

Aircraft, Defense & Space



H-IIA Launch Vehicle No. 44 carrying aboard the QZS-1R quasi-zenith satellite.

Current Status Assessment

Strengths S	Commercial Aviation	<ul style="list-style-type: none"> • Business domain covering the entire value chain of commercial aviation (aerostructure Tier 1, aircraft OEM and aftermarket) • Engineering and manufacturing technologies for structural components including composite wings • Business assets for the aftermarket with a fleet of more than 1,000 in-service CRJs
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> • Leading-edge technologies cultivated by the development of defense and space products • Defense: Ability to make proposals for integrated defense systems, and expertise and channels cultivated through past and ongoing international projects • Space: Development capabilities in launch vehicles and rocket engines and their world-leading reliability
Weaknesses W	Commercial Aviation	<ul style="list-style-type: none"> • Less diversified commercial aviation business portfolio and supply chain • High sensitivity to foreign exchange fluctuations, because of a business structure with an overseas customer base
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> • Defense: A lack of experience in export projects • Space: Inadequate cost competitiveness in global markets
Opportunities O	Commercial Aviation	<ul style="list-style-type: none"> • Growth potential of new aircraft demand and aftermarket business in line with long-term growth in passenger demand • Growing customer demands for “total care” fleet and operation support • Increasing need for innovative technology for environmental adaptation, such as decarbonization and electrification
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> • Defense: A decision on the Three Principles on Transfer of Defense Equipment and Technology by the Japanese Cabinet The Basic Policy on Economic and Fiscal Management and Reform 2022, approved by the Cabinet, states the policy to place greater emphasis on maintaining and strengthening domestic defense production and technological bases, and the National Defense Program Guidelines and Mid-Term Defense Program are planned to be revised by the Japanese government based on this policy. • Space: Growing launch market in line with an expanding need for satellites, including the use of space in national security
Threats T	Commercial Aviation	<ul style="list-style-type: none"> • Business environment with vulnerability of the passenger demand due to event risks such as conflict, economic crisis, epidemics, natural disaster, etc. • Global industry consolidation, and intensified market competition as a result
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> • Defense: Budget cuts for Japanese-made frontal combat equipment due to an increase in imported equipment • Space: A risk of price-cutting of overseas launch services due to the entry of U.S. start-ups

Overview of FY2021 and Priority Strategies in the 2021 Medium-Term Business Plan

Consolidated orders received increased year on year to ¥774.2 billion due to increases in defense products such as defense aircraft, missile systems and naval ships. Revenue was down year on year to ¥605.2 billion due to decreases in commercial aviation, missile systems and space systems. Profit from business activities improved year on year to ¥20 billion due to the effect of cost reduction measures such as reducing fixed costs, and the decrease in expenses related to Mitsubishi SpaceJet.

In commercial aviation, one of the main activities in the aerostructure Tier 1 business is improving profitability such as reducing fixed costs to a level appropriate for the business scale, and another is establishing a highly profitable production base such as improving production efficiency and enhancing the supply chain for the coming recovery phase. Furthermore, we will utilize the composite manufacturing technologies we have developed over the years to proceed with initiatives aimed at participation in new programs. In the aftermarket business, we

will further improve productivity of the existing MRO*¹ business including CRJ, and also expand business scale and improve profitability through the provision of CR&O*² business, etc. In the SpaceJet business, we are continuing to review the business environment.

In the defense business, we will advance into new business fields, such as Command and Control systems and unmanned vehicles, while continuing to conduct stable business operations by offering world-class products. At the same time, we will utilize our technologies cultivated over the years to expand our overseas business and our related businesses, such as MRO&U*³, and education and training. In addition, we will expand our business into advanced security consumer products. In the space business, we are developing the H3 Launch Vehicle, which will realize low-cost, highly reliable launch services.

*1 MRO: Maintenance, Repair and Overhaul

*2 CR&O: Component Repair and Overhaul

*3 MRO&U: Maintenance, Repair, Overhaul, and Upgrade

Business Initiatives in the 2021 Medium-Term Business Plan

Commercial Aviation	Structure Tier1 business		<ul style="list-style-type: none"> Continuing the action for improvement of profitability such as reducing fixed costs to a level appropriate for the business scale Participate in new development program utilizing composite technology and automated assembly technology
	Aftermarket business		<ul style="list-style-type: none"> Expand maintenance hangars and component repairs
	SpaceJet Program		<ul style="list-style-type: none"> Review business environment Utilize acquired knowledge and expertise
Integrated Defense & Space Systems	Expansion of existing domestic and peripheral fields	Existing business	<ul style="list-style-type: none"> Steadily conduct our next core projects (F-X: Japanese next generation fighter, H3 Launch Vehicle) Expand business for Command and Control systems and M&S*⁴, etc.
		Related business	<ul style="list-style-type: none"> Expand MRO&U, and education and training Expand into new related business fields (space [including utilization of satellite information], cyberspace, unmanned vehicles, etc.)
	Overseas business expansion	Application of MHI products for foreign military equipment	<ul style="list-style-type: none"> Utilize channels with overseas manufacturers cultivated through existing businesses Cooperate with the Japanese government in parallel with intercompany talks
		International development projects	<ul style="list-style-type: none"> Launch international development projects with allies (supporting the Japanese government) Enter international development projects
Establishment of civil businesses using dual-use technologies		<ul style="list-style-type: none"> Utilize core technologies of defense and space Expand civil business particularly in the safety and security field (cybersecurity, warning surveillance, wide-area status observation) 	

*4 M&S: Modeling and Simulation