

2021 Medium-Term Business Plan (MTBP) and Energy Transition

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I am Hitoshi Kaguchi, Chief Strategy Officer of MHI.

Today, we would like to explain initiatives in the area of "Energy Transition" which we have positioned as one of our Group's future growth engines, as outlined in the "2021 Medium-Term Business Plan" announced on October 30.

To begin today's presentations, I would like to introduce the parts of the 2021 MTBP related to the Energy Transition.

MHI Group Mission and Key Focal Themes



Integrate cutting-edge technology into expertise built up over many years to provide solutions to some of the world's most pressing issues and provide better lives

Core strengths

- Infrastructure systems that support our modern lives
- Defense products that protect us on land, at sea and in the air
- Space and deep sea systems that open up unknown parts of our world and universe
- High performance, high reliability products
 - High temperature, high speed, high pressure
 - Complex and large-scale structures and systems
 - Optimized control of large-scale systems

Global Issues & Trends

- Climate Change
- Shrinking working population
- Higher volume and complexity in logistics
- New types of threats like cyber attacks
- Electrification, intelligence and digitalization
- Shift in value from ownership to usage



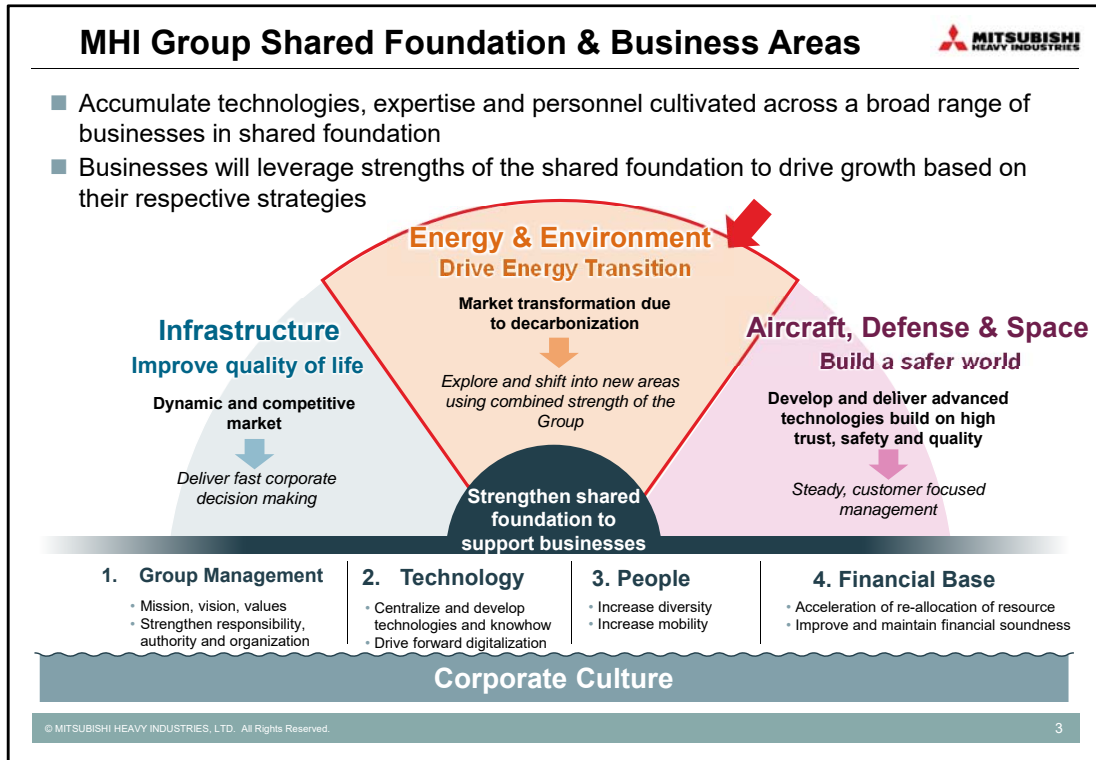
MHI Group's Key Focal Themes

- **Realize a carbon neutral world**
 - Upgrading of current infrastructure
 - Decarbonization and diversification of fuels
 - CO₂ conversion and usage
 - Air conditioning and chilling with natural refrigerant
- **Improve quality of life**
 - Smart and networked machinery systems
 - Automation of logistics
 - Electrified and intelligent mobility and industry
- **Build a safer world**
 - Integrated defense
 - Cybersecurity

In the new 2021 MTBP we define MHI Group's mission as, "Integrating cutting-edge technology into expertise built up over many years to provide solutions to some of the world's most pressing issues and provide better lives".

By positioning our core strengths developed over time in the context of global issues and trends, we have identified three key focal themes that our Group will drive forward to fulfill this mission.

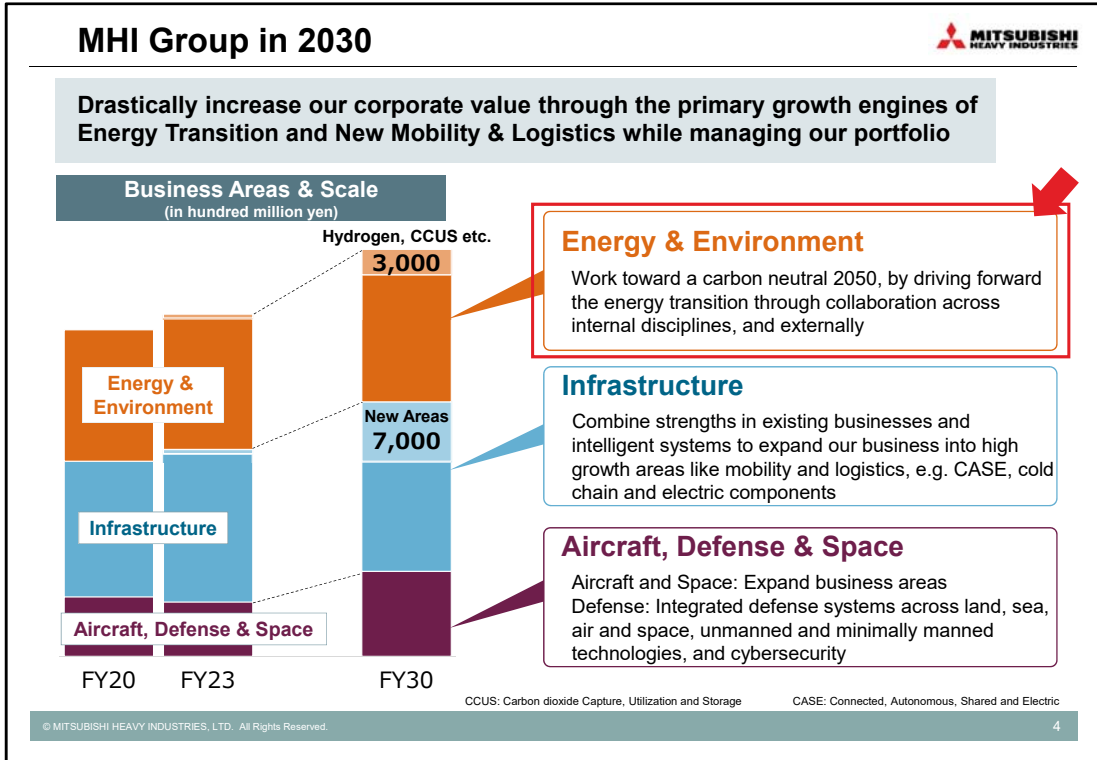
The first theme is "Realizing a carbon neutral world". Climate change caused by greenhouse gases is truly a global challenge. As a leading infrastructure company, we believe that it is incumbent upon us to focus on tackling this issue. In order to achieve carbon neutrality, we will start by upgrading the efficiency of current infrastructure. We will work on decarbonization of power generation and other industries and on technologies such as carbon capture and utilization. The Energy Transition, which we're going to talk about today, falls under this key theme.



I would like to explain briefly why I believe that MHI Group can and should be working in the area of the Energy Transition.

The Energy Transition requires long-term infrastructure development, such as decarbonizing large-scale power stations by incorporating hydrogen technologies. Naturally, these changes will necessitate technological developments, and then the manufacture and construction of new equipment and plants will require concerted long-term efforts.

To this end, we need to make the most of the technologies and human resources that we have cultivated through our many products, and we also need a financial base to support our efforts on the 10 to 20-year timescale. I believe that MHI Group uniquely possesses the technologies, human resources, and financial base.



Here, we show the MHI Group's projected business scale in 2030. Our Group plans to enhance its growth potential and significantly increase its corporate value by reorganizing its business portfolio based on two primary growth engines: "Energy Transition" and "New Mobility and Logistics".

In the Energy and Environment segment, we are working toward carbon neutrality by 2050 and will drive forward a range of business initiatives in the Energy Transition. By 2030, we will create businesses in fields such as hydrogen and CO2 capture, utilization and storage (CCUS) with annual revenues of 300 billion yen. And, we expect this area to expand further toward 2050.

2021 MTBP Targets



FY2023 Targets

Profitability

Business Profit Margin 7%
ROE 12%

Growth

Strengthen investment in growth areas
from 80 billion yen (during 2018 MTBP)
to 180 billion yen (during 2021 MTBP)

Create new businesses generating 100 billion yen in revenue
→ Expand to 1 trillion yen in revenue in FY30

(In billion yen)

	Energy Transition	New Mobility & Logistics	Total
Investment	90	90	180
FY23 Revenue	50	50	100
FY30 Revenue	300	700	1,000

ROE: Return On Equity

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Finally, I would like to explain the numerical targets in the 2021 MTBP, looking at both the three-year plan and our longer-term goals for 2030.

The two priorities that we set under this new business plan are to improve profitability and develop growth areas. First, we are projecting that we can improve business profit margins to 7% in fiscal year 2023 by undertaking comprehensive measures to address challenges such as the recovery from the impact of COVID-19, reduction of fixed costs, and scaling back SG&A.

Another key management issue which promises to generate growth is the realignment of our portfolio to one with high growth potential through the focus on the Energy Transition, which we will discuss today. As I mentioned earlier, we plan to grow this area to 300 billion yen in annual revenues through new businesses including CO2 recovery and utilization and hydrogen. To this end, during the 2021 MTBP, we will invest 90 billion yen in business development in the Energy Transition field, and in fiscal 2023, the final year of the business plan, we aim to create businesses with 50 billion yen of annual revenues.

Today's Presentations



■ Energy Transition business strategy

- Energy Transition Kentaro Hosomi, President & CEO, Energy Systems
- Nuclear Energy Akihiko Kato, Head of Nuclear Energy Systems

■ Shared foundation to support business growth

- Technology Eisaku Ito, CTO
- Finance Hisato Kozawa, CFO

That concludes my introductory remarks. Next, members of our senior management team will explain related areas under their responsibility.

First, Mr. Hosomi, the Energy Systems CEO, and Mr. Kato, Head of Nuclear Energy Systems, will explain our business strategy.

In this section we identify global trends and look at our company's vision for the Energy Transition, as well as the solutions we provide.

Next, Mr. Ito, Chief Technology Officer, will explain our portfolio of technologies, and Mr. Kozawa, Chief Financial Officer, will explain the shared foundation that supports our efforts in the Energy Transition.

In summary, this was a brief explanation of MHI Group's vision and business initiatives and the positioning and goals relating to the Energy Transition. The Energy Transition is a defining opportunity with great implications for the future of our Group, and our entire Group is prepared to work together to achieve this historic transition.

I hope that this brief explanation may have helped to deepen your understanding of our efforts and objectives.

Thank you for your attention.

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