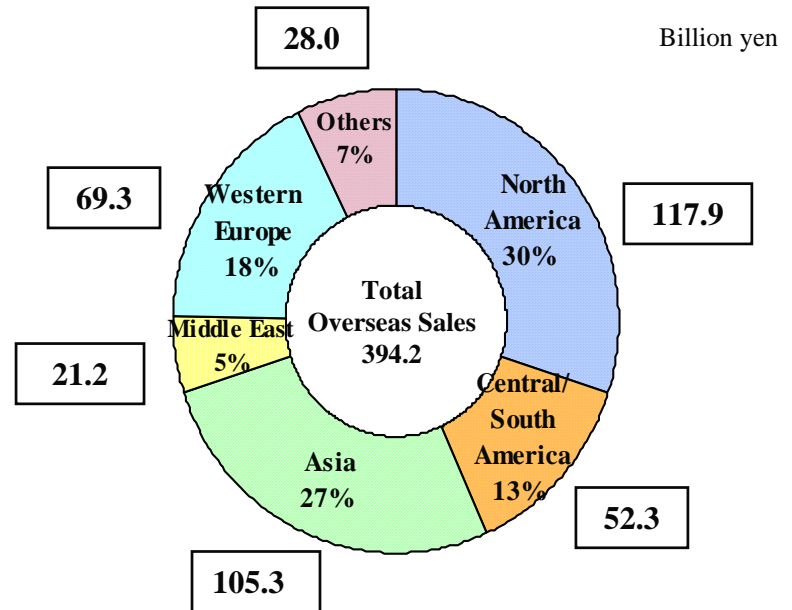


Overseas Sales Consolidated Results by Region

First Half of FY2002



First Half of FY2003

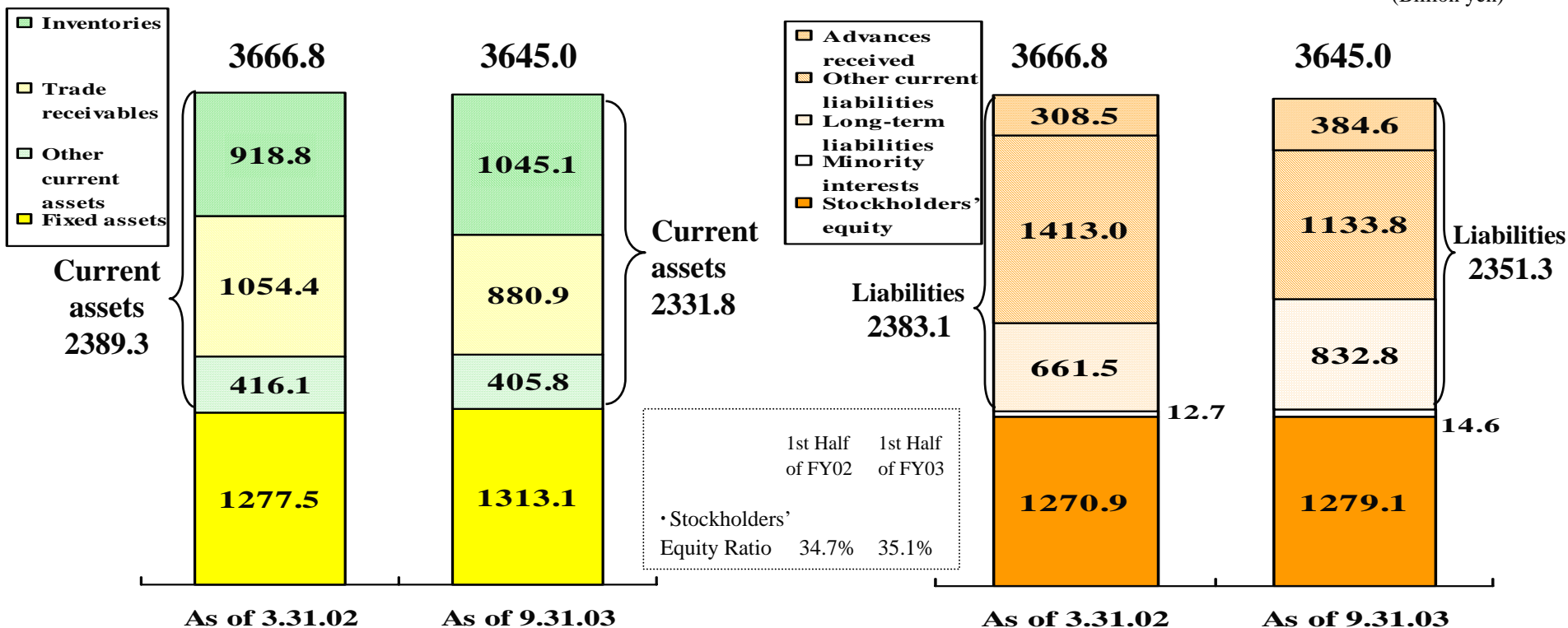


Consolidated Balance Sheets

Assets

Liabilities, Stockholders' Equity and Minority Interests

(Billion yen)



Changes in assets: (-¥21.8)

Trade receivables: -173.4, Inventories: +126.2
Investment securities: +45.2, Deferred tax assets: -12.3 etc.

Changes in liabilities: (-31.7)

Advances received: +76.1, Trade payables: -54.2 Debt with Interest: -27.6

Changes in stockholders' equity: (+8.1)

Net unrealized gain on investment securities: +26.8, Retained earnings: -19.5, etc.

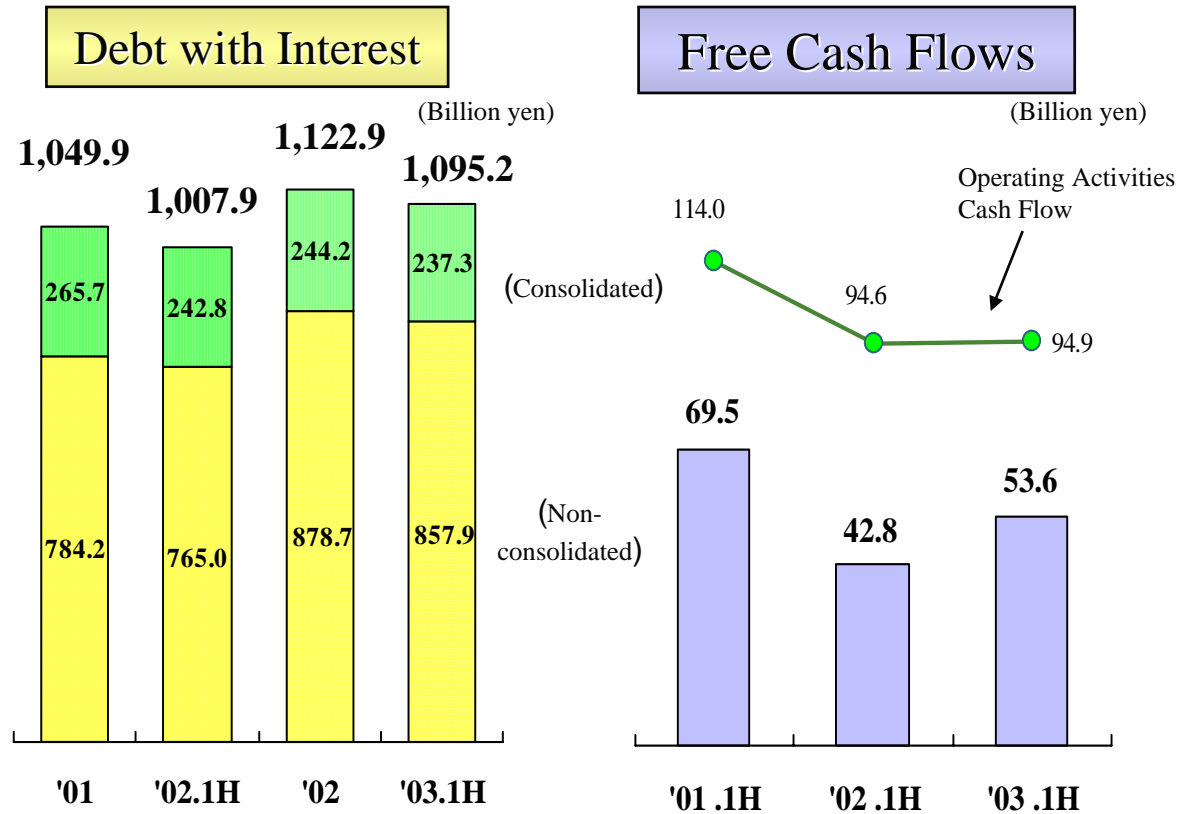
Debt with Interest and Free Cash Flows

Summary of 1st Half of FY2003

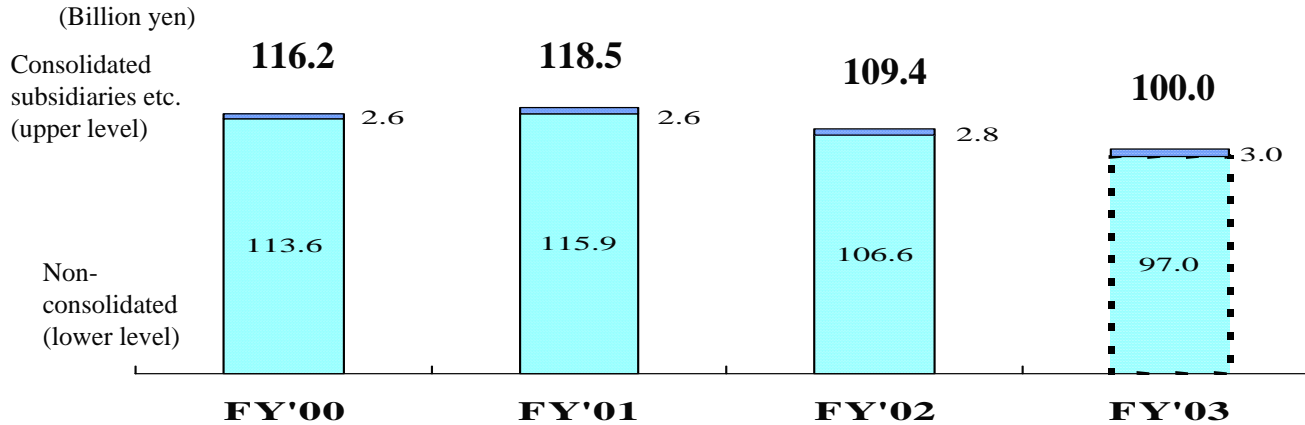
- Operating activities cash flows were about the same as 1st Half of FY2003 at ¥94.9 billion
- Cash used in investing activities decreased to-¥41.3 billion
- Resulting in free cash flows of ¥53.6 billion, an increase of ¥10.7 billion compared with 1st half of the previous fiscal year

	FY03(H)	FY02(H)	Change
Operating Activities CF	94.9	94.6	0.2
Investing Activities CF	-41.3	-51.7	10.4
Free CF	53.6	42.8	10.7
Financing Activities CF	-44.1	-44.7	0.5

* CF=Cash flow

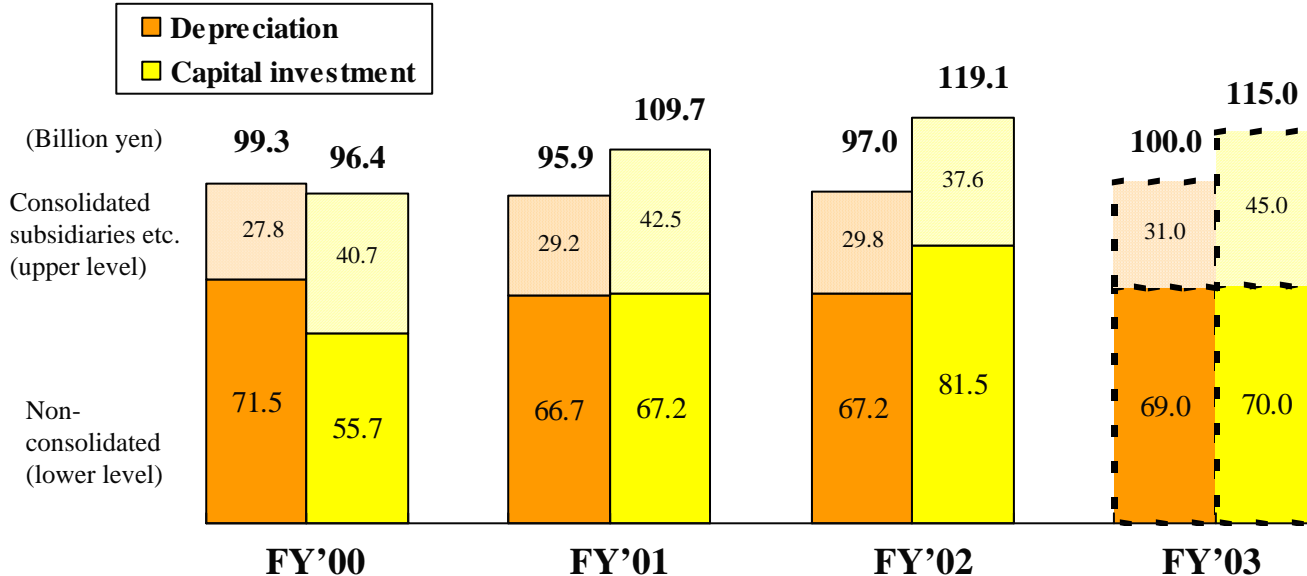


Research & Development



- Effective R&D investments by focusing on core business domains
- Regional commercial jets
- Next-generation gas turbine, others

Depreciation and Capital Investment



- Keep capital expenditures above depreciation, mainly to expand production facilities

• Upgrading of transportation systems (APM) works (rolling stock assembly)

• Reorganize manufacturing system for the machine tool to raise efficiency (centralized production at Ritto plant)

• Increase output of small turbocharger at European subsidiary, others

Outline of Non-Consolidated Financial Results for the First Half of FY2003

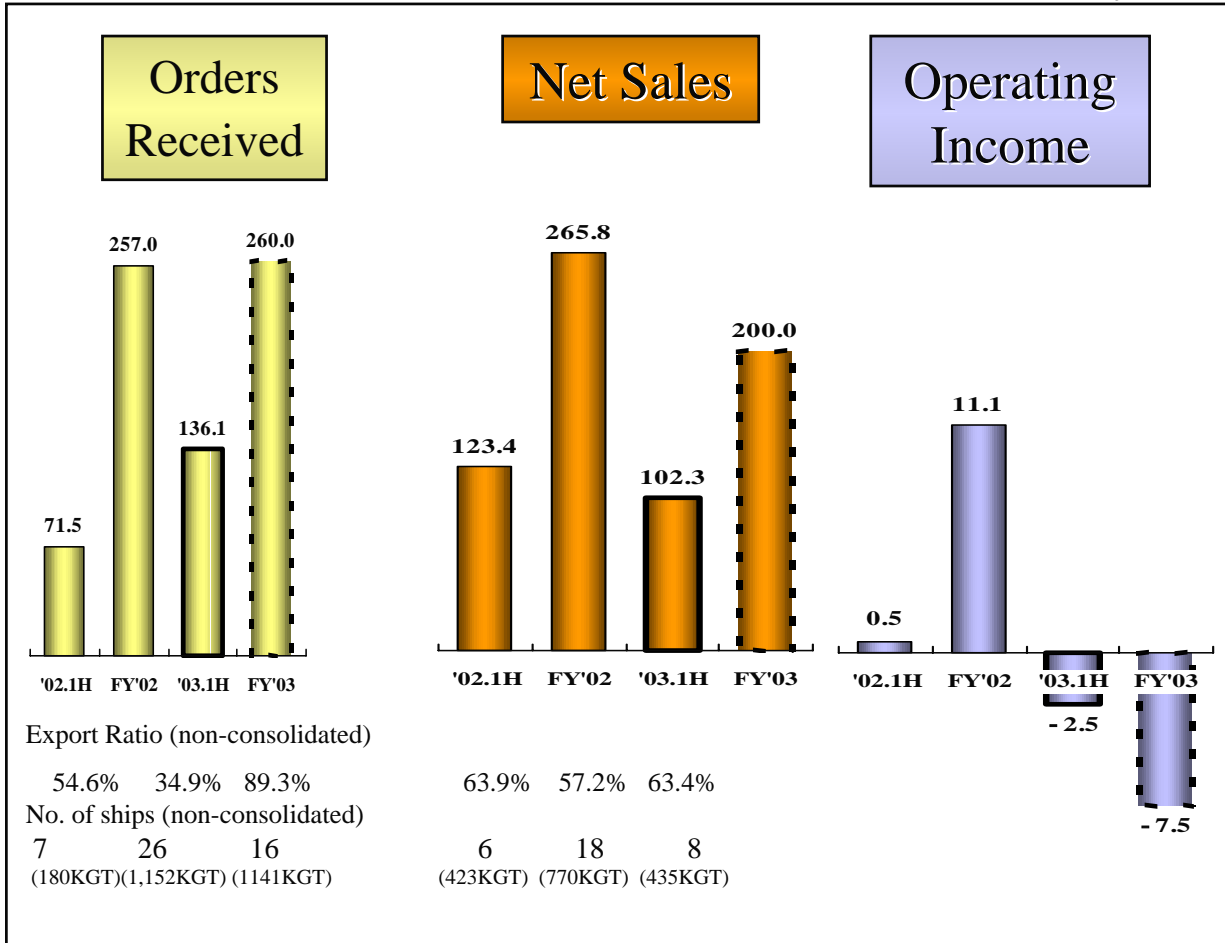
(Billion yen)

	FY2003 1st half	FY2002 1st half	Change (amount)	Change (%)
Orders Received	1,001.9	596.7	405.1	67.9%
Net Sales	787.3	890.1	-102.8	-11.5%
Operating Income	-8.7	20.6	-29.4	-
Ordinary Income	-23.8	-3.3	-20.5	-
Extraordinary Income (Loss)	-2.0	1.8	-3.8	-
Income (Loss) before Taxes	-25.9	-1.5	-24.4	-
Net Income (Loss)	-16.8	-0.8	-15.9	-

Extraordinary loss (-¥2.0 billion) : Business improvement and restructuring fee

Shipbuilding & Ocean Development

(Billion yen)



[Operating Environment and Orders Received]

- Global demands for new ships increased in the first half of 2003 due to an improvement in the ocean transportation market.
- MHI received orders for 16 vessels; 12 container ships, 3 car carriers and 1 VLCC in the first half of FY03.
(order backlog of 56 vessels including 5 LNG carriers)

[Sales and Earnings]

- Net sales were lower in the first half, mainly because of a decline in sales of exported vessels, and there was a loss because of higher cruise ship expenses and bad debts.

[Topics]

- Continued to make progress in cutting personnel and other fixed expenses

Segment employment

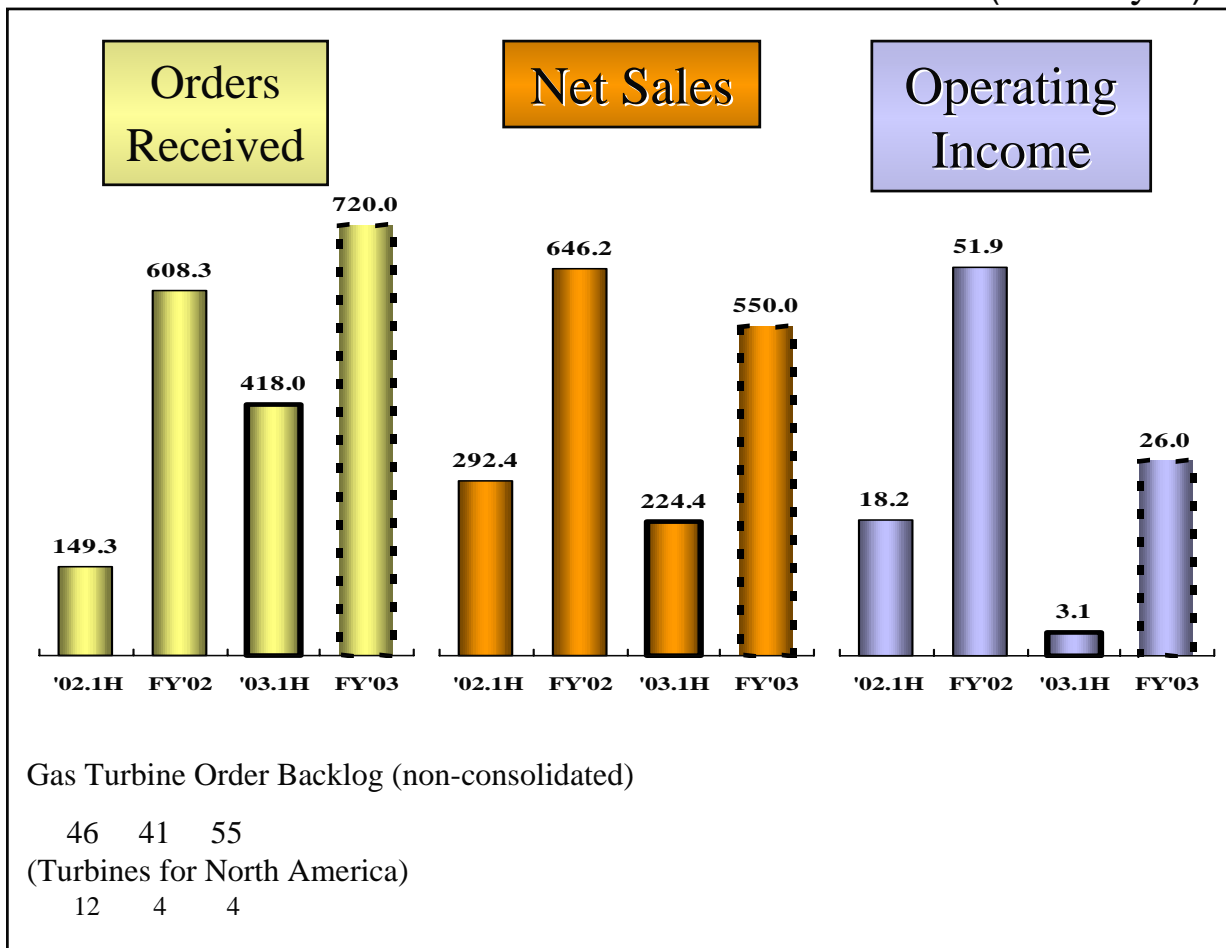
5,380	5,160	4,940	4,790
('01/4)	('02/4)	('03/4)	('04/4(E))

[Forecast for Orders Received/Sales/Earnings]

FY03 forecast : **260.0 / 200.0 / -7.5**
 (Original forecast: 250.0 / 200.0 / 7.0)
 FY02 results : **257.0 / 265.8 / 11.1**

Power Systems

(Billion yen)



[Operating Environment and Orders Received]

- Market remains extremely difficult in Japan due to cutbacks in capital investment for new power generation capacity.
- Overseas, results were relatively strong in Asia and Europe.
- There was a large year-on-year increase in orders in the first half due to strength in gas turbine combined-cycle power generation facilities and orders from overseas, mainly for large-scale projects in Asia and Europe.

[Sales and Earnings]

- First half sales and earnings were both lower. The main reasons were lower sales from commercial and industrial construction in Japan and from overseas construction projects such as gas turbine facilities.

[Topics]

- Received order to build Thailand's largest coal-fired power plant
- Received order to build the world's largest gas turbine combined-cycle power plant from the Taiwan Power Company.
- Received an order for 160 units of 1,000kW wind turbines in the U.S.

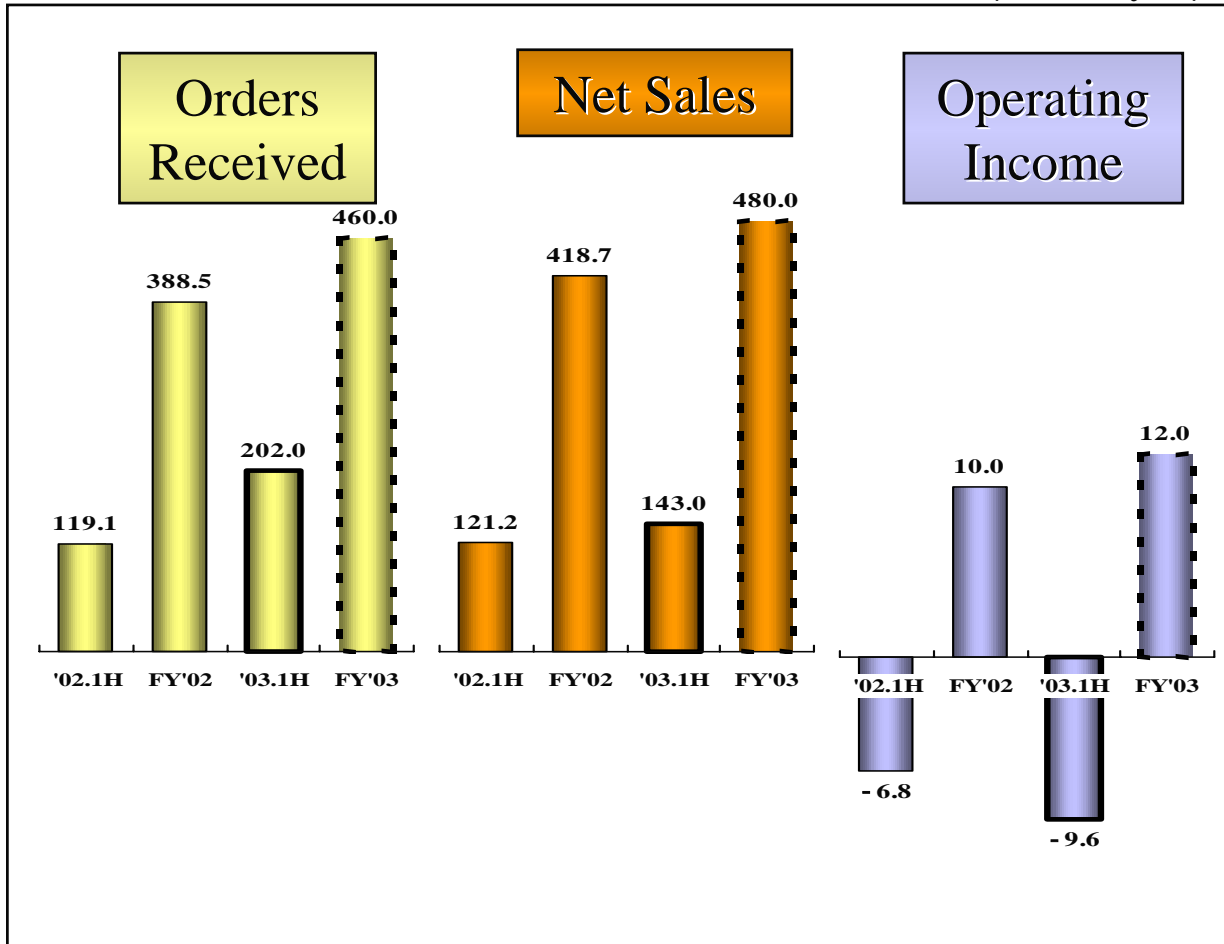
< Forecast for Orders Received/Sales/Earnings >

FY03 forecast : **720.0 / 550.0 / 26.0**
 (Original forecast : 700.0 / 550.0 / 30.0)

FY02 results : **608.3 / 646.2 / 51.9**

Machinery & Steel Structures

(Billion yen)



[Operating Environment and Orders Received]

- Public-sector budgets remain tight in Japan, but demand is strong overseas, mainly in Asia.
- In the first half, orders increased in Japan. One highlight was MHI's first order for PCB waste treatment system in the environmental systems (waste treatment systems) sector. Orders were significantly higher outside Japan, mostly in Asia and the Middle East.

[Sales and Earnings]

- Sales increased year on year, mainly the result of higher sales at overseas projects, notably due to the first posting of sales at the Taiwan Shinkansen Project.
- There was a loss, just as one year earlier, because of the inability to cover fixed expenses in the year's first half due to the large volume of sales to be recorded in second half.

[Topics]

- Environmental systems: MHI's first order for a gasification melting furnace (October '03)
- Compressors,blows and mechanical drive turbines : Captured orders in Asia and Middle East for plant compressors

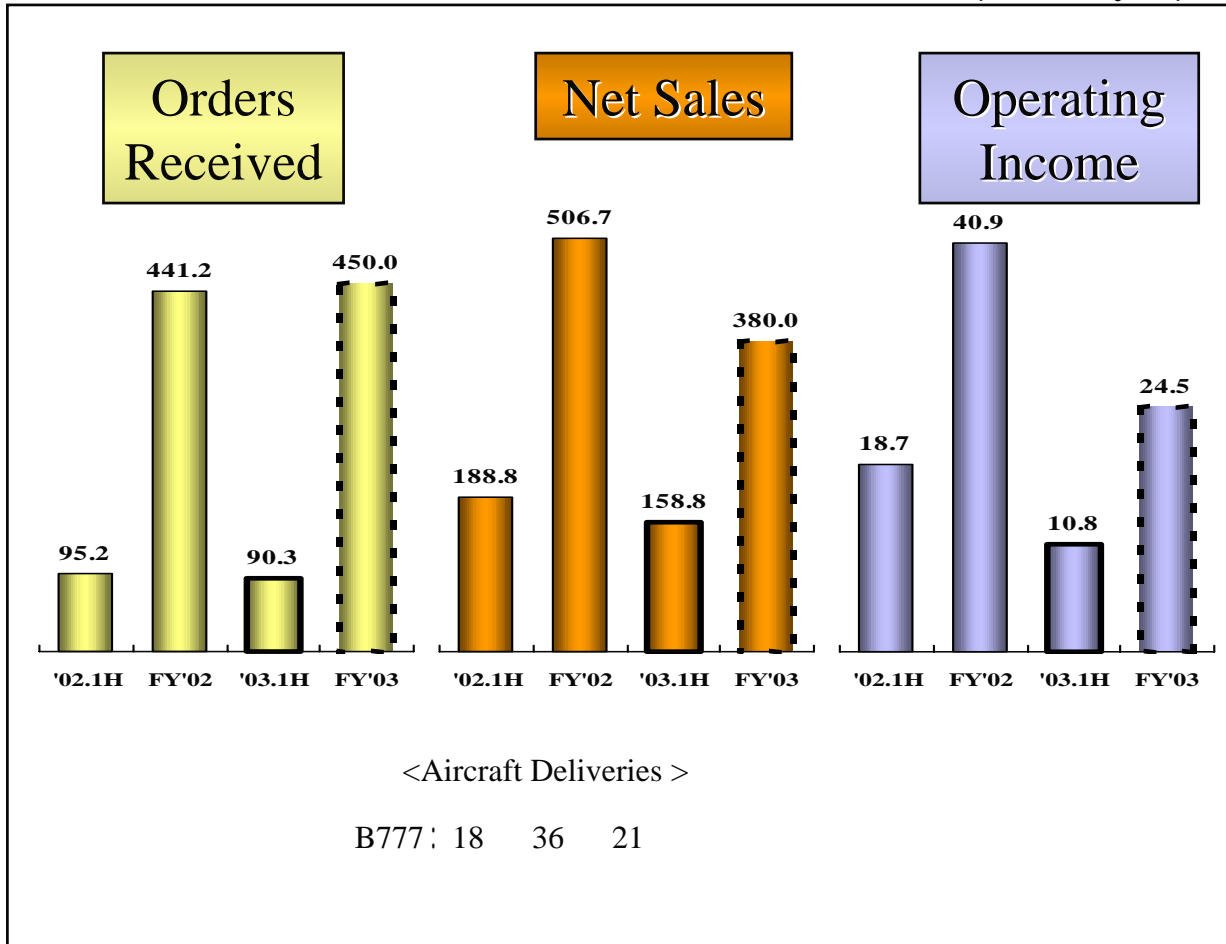
< Forecast for Orders Received/Sales/Earnings >

FY03 forecast : **460.0 / 480.0 / 12.0**
 (Original forecast: 490.0 / 480.0 / 12.0)

FY02 results : **388.5 / 418.7 / 10.0**

Aerospace

(Billion yen)



[Operating Environment and Orders Received]

- Japan Defense Agency budget this fiscal year remains almost the same as previous years.

- In the first half, orders received were slightly lower because of a delay in the recovery of demand for commercial aircraft.

[Sales and Earnings]

- In commercial aircraft, there was a decline in deliveries of the Global Express business jet and other aircraft; in the defense sector, development-related projects declined. The result was lower in total sales and earnings compared to 1st half of FY2002.

[Topics]

- MHI was chosen as a candidate in June 2003 to participate in the development of the fuselage of the Boeing 7E7.

- Agreed in July 2003 to form an international consortium with Arian Space and Boeing for a commercial satellite launch service.

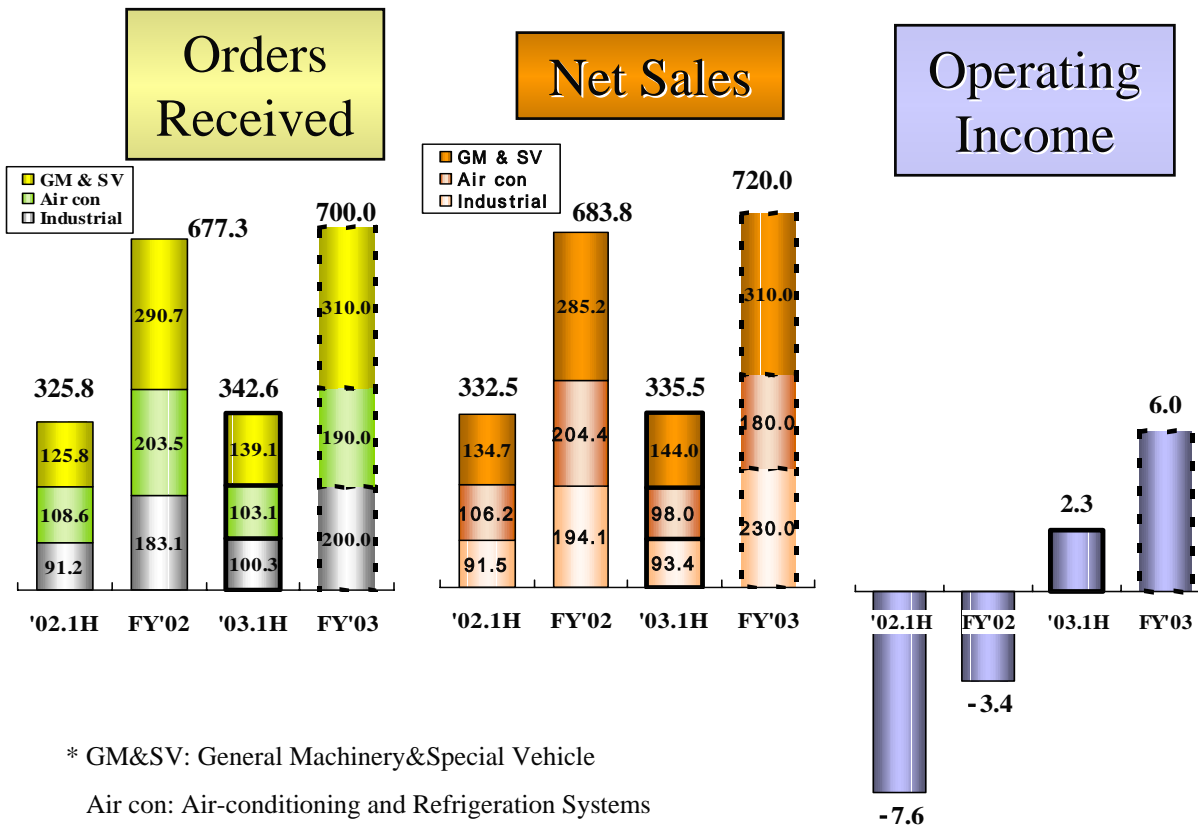
< Forecast for Orders Received/Sales/Earnings >

FY03 forecast : **450.0 / 380.0 / 24.5**
 (Original forecast: 450.0 / 380.0 / 28.0)

FY02 results : **441.2 / 506.7 / 40.9**

Mass and Medium-Lot Manufactured Machinery

(Billion yen)



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

[Operating Environment and Orders Received]

- Overseas, demand in the U.S. gradually rebounded and orders from Asia, especially China were strong.
- Total orders received were higher year on year as growth in industrial machinery exports to China outweighed weakness in Japan due to the prolonged economic downturn.

[Sales and Earnings]

- There was year-on-year sales growth and a return to profitability, mainly the result of higher export sales to Asia. The greatest contributions were from printing presses and others in Industrial Machinery sector for China.

[Topics]

- Machine tools sector : A sophisticated facility began operations in October 2003 at Ritto plant, completing the realignment of machine tool manufacturing activities.
- In general machinery sector and A/C sector, operating results improved at North American subsidiaries (forklift trucks, car air conditioners)

< Forecast for Orders Received/Sales/Earnings >

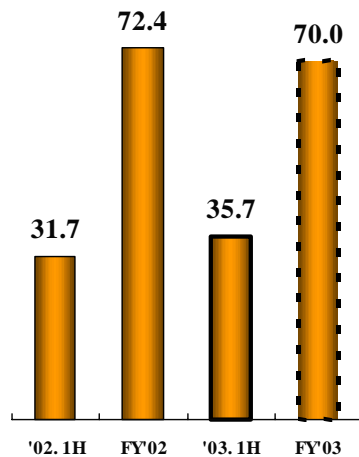
FY03 forecast : : **700.0 / 720.0 / 6.0**
 (Original forecast: 700.0 / 720.0 / 5.0)

FY02 results : **677.3 / 683.8 / -3.4**

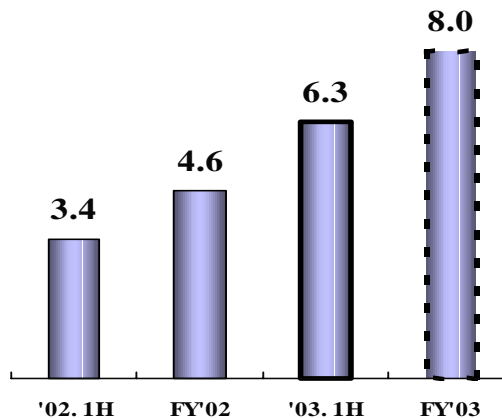
Others

(Billion yen)

Net Sales



Operating Income



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

<Forecast for Sales/Earnings >

FY03 forecast : **70.0 / 8.0**
(Original forecast: 70.0 / 3.0)

FY02 results : **72.4 / 4.6**

Consolidated Forecast for FY2003

(Fiscal year)

(Billion yen)

	2003	2004		
	Results	Original Forecast	Revised forecast	Change (amount)
Orders Received	2,480.9	2,700.0	2,700.0	-
Net Sales	2,593.8	2,400.0	2,400.0	-
Operating Income	115.3	85.0	69.0	-16.0
Ordinary Income	78.1	60.0	30.0	-30.0
Income (Loss) before Income Taxes	66.1	60.0	30.0	-30.0
Net Income (Loss)	34.3	35.0	15.0	-20.0

Forecasts are based on exchange rates of ¥110 to the U.S. dollar and ¥125 to the euro. (US\$3.2 billion and 0.2 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 those projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the company's operating environment, exchange fluctuation of the Yen value to the U.S. dollar and other foreign currencies and trends of stock market in Japan.

Forecast for FY2003 Orders

[Orders received]

(Billion yen)

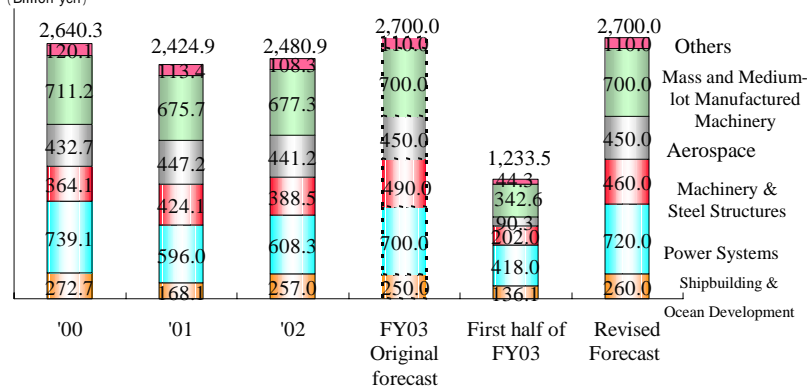
	FY'00	FY'01	FY'02	FY03 Original Forecast	FY03 forecast	FY03 First Half Results	FY03 Second Half Forecast
consolidated	2,640.3	2,424.9	2,480.9	2,700.0	2,700.0	1,234	1,466.5
non-consolidated (exports)	2,213.8 (787.0)	1,970.4 (687.5)	2,050.7 (613.4)	2,200.0 (900.0)	2,200.0 (950.0)	1,002 (610.3)	1,198.1 354.6

Summary

Segment results are revised due to export growth in Shipbuilding & Ocean Development and in Power Systems.

- Increase : Shipbuilding & Ocean Development +¥10.0 bil., Power Systems + ¥ 20.0 bil.
- decrease : Machinery and Steel Structures: -¥30 billion.

< Consolidated Orders Received: Business Segments >



First Half Results

Non-consolidated sales in excess of ¥1,000 billion was achieved for the first time in six years

Export rose as more clients evaluated superiority of MHI technology

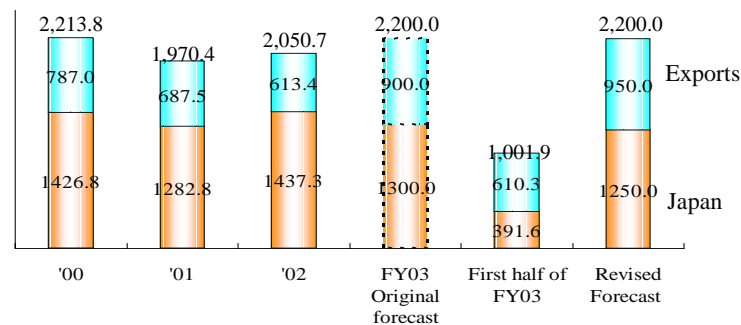
- Consolidated order for several large container carriers
- Contracts for several large thermal power plants
- Strong export sales to China and other regions

Objectives

Maintain receiving orders in Japan and target future export orders.

1. Power Systems : · Target orders for service and maintenance projects in Japan and overseas (¥302.0 billion)
· Making efforts at winning contract for large projects in Asia, Europe and North America
2. Machinery and Steel Structures : · Target public-sector projects, a market where most orders are placed in the second half of fiscal year .
(¥258.0 billion)
· Keep aggressive approach to export projects.
3. Aerospace : · Target defense projects, a market where most orders are placed in the second half of fiscal year .
(¥359.7 billion)
4. Mass and Medium-Lot Manufactured Machinery : · Increase exports, mainly for China, where demand is strong.
(¥357.4 billion)

< Non-Consolidated Orders Received: Japan/Export >



Forecast for FY2003 Net Sales

Consolidated Net Sales

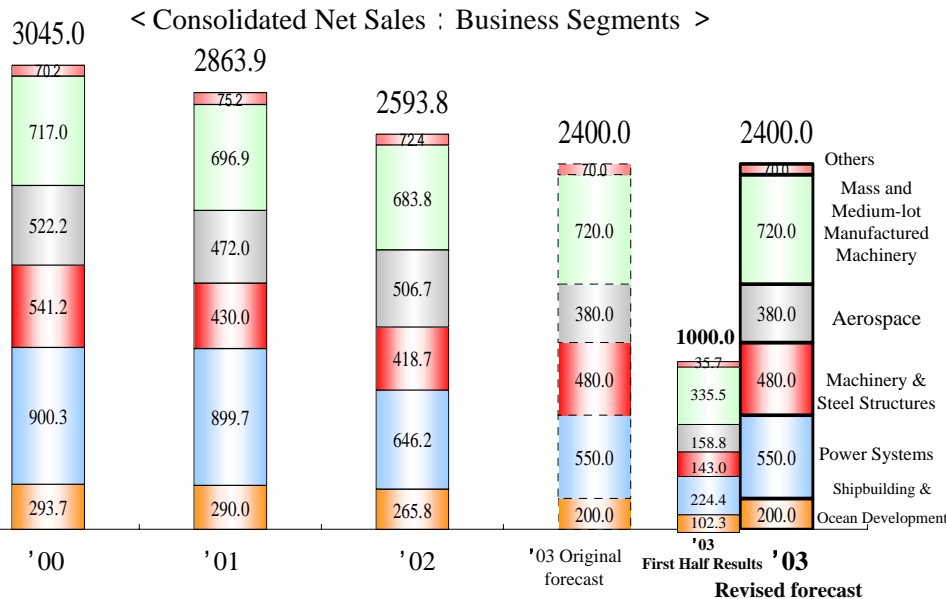
(Billion yen)

	FY00	FT01	FY02	FY03 Original Forecast	FY03 forecast	FY03 First Half Results	FY03 Second Half Forecast
Consolidated	3,045.0	2,863.9	2,593.8	2,400.0	2,400.0	1,000.0	1,400.0
Non-Consolidate	2,637.7	2,388.6	2,171.7	1,900.0	1,900.0	787.3	1,112.7

Net Sales

No change from the original forecast

- Most of expected orders were confirmed in segments of build-to-order products; orders for Mass and Medium-lot Manufactured Machinery Segment went as planned.
- Yen's gain against the US dollar gave only a minimal impact on sales.

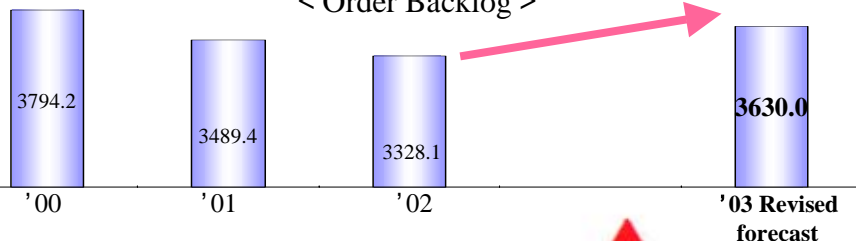


Order Backlog

Backlog started to increase due to high volume of orders received.

Increase in backlog will bring adequate net sales in and after 2004 to produce earnings for business operations.

< Order Backlog >



Forecast for FY2003 Earnings

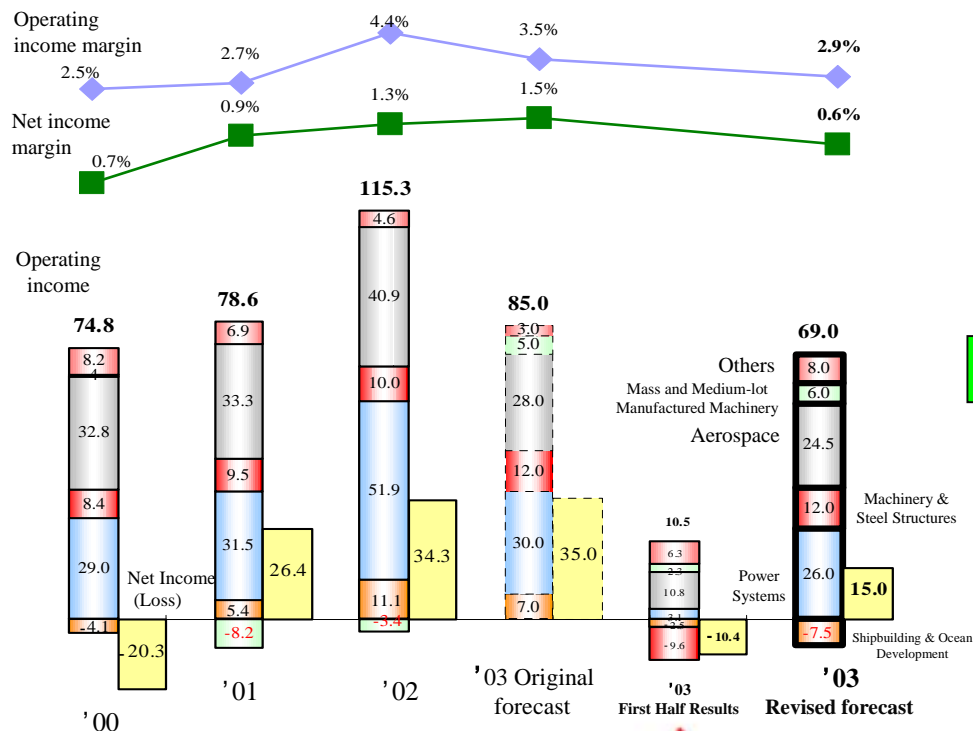
Consolidated Earnings

(Billion yen)

consolidated	FY00	FY01	FY02	FY03 Original Forecast	FY03 forecast	FY03 First Half Results	FY03 Second Half Forecast
Operating Income	74.8	78.6	115.3	85.0	69.0	10.5	58.5
Ordinary Income	63.2	67.9	78.1	60.0	30.0	-9.4	39.4
Income (Loss) before Income Taxes	-5.1	48.0	66.1	60.0	30.0	-11.4	41.4
Net Income (Loss)	-20.3	26.4	34.3	35.0	15.0	-10.4	25.4

FOREX rate
(annual average) ¥114/\$ ¥122/\$ ¥122/\$ ¥120/\$ ¥114/\$ (¥119/\$) (¥110/\$)

< Consolidated Income/loss: Business Segments >



Earnings

Earnings in the Revised forecast this time are revised by

Operating income- ¥ 16.0 bil.
Income (Loss) before income taxes- ¥ 30.0 bil.

(Changes)

1) FOREX impact

(operating income, -¥18.0 bil.; non-operating income, -¥14.0 bil.)
; total, -¥ 32.0 bil.)

2) Increased expenses (operating income, - ¥ 8.0 bil.)

Increase of cost in cruise ship construction.

Impact of credit loss due to bankruptcy of Higashinihon Ferry

3) Change in applicable period for employees' bonuses
in consolidated subsidiaries (+ ¥ 10.0 bil.)

Objectives

Increase net sales(from ¥1,000 bil. in first half to
¥1,400 bil. in second half, up ¥400 bil.)

Improve profitability of construction work by consistent
management of each project.

Reduce SG&A expenses and any other operating expenses

Non-Consolidated Forecast for FY2003

Fiscal year	(Billion yen)			
	2003	2004		
	Results	Original Forecast	Revised Forecast	Change (amount)
Orders	2,050.7	2,200.0	2,200.0	-
Net Sales	2,171.7	1,900.0	1,900.0	-
Operating Income	103.0	67.0	41.0	-26.0
Ordinary Income	65.1	50.0	10.0	-40.0
Income (Loss) before Income Taxes	54.5	50.0	10.0	-40.0
Net Income (Loss)	30.1	30.0	5.0	-25.0
Annual Dividend per Share	6.0yen	6.0yen	6.0yen	-

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