In the first half of the 2010s, MHI Group grew its order bookings, sales and EBITDA by restructuring and scaling up its operations through M&A. Based on such success, we endeavored to continue expanding in scale and strengthen our financial foundation under our 2015 and 2018 MTBPs. Despite these efforts, our growth encountered setbacks, as did our EBITDA margin, but we succeeded nonetheless in strengthening our financial foundation. Additionally, our operating environment has changed drastically in the wake of the COVID-19 pandemic and rapid decarbonization. Such change is expected to be compounded by major changes in the industrial structure also.

In response to such challenges, we will lay the groundwork for a leap forward from 2024 by regaining and strengthening earnings power and developing growth areas under our 2021 MTBP.
Recap of Previous MTBPs

Under our previous MTBPs, we restructured its operation and aimed to achieve a revenue growth target of ¥5 trillion, but order bookings stagnated as many of our businesses reached maturity against a backdrop of increasingly diverse societal needs and changing values. Moreover, we did not move quickly enough to boldly reallocate resources and invest in growth, and as a result did not develop new businesses as much as we could have.

Reforming our profit structure, including by reducing SG&A expenses, has become an urgent priority amid earnings deterioration stemming largely from changes in the competitive environment, intensification of price competition, investments in SpaceJet development and the pandemic’s impacts.

On the bright side, we have remained financially sound by continuing to restructure over the past decade. While reducing risk assets, we have endeavored to also reduce working capital to increase cash flow. Through such efforts, we have shortened our cash conversion cycle (CCC).

### Recap of Previous MTBPs

**Grow revenue to ¥5tn**
- Changes in competitive environment, intensification of price competition
- Failure to invest in growth fast enough

**Strengthen financial foundation**
- Reduction of risk assets
- Improvement in total asset turnover
- Improvement in CCC

**Continue to restructure**
- Adopt portfolio management, cash flow management
- Streamline/flatten organization
- Lay groundwork to pursue synergies

---

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (¥ tn)</th>
<th>Order Bookings (¥ tn)</th>
<th>EBITDA Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.28</td>
<td>3.91</td>
<td>9.1%</td>
</tr>
<tr>
<td>2017</td>
<td>3.87</td>
<td>4.09</td>
<td>8.3%</td>
</tr>
<tr>
<td>2018</td>
<td>3.89</td>
<td>4.08</td>
<td>9.1%</td>
</tr>
<tr>
<td>2019</td>
<td>4.17</td>
<td>4.04</td>
<td>8.2%</td>
</tr>
<tr>
<td>2020</td>
<td>3.34</td>
<td>3.70</td>
<td>6.8%</td>
</tr>
</tbody>
</table>
Regain/strengthen earnings power and develop growth areas

The 2021 MTBP’s key themes are regaining and strengthening earnings power and developing growth areas.

To regain and strengthen earnings power, we plan to reduce fixed costs, boost productivity and restructure our operations through such means as increasing services’ share of revenues, improving business processes and reforming our organization. We aim to achieve a 7% profit margin on business activities and 12% ROE by fiscal 2023. Specific measures through which we intend to regain and strengthen earnings power include (1) minimizing the SpaceJet program’s expenses, (2) recovering from the pandemic’s impacts, (3) growing existing businesses, (4) rectifying deficiencies and restructuring and (5) reducing SG&A expenses.

To develop growth areas we will focus on (1) energy transition and (2) new mobility and logistics, two spheres in which we can leverage MHI Group’s diverse products and wealth of technological expertise to address challenges and capitalize on trends as our increasingly digitalized society confronts new threats such as climate change and cyberattacks. We plan to invest in these two spheres on a priority basis in the aim of creating new businesses collectively generating ¥1 trillion of annual revenue by fiscal 2030.

In the SpaceJet program, we have decided to slow down or pause development in light of the market environment and the program’s status. The commercial aircraft business as a whole, however, is a long-term growth opportunity in our view. We will upgrade its production processes’ efficiency and develop new technologies to set the stage for full-fledged recovery from 2024.

Our capital allocation plan\(^1\) is to invest in growth businesses and operational expansion. We intend to fund such investments by increasing our earnings power and operating cash flow and curtailing investment in SpaceJet. During the 2021 MTBP’s term, we plan to invest ¥180 billion in growth businesses in particular.

We plan to maintain a sound financial foundation\(^2\), if not strengthen it, and increase shareholder returns to their highest level ever by boosting our profitability and growth potential.

\(^1\) For more details on our capital allocation plan and financial foundation, see CFO Dialogue on page 50.