

A Message from the President & CEO



President & CEO
Seiji Izumisawa

Towards a Prosperous Society for Everyone, Everywhere

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

A Message from the President & CEO

MHI Group Mission

FY2020 saw change on a scale rarely experienced, caused not only by the COVID-19 pandemic but also by shifts in the social and industrial underpinnings of our world. Global issues – including climate change, human rights, increasing wealth disparity, and the geopolitical risks that accompany them – became more severe, while in the economic sphere rapid changes related to decarbonization, digital transformation (DX), and risk management occurred.

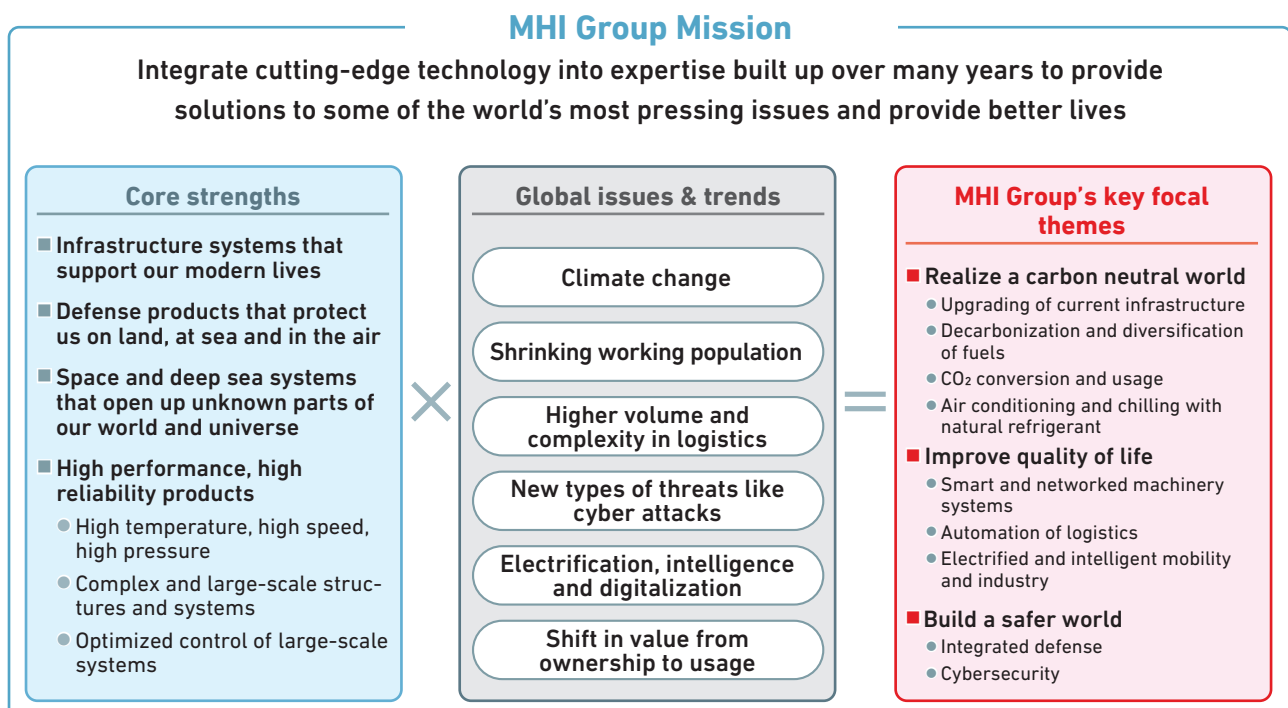
For MHI Group to achieve sustained growth in our changing world, I believe it is essential to clarify what we should change and what we should keep the same about the Company.

As for what we should change, we should adjust our responses to the economic environment and the society that surrounds us by becoming more flexible rather than rigidly holding on to our conventional way of doing things. Changes in values are impacting our business operations significantly. As today's world increasingly measures value in terms of intangible assets rather than physical ones, a shift has occurred where asset utilization has become more important than asset possession. In the manufacturing industry, this shift is moving focus away from the conventional approach of simply making products and delivering them to the customer. In the technology sphere, a paradigm shift

concerning value creation has been underway for quite some time. No longer is value created simply by possessing large-scale computation and analysis systems, proprietary technologies, or vast amounts of data, and it is precisely by the applied use of such assets in careful combination that MHI Group has created value thus far. Going forward, we will prioritize creating value not merely from our technologies themselves but from the complete spectrum of our corporate activities as a whole.

As for what should remain the same, we must maintain the MHI Group Corporate Mission, which drives us in each of our roles. The MHI Group Mission states: To integrate cutting-edge technology into expertise built up over many years to provide solutions to the world's most pressing issues and provide better lives. Throughout our 137-year history, MHI has achieved growth while serving as a leader in solving the world's issues. Indeed, solving hard problems is in our DNA, which is a fact we take pride in. Our Principles, based on the Three Principles of Mitsubishi Group^{*1}, are solidly embraced by all employees and demonstrate the steadfastness of our core philosophy. In the years ahead, we will continue to strive at all times to fulfill society's wants and needs.

*1 Refer to page 10.



MHI Group Vision

Under the unified MHI Group Mission, we have set three key themes for achieving our vision for 2030: Realize a carbon neutral world; Improve quality of life; and Build a safer world. We then divided our operations into three broad business areas: Energy & Environment; Infrastructure; and Aircraft, Defense & Space. Going forward, as we optimize our business portfolio, we will drastically increase our corporate value through two primary growth engines: the Energy Transition, which aims to achieve Carbon Neutrality by 2050, and New Mobility & Logistics, which seeks to integrate many disparate machinery systems and digital technologies.

In today's increasingly complex and diverse society, MHI Group chooses to focus on harmony rather than conflict. Harmony for us means seeking to skillfully coordinate seemingly opposing elements by responding to environmental changes as they occur in order to create value. For example, to realize Carbon Neutrality, rather than defining the problem in terms of binaries such as "the environment

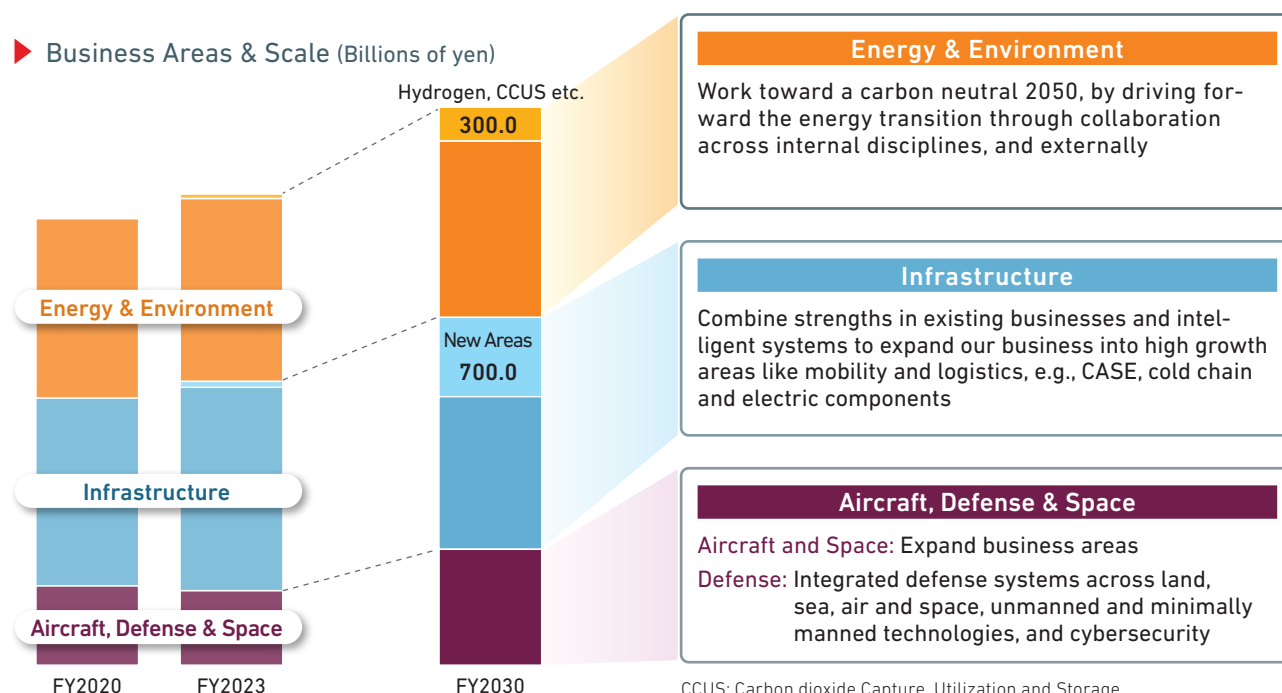
or the economy" or "renewable energy or fossil fuels," we think the answer lies in a combination of both elements, i.e., "both the environment and the economy" and "both renewable energy and fossil fuels." This approach, I believe, will lead to more real-world solutions to these issues.

The world we aim for is one in which everyone everywhere can enjoy safe and prosperous lives—a world in which there are no regional or industrial disparities in such areas as energy costs and energy supply stability. This aspiration is aligned with the overarching principle of the United Nations' Sustainable Development Goals (SDGs): Leave no one behind.

To make this world a reality, we believe MHI Group has two roles to fulfill. The first is to develop solutions to diverse global issues by combining our accumulated technologies, assets, and expertise using our peerless integration skills. The second role is to introduce specific solutions to the world in the areas of the Energy Transition and New Mobility & Logistics.

MHI Group in 2030

Drastically increase our corporate value through the primary growth engines of Energy Transition and New Mobility & Logistics while managing our portfolio



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2021 Medium-Term Business Plan Targets (FY2021-2023)

In October 2020, we formulated our 2021 Medium-Term Business Plan based on the results of the 2018 Medium-Term Business Plan, which spanned from FY2018 through FY2020, and our vision for 2030.

In our 2018 Medium-Term Business Plan, we targeted a top line of 5 trillion yen, which included mergers and acquisitions. During this period, however, growth stagnated due to accelerated maturation of our businesses, intense price competition from our competitors, and impact from the COVID-19 pandemic. Another major challenge has been improving profitability through fixed cost reductions and organizational transformation. Additionally, development of SpaceJet, our regional passenger jet project, was put on hold due to changes in the business environment and other factors.

In view of the aforementioned circumstances, in our new 2021 Medium-Term Business Plan, which spans

from FY2021 through FY2023, rather than targeting top line expansion, we decided to focus on improving our fundamental competitiveness as a path to future growth. Over the next three years, we will strengthen our businesses and solidify our growth fundamentals, aiming for over 5 trillion yen in revenue by 2030.

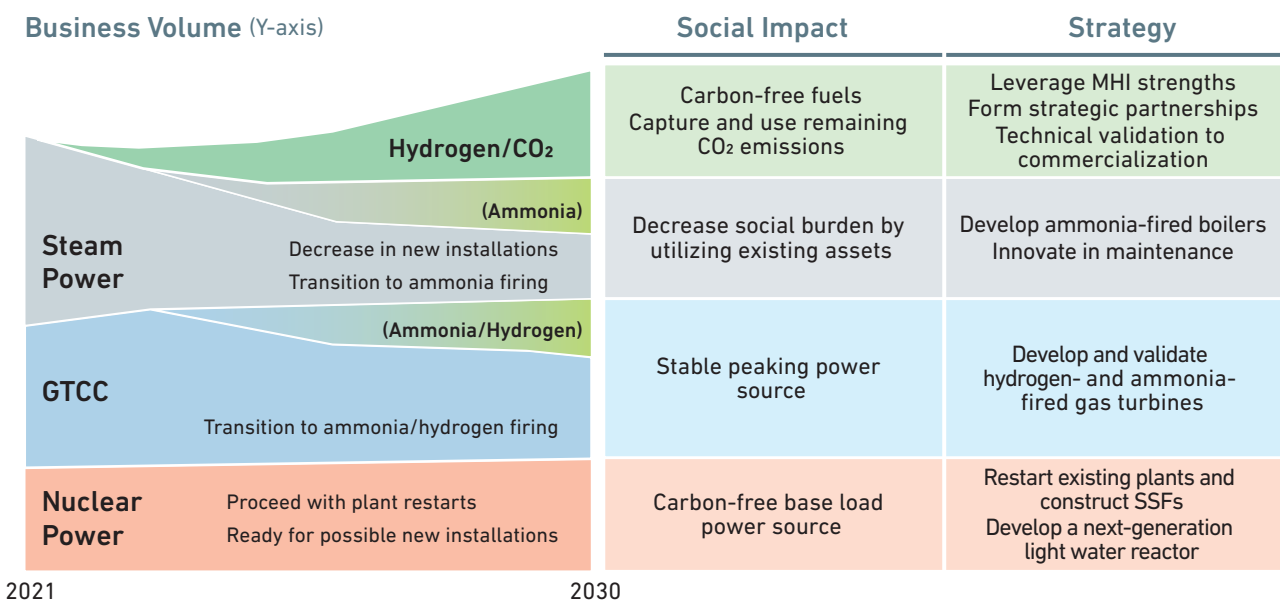
In our 2021 Medium-Term Business Plan, we have identified two central themes: developing growth areas and strengthening profitability.

Developing Growth Areas

MHI Group has designated two primary growth areas which will be targets for strategic resource application: the Energy Transition and New Mobility & Logistics. The Company will invest 180 billion yen mainly in these two areas, aiming to create new businesses which will generate over 100 billion yen in revenue by FY2023.

Grow Businesses through the Energy Transition

Build hydrogen and CO₂ solutions business scale in addition to decarbonizing existing infrastructure



With the Energy Transition, we seek to contribute to the attainment of humanity's greatest challenge: Carbon Neutrality. To realize a world in which all people can lead prosperous lives, an incremental roadmap must be created which accounts for the industrial conditions of diverse countries and regions. Consideration must be paid to variations in the time required to develop the necessary infrastructure in each location, the need to utilize existing assets, and the portion of development costs to be borne by the consumer. MHI Group aims for an Energy Transition in which problems are approached from the dual perspectives of economic viability and stable energy supply. This will require us to pool together all of our technologies and resources while following a strict timeline of aggressive milestones in order to reach our ultimate goal.

The first step in the Energy Transition is decarbonizing existing infrastructure. We will do this by dramatically increasing the efficiency of existing thermal power plants with groundbreaking retrofits as well as by installing carbon capture systems featuring our world-leading technologies. MHI Group has already begun validation testing of a gas turbine using a 30% hydrogen fuel mix, which significantly reduces carbon dioxide emissions during power generation. Another project is underway to develop power generation technologies using ammonia-based fuels. We also believe that nuclear power is indispensable to providing stable, carbon-free energy to society. Safety and security are the most important challenges that need to be addressed in nuclear power. At MHI Group, we are striving to develop the world's safest nuclear reactor, which we believe will help regain public trust in nuclear power.

In the next step, we will combine diverse technologies in order to build hydrogen and CO₂ solutions ecosystems. Hydrogen offers limitless possibilities but requires large-scale investment and the development of new technologies involved in manufacture, transport, storage, and utilization. As a hub for hydrogen development, MHI Group will manage both upstream and downstream partners, including startups. We will establish decarbonization technologies by 2025 by integrating diverse technolo-

gies and know-how from around the world. Regarding to the CO₂ solutions ecosystem, we have already achieved the world's largest-scale carbon capture system. Going forward, we will focus on carbon storage, conversion, and utilization. New efforts will include active investment on a number of fronts and participation in exciting international projects.

In the New Mobility & Logistics space, we will seek to address the world's logistics issues as well as our customers' pain points by integrating systems and equipment offering diverse functionality with an emphasis on intelligent, systematized operation. In addition to software and systems development, we will provide solutions in the material handling area with our own unique approach.

Specifically in the area of logistics, we will develop a standard platform which seamlessly integrates diverse products and systems through application of our proprietary Digital Twin simulation and analysis technology, providing automated logistics and Cold Chain solutions. These new solutions will address issues including volatility from fluctuating demand, staffing needs, and safety and quality assurance. We have already launched concept demonstrations and will collaborate with customers in the beverage and cold storage industries to complete them.

As the world's problems grow increasingly complex, MHI Group views the current moment as a prime opportunity for us to make maximum use of our various technologies and many years of expertise. Our goal is to create new businesses in the Energy Transition and New Mobility & Logistics spaces which will earn 1 trillion yen in revenue by 2030. Many countries around the world have set aggressive carbon neutrality targets. By combining MHI Group's numerous products and solutions, we will make significant contributions towards realizing these targets while also meeting our growth goals in the Energy Transition space. In the area of New Mobility & Logistics, we will proactively seek out opportunities for mergers, acquisitions, and partnerships with third parties to facilitate entry into new markets and market development.

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Strengthening Profitability

As we implement the 2021 Medium-Term Business Plan, we will take dynamic steps to minimize the impact from the COVID-19 pandemic. Businesses that were greatly affected early in the pandemic—such as our Aero Engines and Logistics & Thermal Systems segments—are already beginning to recover. Going forward, we will work to reduce fixed costs and prepare for market recovery by pursuing minimally manned and automated technologies to improve productivity.

In our existing businesses, above all we must continue business portfolio optimization, shore up business fundamentals, and increase profit margins. Continuous strengthening of our earnings structure, while steadily improving and expanding our technologies and cus-

tomers base, is also important considering how closely interlinked our businesses are with basic social infrastructure. We must constantly review our business processes—including reducing SG&A and improving cash conversion cycle (CCC)—and execute necessary organizational transformation. Also, keeping a close eye on advances in IoT, communications technologies, and monitoring functionality, we will take advantage of newly arising business opportunities for after-sales services and maintenance, and take steps to increase recurring revenue. In the Thermal Power segment, we will respond to the trend toward decarbonization by shifting resources into after-sales service operations and optimize production capacity.

Value Creation Initiatives

To create value in line with targets from the 2021 Medium-Term Business Plan and into the future, in May 2020, we identified Materiality the Company must address:

- 1) Provide energy solutions to enable a carbon neutral world;
- 2) Transform society through AI and digitalization;
- 3) Build a safer and more secure world;
- 4) Promote diversity and increase employee engagement;
- 5) Enhance cor-

porate governance^{*2}. These mission statements, which are based on analysis of the global environment and our businesses, outline MHI Group's approach to achieving sustained growth.

^{*2} Refer to page 19.

Each Materiality has specific targets, which were set mainly by a working group consisting of young and mid-career employees who will lead the Company in the future. We hope that each employee will feel personally invested in achieving these targets. I believe that these goals, which were finalized after consultation with outside experts and represent the most serious consideration to date of how MHI Group can address society's issues while creating value, are an important asset for us.

MHI Group's greatest resource is our people. One of the major goals mentioned above involves promoting diversity and increasing employee engagement. We are already working to acquire and develop human resources with diverse skills, to increase opportunities for dialogue between employees with different backgrounds, and to create a work environment and corporate culture that



responds flexibly to differing work styles. For example, as part of an initiative to generate value from AI technologies, in addition to securing talented engineers, we will also improve IT literacy within our management team and indirect departments so that they can make appropriate decisions swiftly.

My goal is to foster a corporate culture that accepts difference. As a typical Japanese company, MHI Group previously only offered homogeneous career plans and workplace culture, and the working environment was approximately the same from one position to the next. I want to change that, because I strongly believe that being stimulated by opinions and values different from our own gives

rise to new ideas and inspires us to take up new challenges.

As one approach to reinventing our corporate culture, we opened the new Yokohama Hardtech Hub (YHH) startup incubator in October 2020. Located on land formerly occupied by one of our production facilities, YHH's goal is to support startups working in manufacturing. YHH functions as a space where a variety of partners, such as corporations, local governments, and educational institutions can collaborate freely and creatively. In addition to forging ties between various organizations and developing startup businesses, YHH will provide our employees with opportunities to broaden their perspectives and nurture their entrepreneurial skills.

A Message to our Shareholders and Investors

MHI Group aims to achieve a world free from regional and industrial disparity—a world in which everyone can live prosperously. Indeed, our businesses are directly involved in finding solutions to the world's most pressing issues.

We recognize that our shareholders' expectations toward MHI Group focus on our achieving sustained growth while making long-term contributions to society. To respond to these expectations, MHI Group will continuously improve our technologies, integrate these technologies with those of a diverse group of business partners, and achieve innovation in a variety of areas, including the Energy Transition.

MHI Group appreciates that we offer a tremendous variety of products and solutions, which tend to be highly specialized. As such, we will always endeavor to provide information to our shareholders and investors in a succinct and easy to understand format.

We will work especially hard to continuously share information about our growth areas and value creation

goals. We will also increase efforts to engage our stakeholders in a dialogue about our roadmap for value creation.

MHI Group is wholly committed to finding solutions to the world's most pressing issues while achieving sustained growth. We appreciate your continued support.

