



Financial Results for FY2003

(April 1, 2003 – March 31, 2004)

April 2004

Outline of Consolidated Results for FY2003

(Billion yen)

	FY'03	FY'02	Change(amount)	Change(%)
Orders Received	2,662.8	2,480.9	181.9	7.3%
Net Sales	2,373.4	2,593.8	-220.4	-8.5%
Operating Income	66.6	115.3	-48.6	-42.2%
Ordinary Income	29.7	78.1	-48.4	-61.9%
Extraordinary Income (Loss)	20.3	-12.0	32.3	-
Income (Loss) before Income Taxes	50.1	66.1	-16.0	-24.2%
Net Income (Loss)	21.7	34.3	-12.5	-36.5%

Extraordinary income (¥20.3 billion) is the net result of ¥35.8 billion in gains from a change in the accrual rate for past service retirement and pension liabilities, ¥5.7 billion in gains from the sale of fixed assets, a ¥20.2 billion loss attributable to countermeasures for business restructuring and rebuilding, and a ¥1.0 billion write-down in the value of investment securities.

Comparison With The Previous Year

(Operating Income/Loss · Ordinary Income /Loss)

(Billion yen)

	FY2003		FY2002		Change
		(% of sales)		(% of sales)	
Net Sales	2,373.4		2,593.8		-220.4
Gross Profit	332.1	(14.0%)	389.9	(15.0%)	-57.7
Operating Income	66.6	(2.8%)	115.3	(4.4%)	-48.6
Non-operating income/loss	Foreign exchange loss	-17.6	-23.0		+5.4
	Net interest expenses	-6.3	-8.3		+2.0
	Others	-12.9	-5.6		-7.2
	Total	-36.8	(-)	-37.1	(-)
Ordinary Income	29.7	(1.3%)	78.1	(3.0%)	-48.4

Principal Factors Contributing to ¥48.6 billion Decrease in Operating Income

- Effect of sales decrease -¥33.1billion
- Effect of Foreign exchange -¥24.1billion
 US dollar was ¥113 vs. ¥122 in FY'02
 Euro was ¥132 vs. ¥119 in FY'02 etc.
- Cost increase/decrease +¥8.6 billion
 - Cost reductions +¥19.0 billion
 (Reduction of ¥11.9 billion from personnel and other expenses)
 - Increase in pension benefit obligations/actuarial losses -¥7.9 billion
 (Increase in amortization during the fiscal year reflecting the actuarial losses recognized in FY2002)
 - Effect of changes in applicable period for employees' bonuses -¥2.5 billion.
 (FY'02:+¥26.5 billion → FY'03:+¥ 24.0 billion)

Principal Factors Contributing to ¥48.4 billion Decrease in Ordinary Income

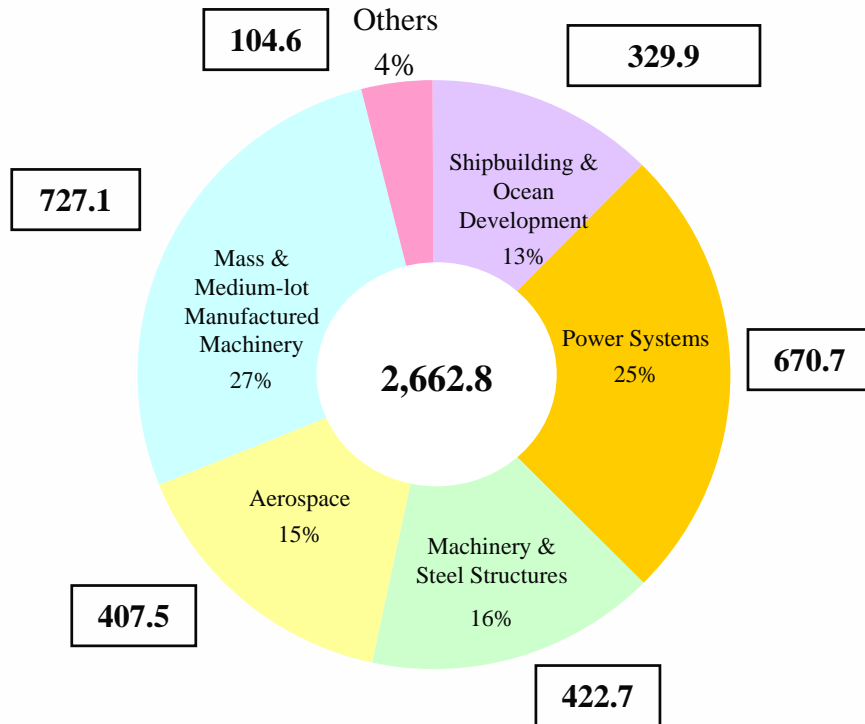
- Operating income decrease -¥48.6 billion (same as on the left)
- Non-operating income/loss +¥0.2 billion
 - Foreign exchange gains (ref)

	US dollar	Euro	}	+¥5.4 billion
end FY'03	@¥105.69	@¥128.88		
end FY'02	@¥120.20	@¥129.83		
end FY'01	@¥133.25	@¥116.14		
 - Net interest expenses (decrease in interest paid, etc.) +¥2.0 billion
 - Other (losses on sale of fixed assets, etc.) -¥7.2 billion

Consolidated Orders Received and Net Sales by Segment (FY2003)

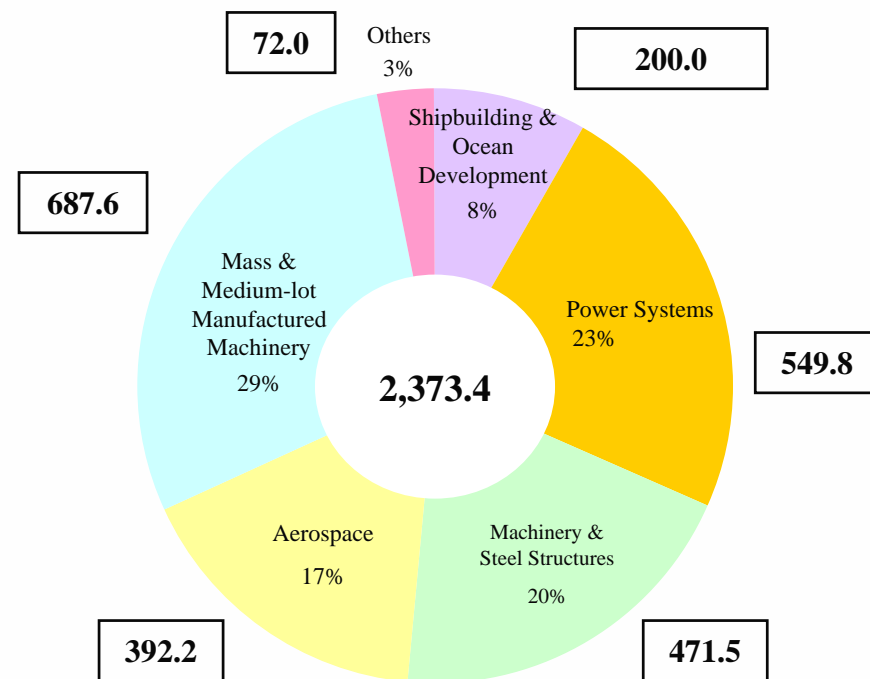
Orders Received

Billion yen



Net sales

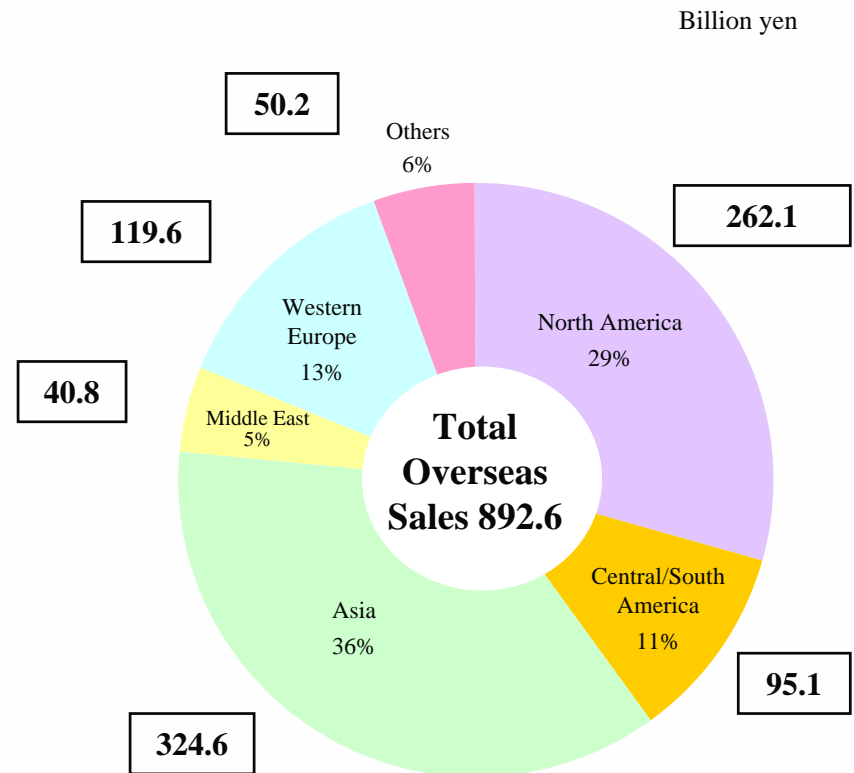
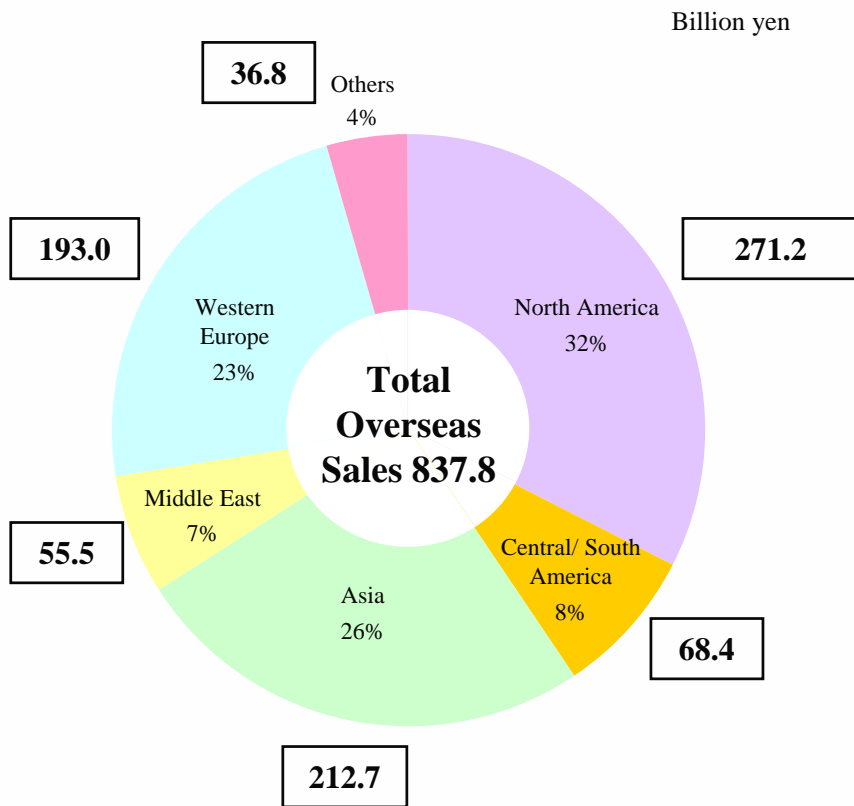
Billion yen



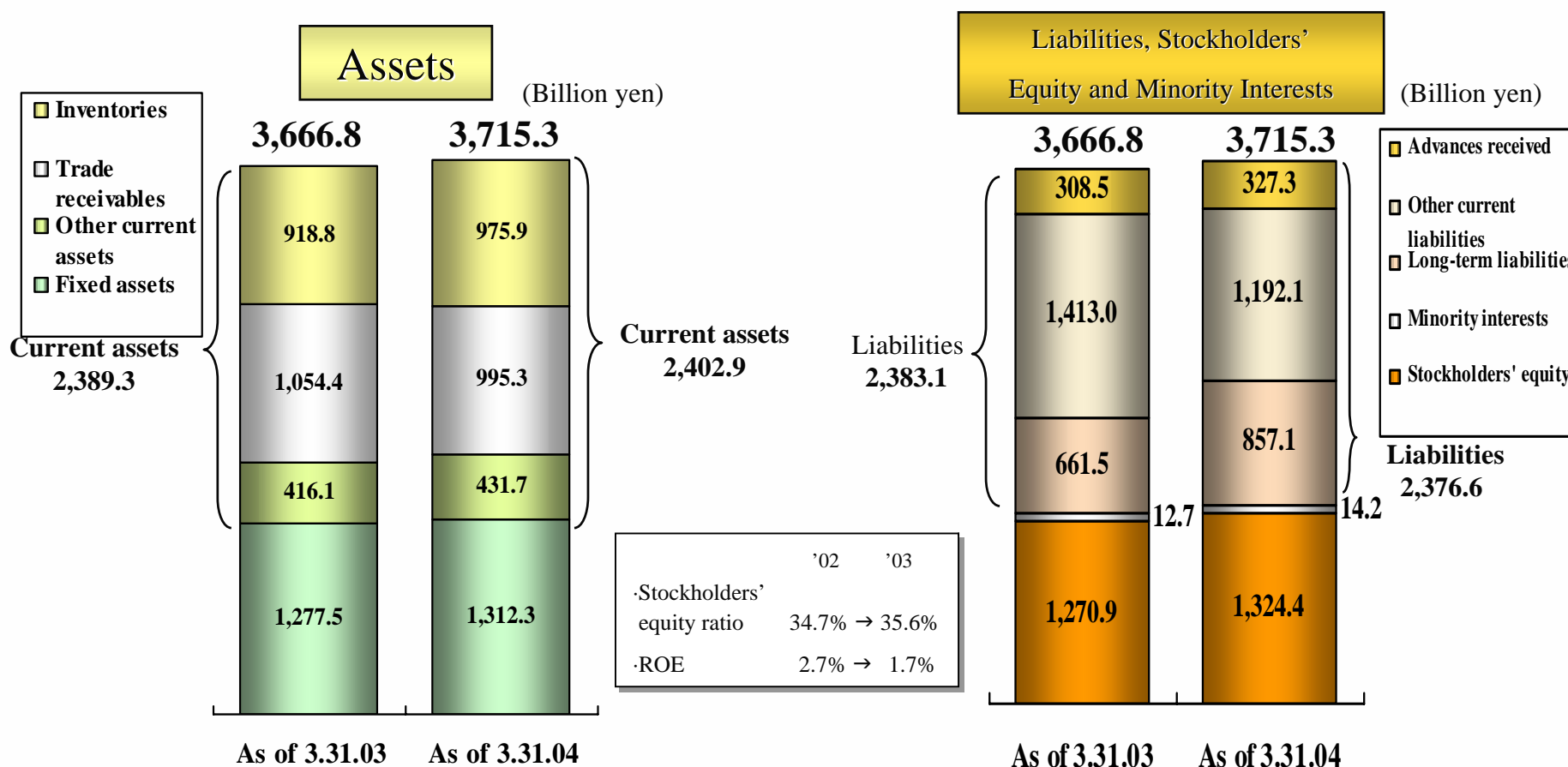
Overseas Consolidated Sales by Region

FY2002

FY2003



Consolidated Balance Sheets



Changes in assets:(+48.4)

Current assets +13.6 : Inventories +57.0, Trade receivables -59.1, etc.
 Fixed assets +34.8 : Investment securities +92.3,
 Deferred tax assets -27.6 billion

Changes in liabilities(-6.4)

Trade payables +23.2, Advances received +18.7
 Increase in retirement reserves -37.4,
 Debt with interests -21.6, etc.

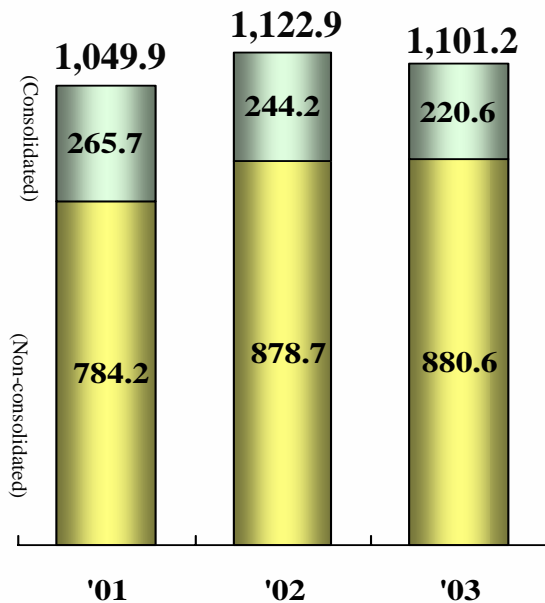
Changes in stockholders' equity(+53.5)

Net unrealized gain on investment securities +54.2,
 Retained earnings +2.5, etc.

Debt with Interest and Free Cash Flows

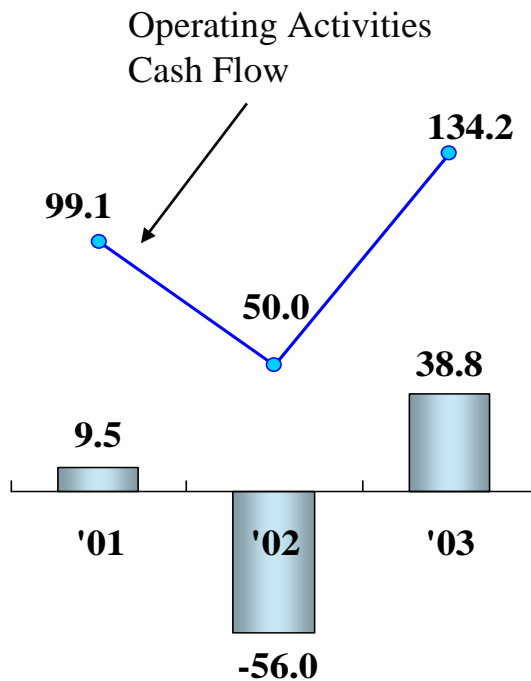
Debt with Interest

(Billion yen)



Free Cash Flows

(Billion yen)



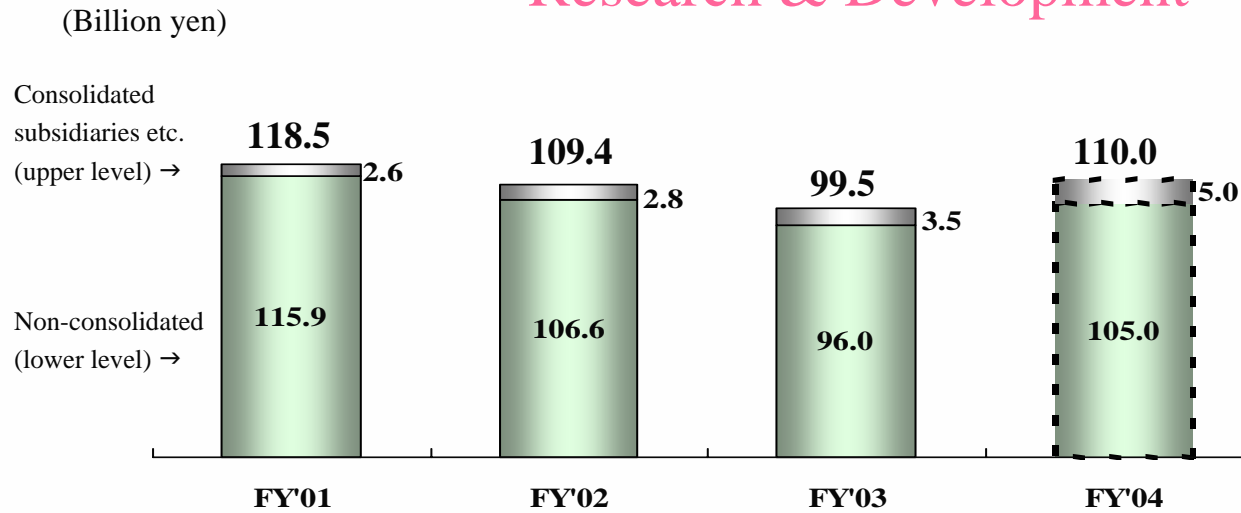
Summary of FY2003

- Operating activities cash flow increased from ¥84.1 billion the year previous to ¥134.2 billion owing to revenues from large construction projects such as large cruise ships for P&O Princess Cruises Plc.
- Investing cash flows decreased by ¥10.7 billion from the previous year to -¥95.3 billion because of decreased asset purchases.
- As a result, free cash flow improved by ¥94.9 billion from the previous year to ¥38.8 billion, and debt with interest declined by ¥21.6 billion from the previous year.

	FY03	FY02	Change
Operating activities CF	134.2	50.0	84.1
Investing activities CF	-95.3	-106.1	10.7
Free CF	38.8	-56.0	94.9
Financing activities CF	-44.4	59.3	-103.7

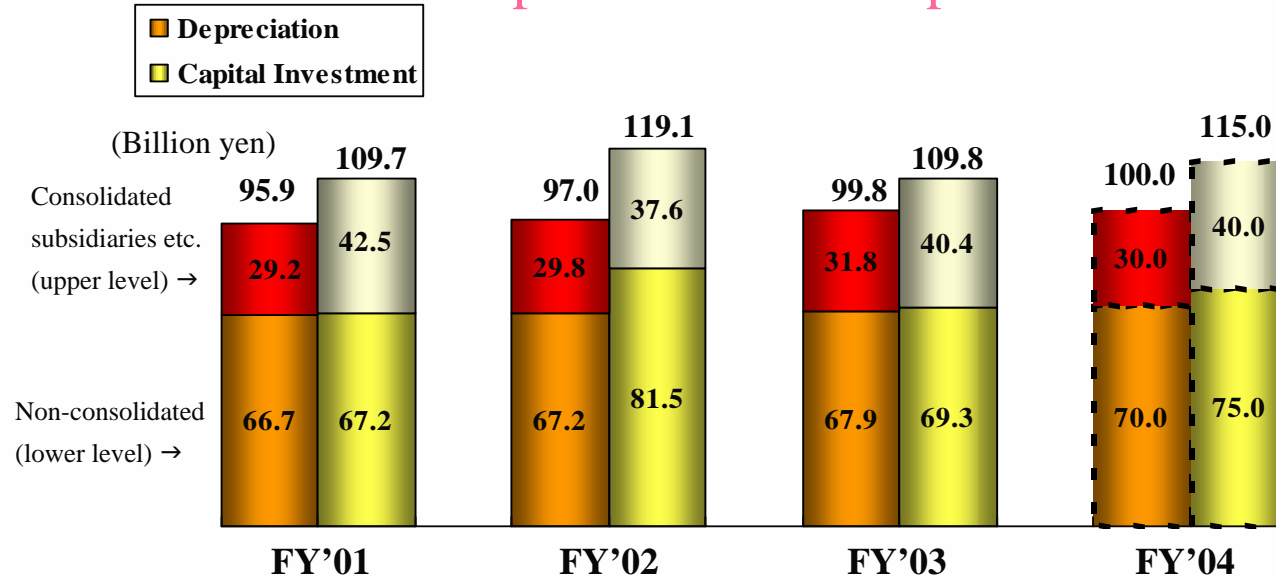
*CF=Cash Flow

Research & Development



- Keep R&D investments by focusing on core business domains
- Gas turbines
- Composite Wing
- Regional Commercial Jets
- Others

Depreciation and Capital Investment



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

- Reorganize manufacturing system for the machine tool to raise efficiency (Centralized at Ritto factory)
- Private sector equipment development and production facilities
- Increase output of small turbochargers at European subsidiary
- Others

Outline of Non-Consolidated Financial Results for FY2003

(Billion yen)

	FY'03	FY'02	Change (amount)	Change (%)
Orders Received	2,159.2	2,050.7	108.5	5.3%
Net Sales	1,940.1	2,171.7	-231.6	-10.7%
Operating Income	35.2	103.0	-67.8	-65.8%
Ordinary Income	7.5	65.1	-57.6	-88.4%
Extraordinary Income (Loss)	16.1	-10.6	26.8	-
Income (Loss) before Taxes	23.7	54.5	-30.8	-56.5%
Net Income (Loss)	5.2	30.1	-24.9	-82.7%

Extraordinary income (¥16.1 billion) is the net result of ¥35.8 billion from a change in the accrual rate for past service retirement and pension liabilities, ¥6.6 billion in gains from the sale of fixed assets, a ¥19.3 billion loss attributable to countermeasures for business restructuring and rebuilding, and a ¥6.9 billion write-down in the value of investment securities.

Shipbuilding & Ocean Development

(Billion yen)



[Operating Environment and Orders Received]

- Given continued recovery in the global economy and rapid growth in China, the uptrend in shipping markets continued, and global orders for new ships in 2003 increased substantially.
- Orders received included 14 containers, 10 automobile carriers, 5 LPG carriers, 1 LNG carrier, and 4 VLCC, for a total 38 ships. (the backlog of new ship orders was 65, including 5 LNG carriers).

[Sales and Earnings]

- Revenues were lower on a decline in export carriers and other factors. Earnings recorded a deficit, declining sharply with the negative impact of a strong yen, increased cruise ship construction costs and the write-off of bad debt.

[Topics]

- Continued to make progress in cutting personnel and other fixed expenses
(Segment employment) 5,380→5,160→4,940→4,810
(4/01) (4/02) (4/03) (4/04)
- Cruise Ship: 'Diamond Princess' completed(2/04)

< Forecast for Orders Received/Sales/Earnings >

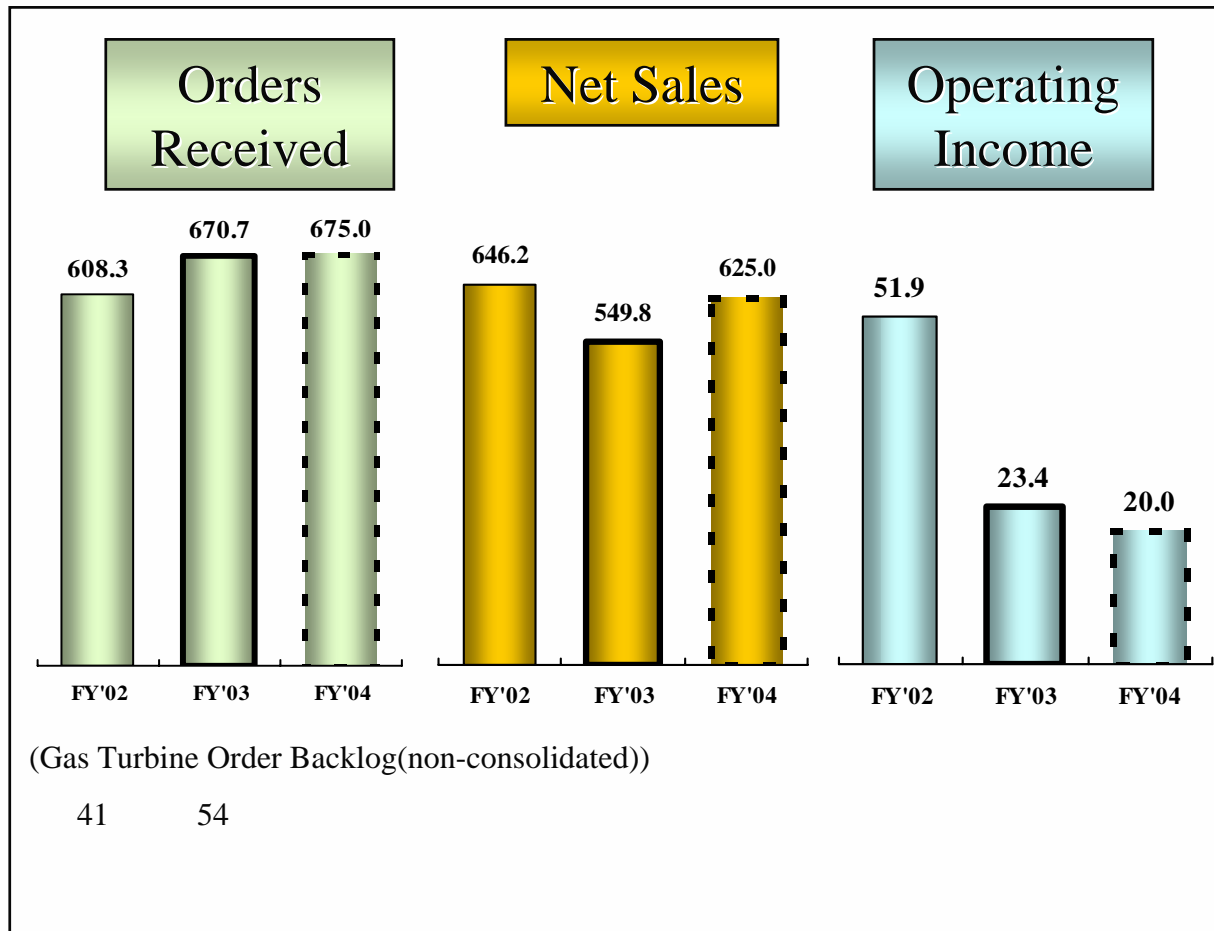
FY'04 forecast : 245.0 / 265.0 / -6.0

FY'03 results : 329.9 / 200.0 / -14.9

(FY'03 first-half forecast 320.0 / 200.0 / -7.5)

Power Systems

(Billion yen)



[Operating Environment and Orders Received]

- The operating environment was still severe, as electric power utilities continued to restrain investing in new plant. Overseas demand in Asia and Europe remained strong.
- The growth in export orders was driven by demand for gas turbine combined cycle power generation and the successful conclusion of a number of large order inquiries.

[Sales and Earnings]

- Commercial, industrial and other domestic construction sales declined, as did gas turbine and other overseas construction revenues, resulting in an overall decline over the previous year in sales and earnings.

[Topics]

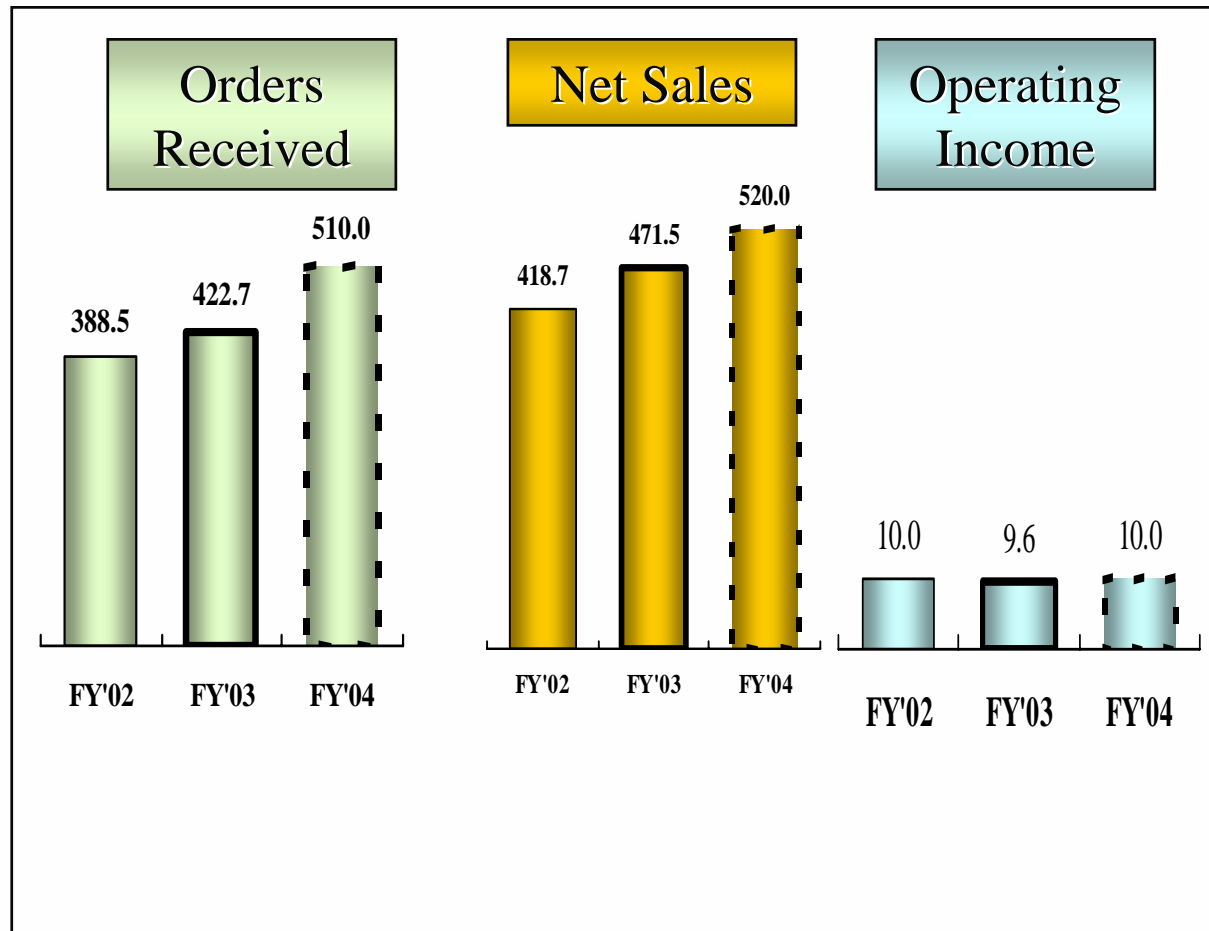
- Order received for the largest coal-fired electricity plant in Thailand.
- Order received from Taiwan Power Company for world's largest gas turbine combined cycle power plant.
- Favorable domestic and overseas order trend in wind turbine.

< Forecast for Orders Received/Sales/Earnings >

FY'04 forecast : **675.0 / 625.0 / 20.0**
 FY'03 results : **670.7 / 549.8 / 23.4**
 (FY'03 first-half forecast 710.0 / 550.0 / 26.0)

Machinery & Steel Structures

(Billion yen)



[Operating Environment and Orders Received]

- Noticeable increase in the number of overseas plant and transportation system projects, centering in Asia. While there was a lull in Taiwan Shinkansen orders, orders for steel production equipment from mainly China were strong.
- Amidst restrained domestic public invest, environmental systems (waste treatment) orders increased as MHI received its first order for PCB treatment system. The division as a whole saw higher orders for the year.

[Sales and Earnings]

- Environmental related equipment and other domestic public works related revenues declined, while the commencement of Taiwan shinkansen project revenues and increased export sales resulted in flat overall revenues and earnings for the year.

[Topics]

- Environmental systems: MHI receives their first orders for PCB treatment system.
- Transportation system: New APM transportation system orders received from South Korea's Incheon International Airport.
- Chemical plant: Order received from China for PTA chemical production plant.
- Iron & steel manufacturing machinery: Mitsubishi Hitachi Metals Machinery, Inc. consolidated from FY'03.

<Forecast for Orders Received/Sales/Earnings>

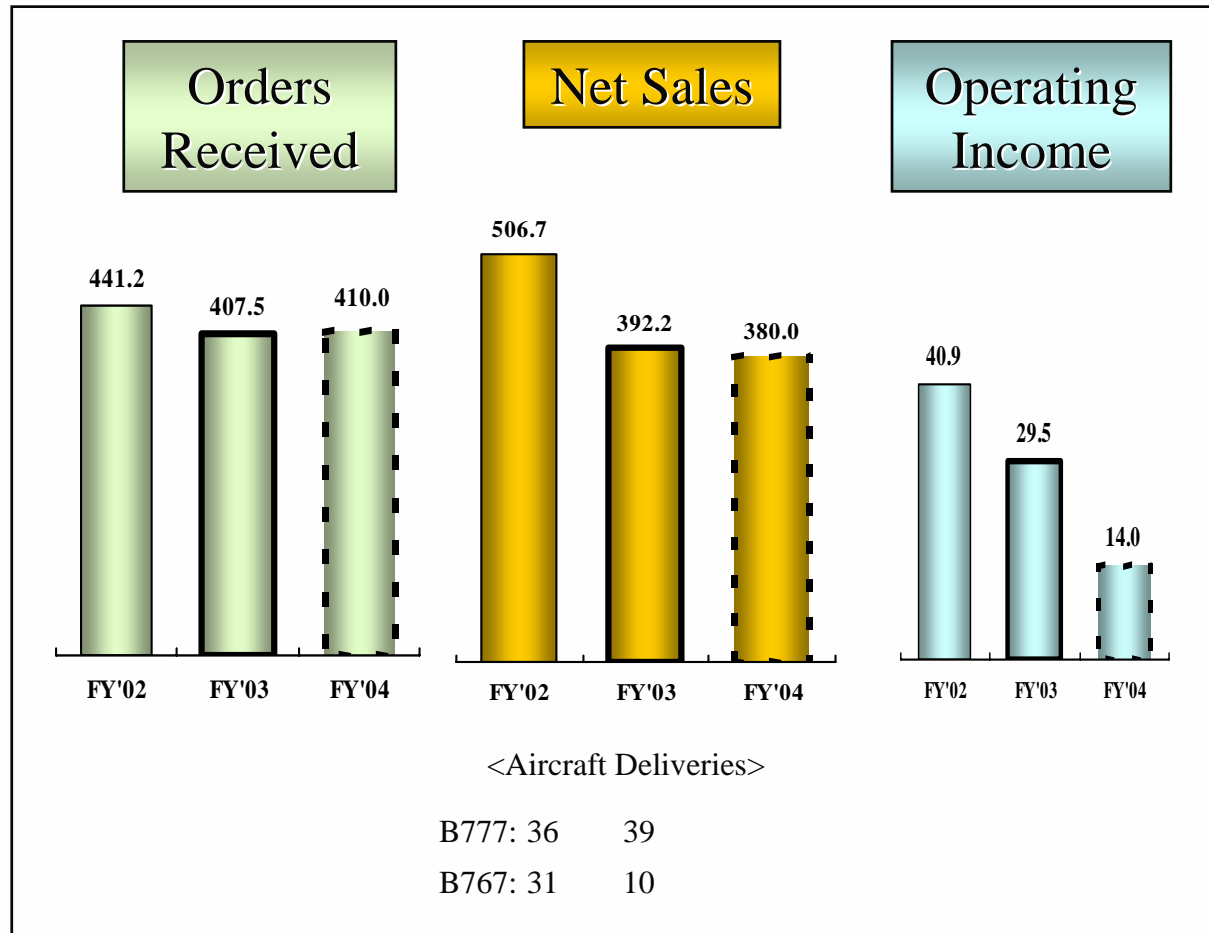
FY'04 forecast : **510.0 / 520.0 / 10.0**

FY'03 results : **422.7 / 471.5 / 9.6**

(FY'03 first-half forecast 430.0 / 480.0 / 12.0)

Aerospace

(Billion yen)



[Operating Environment and Orders Received]

- Decision to introduce BMD (Ballistic Missile Defense) to reverse the declining trend in front-line defense orders from Japan Defense Agency.
- Owing to a decline in the number of F-2 support fighters, and a delayed recovery in commercial aircraft demand, orders for the division as a whole declined.

[Sales and Earnings]

- In the commercial aircraft sector, deliveries of B767 and others declined, as did F-2 fighter related revenues (owing largely to concomitant “percentage completion” and “upon completion” orders in FY'02), and revenues as well as earnings declined for the division as a whole.

[Topics]

- Combined defense system office set up (4/03)
- Delivered first upgraded F-15J fighter (10/03)
- Composite main wing B7E7 consigned, and research and development begins.
- Marketing of small domestically produced jet plane begins.
- International cooperative agreement reached with Ariospace and Boeing for commercial satellite launching service. (7/03)

< Forecast for Orders Received/Sales/Earnings >

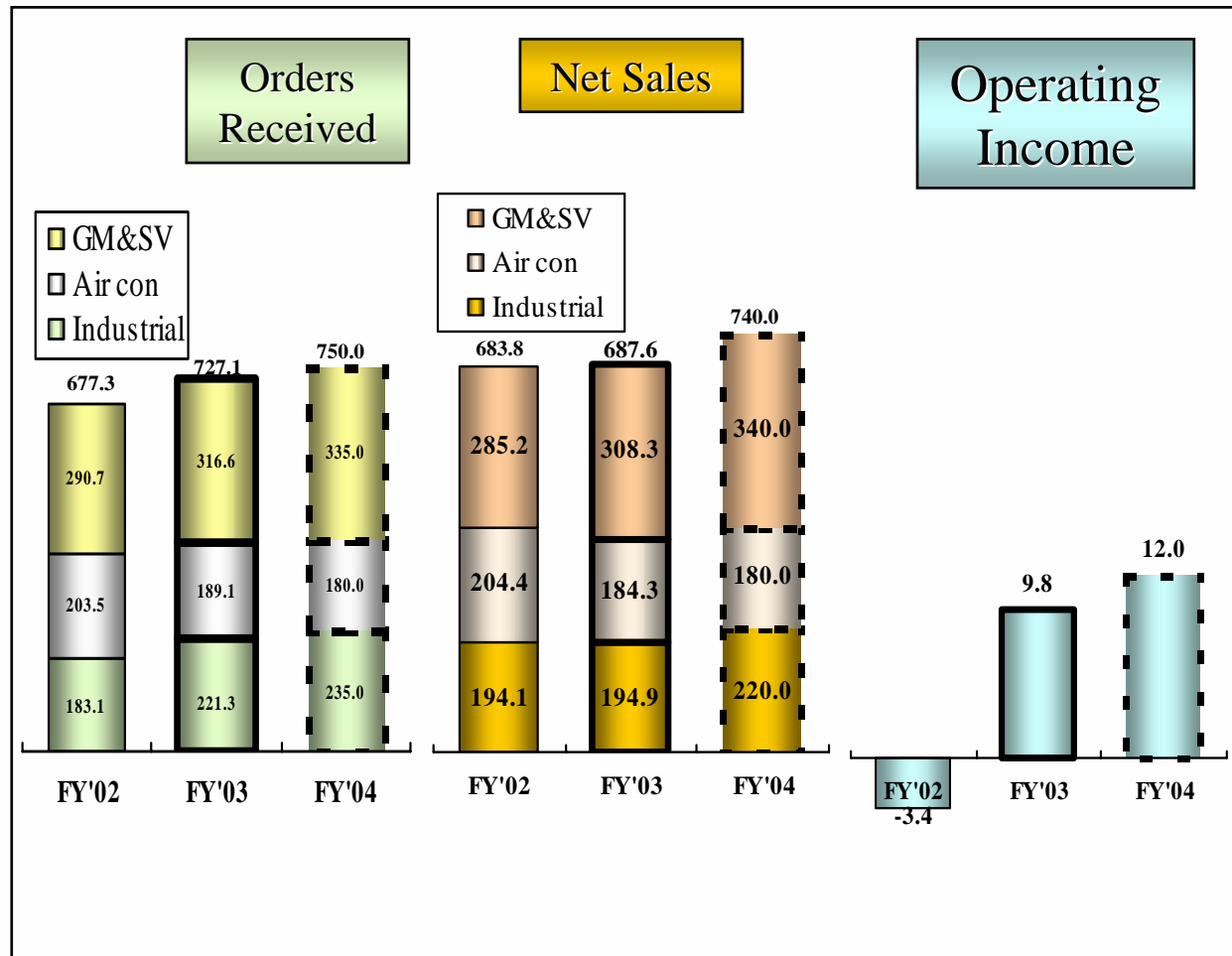
FY'04 forecast : **410.0 / 380.0 / 14.0**

FY'03 results : **40.75 / 392.2 / 29.5**

(FY'03 first-half forecast 410.0 / 380.0 / 24.5)

Mass and Medium-Lot Manufactured Machinery

(Billion yen)



[Operating Environment and Orders Received]

- While there was evidence of a domestic recovery price competition continues, and the business environment remains severe.
- Overseas, depressed US demand has begun to recover, while Asian demand is strong centering on China.

[Sales and Earnings]

- Exports to Asia were boosted by growth in printing and other industrial equipment sales to China in particular, while operations at overseas subsidiaries dramatically improved, leading to an increase in revenues and positive earnings for the division as a whole.

[Topics]

- Machine Tool Sector: A sophisticated Factory at Ritto completed, restructuring of production organization completed, production begins from 10/03
- General Machinery sector, A/C systems sector: Established a turbocharger, car airconditioning production subsidiary in Shanghai China.

<Forecast for Orders Received/Sales/Earnings>

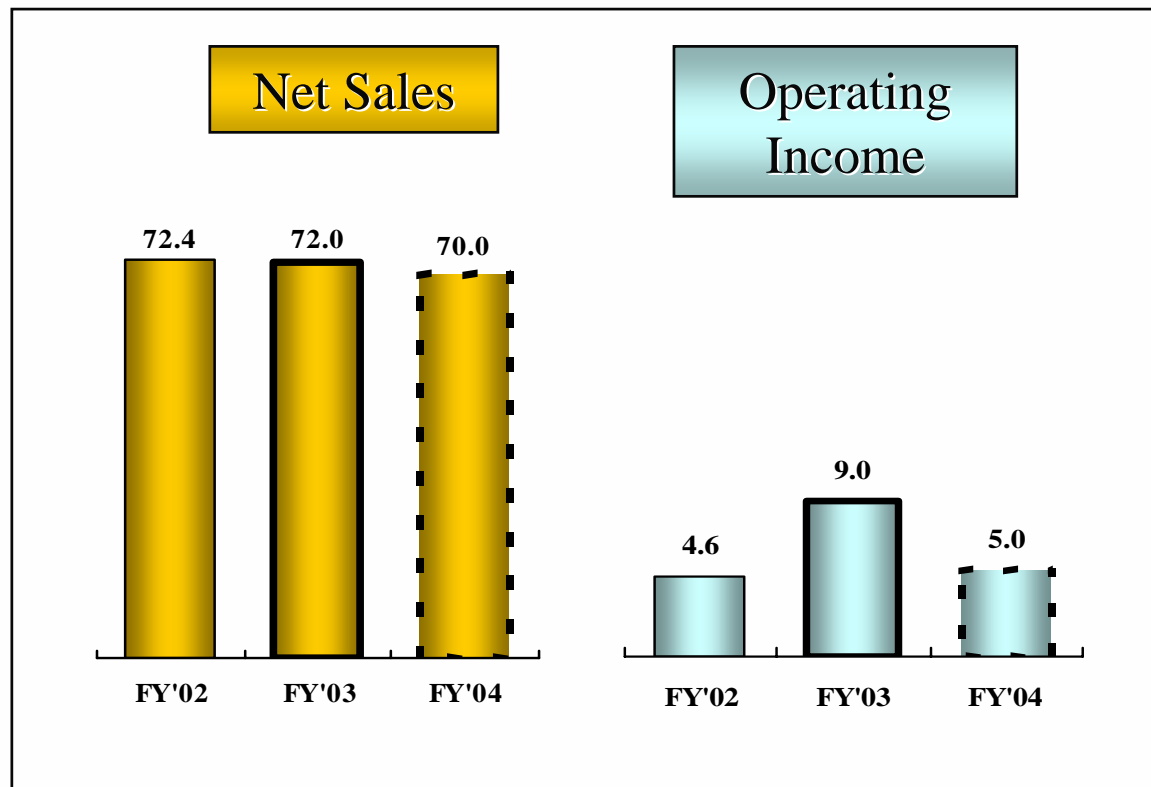
FY'04 forecast : 750.0 / 740.0 / 12.0

FY'03 results : 727.1 / 687.6 / 9.8

(FY'03 first-half forecasts 720.0 / 720.0 / 6.0)

Others

(Billion yen)



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

<Forecast for Sales/Earnings>

FY'04 forecast : **70.0 / 5.0**

FY'03 results : **72.0 / 9.0**

(FY'03 first-half forecast 70.0 / 8.0)

Consolidated Forecast for FY2004

(Year ending march 31)

(Billion yen)

	'03	'04	
	Results	Forecast	Change (amount)
Orders Received	2,662.8	2,700.0	37.2
Net Sales	2,373.4	2,600.0	226.6
Operating Income	66.6	55.0	-11.6
Ordinary Income	29.7	37.0	7.3
Income (Loss) before Income Taxes	50.1	37.0	-13.1
Net Income (Loss)	21.7	22.0	0.3

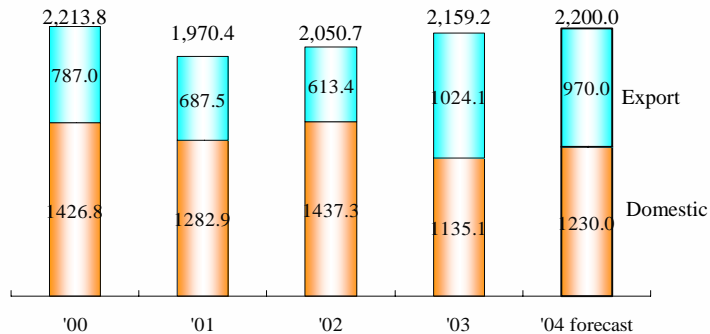
◆Forecasts are based on exchange rates of ¥105 to the U.S.dollar and ¥130 to the euro.
(US\$2.1 billion and 0.5 euros remain unhedged.)

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 decision. 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.

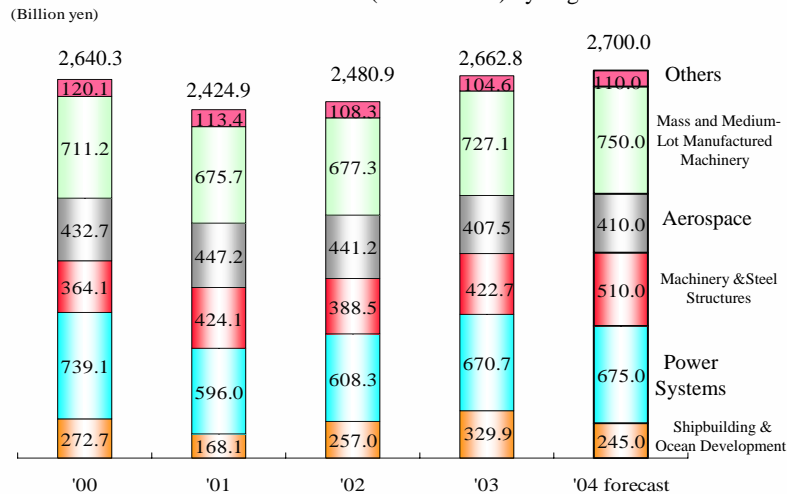
Forecast for FY2004 Orders

	'00	'01	'02	'03	FY'04 forecast
consolidated	2,640.3	2,424.9	2,480.9	2,662.8	2,700.0
non-consolidated	2,213.8	1,970.4	2,050.7	2,159.2	2,200.0

(Billion yen) <Trend in Orders Received (parent only): Domestic vs. Exports>



<Trend in Orders Received (consolidated) by Segment>



'FY03 Evaluation

Exports exceed ¥1 trillion for first time in 7 years

[Product Orders] Large-scale project orders(container ships, power generating plants to Asia, etc.)

[Mass and Medium-Lot Manufactured Machinery]

Extrusion Machinery and injection molding machine, printing machinery, Machine tool to China and Asia. Forklifts, engines and turbos to Europe and US.

[New Products] PCB treatment system, forklift trunks, machining center, large-scale processing machines, newspaper offset presses, etc.

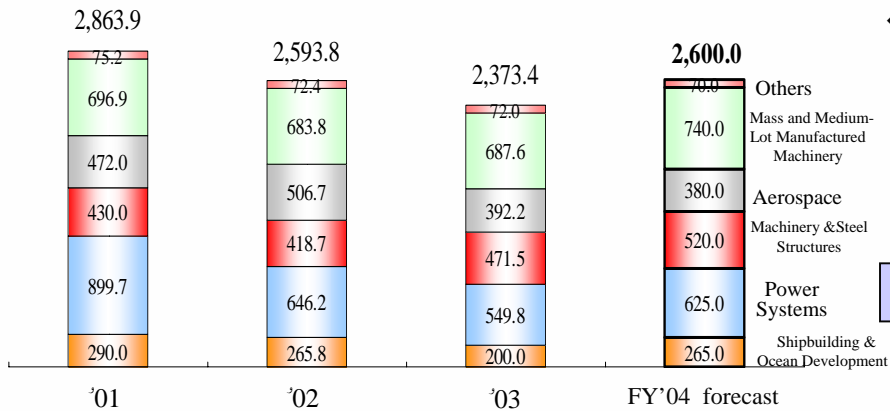
'FY04 Strategic Priorities

- Shipbuilding & Ocean Development:**
 - Emphasis on higher value-added ships given strong market conditions. (LNG Carriers, Large container carriers)
- Power Systems:**
 - Replace aging electric power systems equipment, secure domestic private sector (GTCC) projects.
 - Be sure to receive orders of Asia, South American export projects (GT,etc.)
 - Expand export services with proposal-based marketing
- Machinery & Steel Structures:**
 - To increase order success rate for domestic environmental, bridgework and other steel structures.
 - Get orders of APM projects in North American and Asian.
 - To get methanol and ammonia plants in other Middle East and Asian.
- Aerospace**
 - Launch of Boeing 7E7 project
 - Aggressive approach to BMD
- Mass & Medium-Lot Manufactured Machinery**
 - Increase exports to China (forklift trunks, turbo, engine, printing machine, machine tool)
 - Increase exports of forklift engine and turbo to Europe
 - Enjoy benefits of domestic dedicated distribution company organization and new products launched

Forecast for FY2004 Earnings

Consolidated Net Sales

(Billion yen)



Net Sales

◆ Bottomed out in FY'03 Recovery from FY'04

· Most segments to see positive gains over the previous year

Earnings

◆ Operating income 55 billion yen

· Y-o-y change -11.6 billion yen

· Aggressively increases in R&D investment and capital expenditure

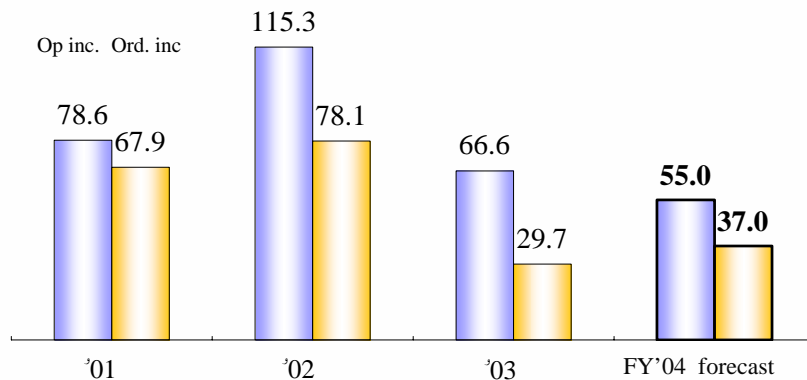
◆ Ordinary income 37 billion yen

· Y-o-y change +7.3 billion yen

· Decrease in foreign exchange losses

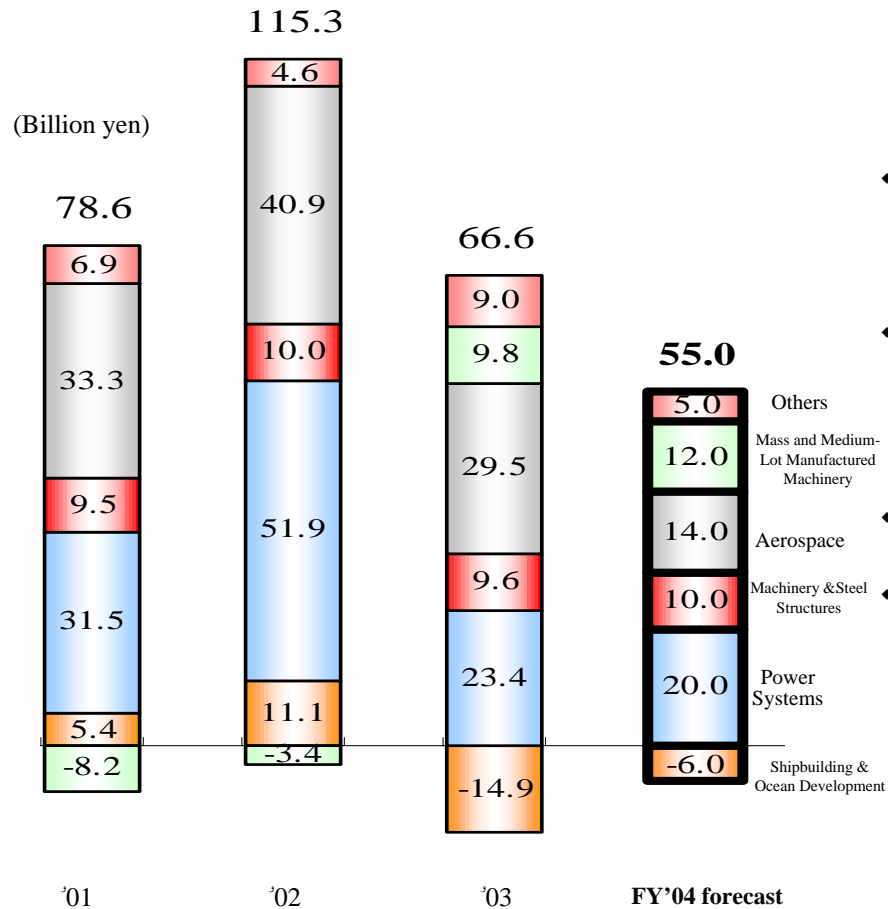
Consolidated earnings

(Billion yen)



Forecast for FY2004 Earnings

Trend in Operating Income by Segment



Major action plans

◆Shipbuilding & Ocean Development

- Handling of ship orders at ¥120/US\$.
- Share design and shipbuilding know-how, accelerate fixed cost and other cost reductions.
- Promote development of new ship designs (LNG carriers, Container carriers)

◆Power Systems

- Increase functionality and reliability of main equipments to strengthen competitiveness.
- Increase EPC capability to deal with increase in overseas plants.

◆Machinery & Steel Structures

- Successful completion of large-scale overseas projects.
- Strengthen competitiveness in steal bridges to achieve stable profitability. (direct management of local construction, develop new process technologies)

◆Aerospace

- Increased investment to promote the Boeing 7E7 project.

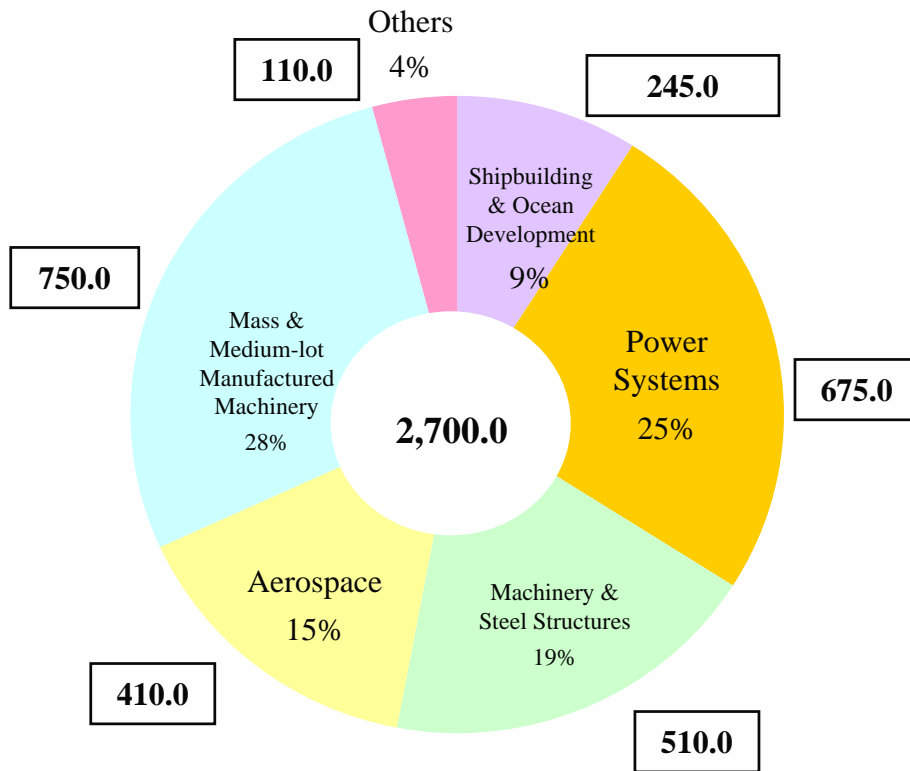
◆Mass and Medium-Lot Manufactured Machinery

- Leverage new product introductions (fork lifts, newspaper offset presses, machining centers).
- Accelerate development of business in China (small size engines, forklifts, printing machinery).
- Strengthen integrated production and sales (reorganize into product-specific sales companies from April 2004).

Forecast for Segment Consolidated Orders and Sales for FY2004

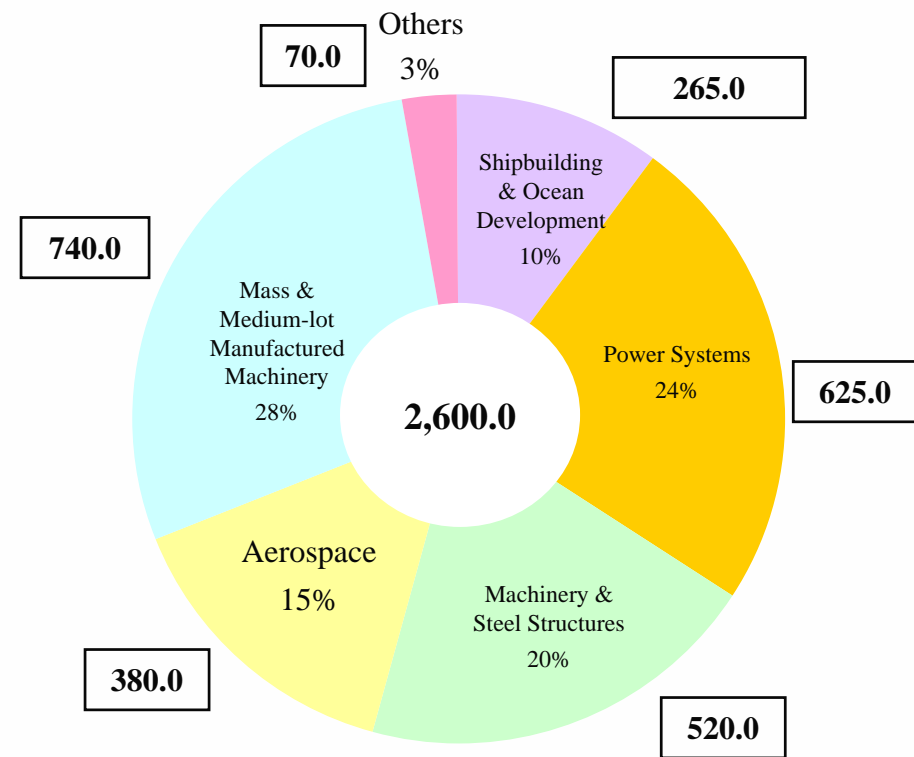
Orders

(Billion yen)



Net sales

(Billion yen)



Non-Consolidated Forecast for FY2004

(Billion yen)

		'03	'04	
		Results	Forecast	Change (amount)
Orders Received		2,159.2	2,200.0	40.8
Net Sales		1,940.1	2,150.0	209.9
Operating Income		35.2	36.0	0.8
Ordinary Income		7.5	20.0	12.5
Income (Loss) before Income Taxes		23.7	20.0	-3.7
Net Income (Loss)		5.2	10.0	4.8
Dividend per Share	Interim	3 yen	0 yen	
	Annual	6 yen	4 yen	

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