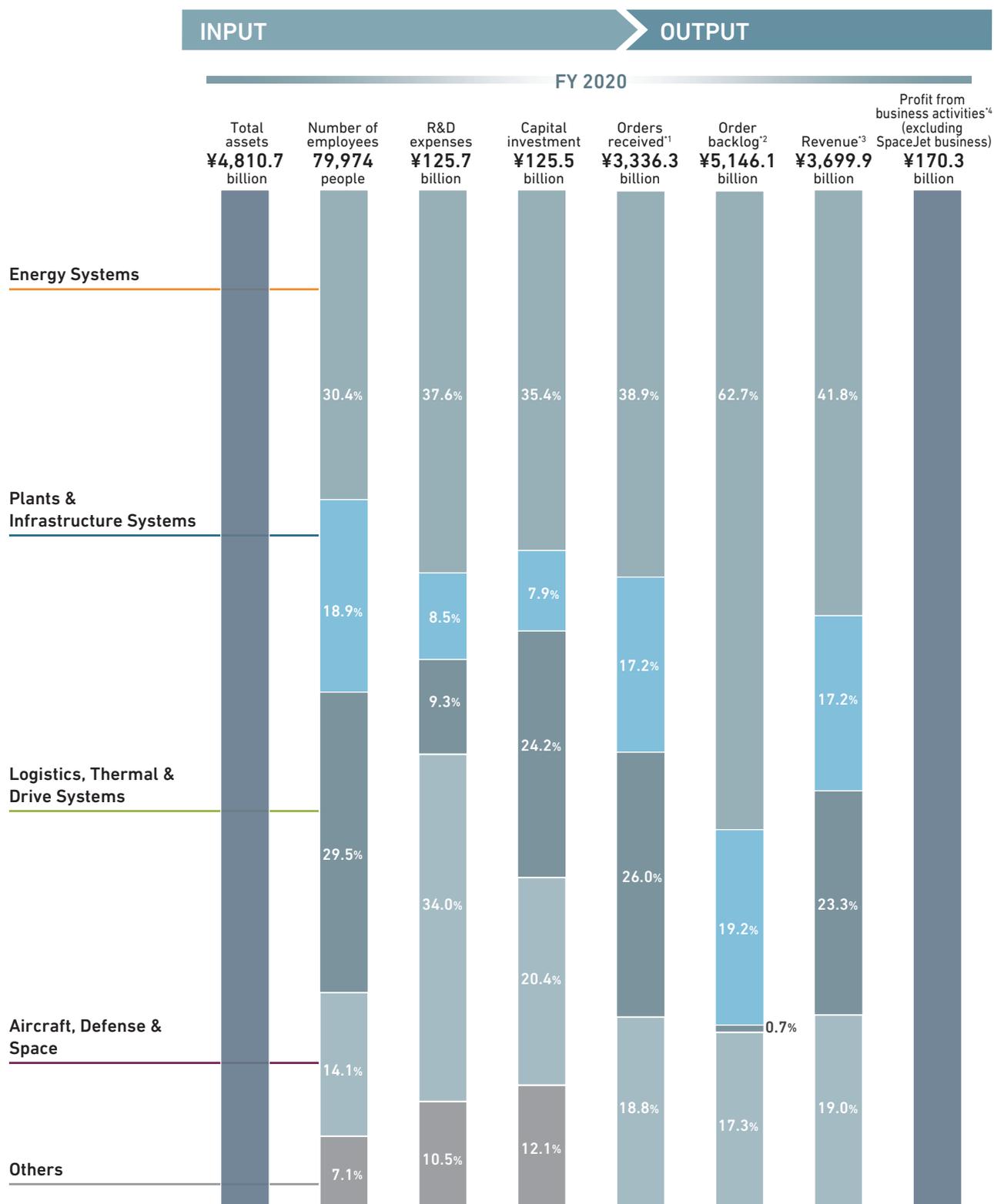


# Business Strategies

## ▶ Business Segment Highlights



\*1 Others, eliminations or corporate ¥-32.4 billion  
 \*3 Others, eliminations or corporate ¥-45.7 billion  
 billion in SpaceJet investments

\*2 Others ¥0 billion

\*4 Others, eliminations or corporate ¥15.8 billion. Not including ¥-116.2

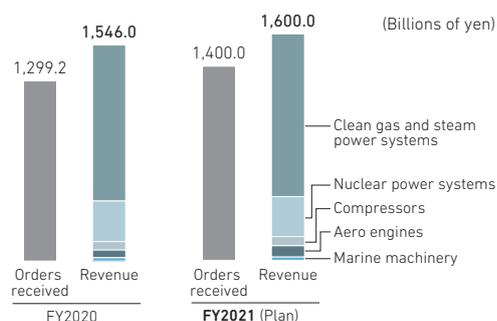
► Revenue by Segment (FY 2020 results and FY 2021 plan)

### Energy Systems



**Main Businesses**

- Clean gas and steam power systems\*
  - Nuclear power systems
  - Compressors
  - Aero engines
  - Marine machinery
- \*Includes GTCC, steam power and environmental plants

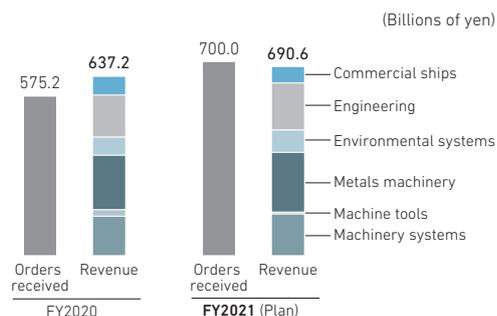


### Plants & Infrastructure Systems



**Main Businesses**

- Commercial ships
- Engineering
- Environmental systems
- Metals machinery
- Machine tools
- Machinery systems

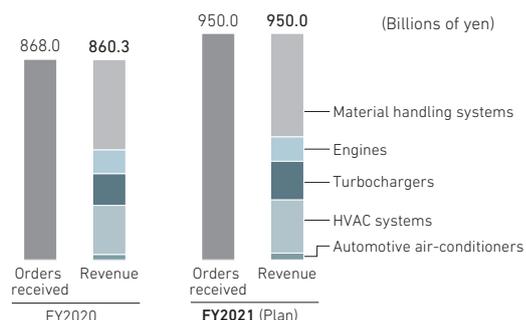


### Logistics, Thermal & Drive Systems



**Main Businesses**

- Material handling systems
- Engines
- Turbochargers
- HVAC systems
- Automotive air-conditioners

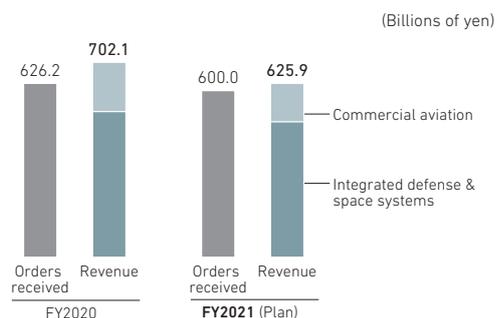


### Aircraft, Defense & Space



**Main Businesses**

- Commercial aircraft
- Defense aircraft
- Missile systems
- Naval ships
- Special vehicles (tanks)
- Maritime systems (torpedoes)
- Space systems



# Business Strategy: Energy Systems



J-Series gas turbine, the largest and most efficient in the world

## Current Status Assessment

S	<b>Strengths</b>		<ul style="list-style-type: none"> <li>Systems offering world's highest levels of thermal efficiency and output</li> <li>Highly reliable gas turbines achieved with the world's only combined cycle power plant validation facility that realizes long-term verification from development through design, manufacture, and demonstration</li> <li>Wide ranging product lineup for a full range of output levels, from small and medium to large-sized</li> <li>Cutting-edge decarbonization and other eco-friendly technologies (high-efficiency GTCC, aero-derivative gas turbines, IGCC, high-efficiency USC,*<sup>1</sup> CCS/CCUS,*<sup>2</sup> AQCS,*<sup>3</sup> SOFC,*<sup>4</sup> geothermal, biomass-fired, hydrogen/ammonia-fired) and integration capabilities</li> </ul>
		<b>Clean Gas and Steam Power</b>	
		<b>Nuclear Power Systems</b>	<ul style="list-style-type: none"> <li>World's only comprehensive nuclear power plant manufacturer capable of providing a one-stop service from development through design, manufacture, construction, and maintenance</li> <li>Encompassing not only light-water reactors but also the entire nuclear fuel cycle, including fuel manufacturing/reprocessing facilities and fast reactors</li> <li>World-highest level safety technologies and product quality, and ample track record as the leading company in domestic nuclear power</li> </ul>
		<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Building wind power systems business in collaboration with partners</li> </ul>
		<b>Compressors</b>	<ul style="list-style-type: none"> <li>Extensive track record in petrochemical (ethylene and fertilizer) plant market</li> <li>Integrated production and quality control processes encompassing every step from optimal pairing of internally manufactured steam turbines and compressors to test operation</li> <li>Extensive track record of supplying global companies</li> <li>Entry into high-barrier businesses through long-term planning</li> </ul>
		<b>Aero Engines</b>	<ul style="list-style-type: none"> <li>Well-balanced product portfolio (narrow/wide-body aircraft, Boeing/Airbus, new/legacy)</li> <li>Supplier of core combustor technologies to all OEMs*<sup>5</sup>; MRO*<sup>6</sup> capabilities</li> <li>Access to MHI Group's turbo-machinery technology</li> </ul>
	<b>Marine Machinery</b>	<ul style="list-style-type: none"> <li>High market share in turbocharger business for two-stroke marine engine segment</li> <li>Providing solution technology for energy saving and compliance to strengthened environmental regulations</li> <li>Wide-ranging customer network, both domestic and international</li> </ul>	
W	<b>Weaknesses</b>		
		<b>Clean Gas and Steam Power</b>	<ul style="list-style-type: none"> <li>Imbalanced regional coverage at the global level</li> </ul>
		<b>Nuclear Power Systems</b>	<ul style="list-style-type: none"> <li>Little experience in global business</li> </ul>
		<b>Compressors</b>	<ul style="list-style-type: none"> <li>Small share of oil and gas market</li> </ul>
		<b>Aero Engines</b>	<ul style="list-style-type: none"> <li>Influenced by the business strategies deployed by manufacturers of aircraft engines</li> </ul>
	<b>Marine Machinery</b>	<ul style="list-style-type: none"> <li>Limited scale of business and product portfolio</li> </ul>	
O	<b>Opportunities</b>		
		<b>Clean Gas and Steam Power</b>	<ul style="list-style-type: none"> <li>Acceleration of global decarbonization movement and demand for highly efficient, clean electric power in response to environmental regulatory tightening</li> <li>Need for load adjustments in connection with growth in renewable energy</li> <li>Need for high-efficiency conversion of existing power plants</li> </ul>
		<b>Nuclear Power Systems</b>	<ul style="list-style-type: none"> <li>Growing need for carbon-free, large-scale stable power sources and greater energy self-sufficiency (new and replacement facilities)</li> <li>Rising need for effective use of existing nuclear power plants (more plants being restarted, achievement of 60 years in operation)</li> </ul>
		<b>Compressors</b>	<ul style="list-style-type: none"> <li>Integration with MHI Group products, such as gas turbines</li> <li>Plant replacement demand</li> <li>Decarbonization-driven growth in demand for CO<sub>2</sub> compressors for CCUS and compressors for promising carbon-free fuels such as hydrogen and ammonia</li> </ul>
		<b>Aero Engines</b>	<ul style="list-style-type: none"> <li>Market expansion driven by growth in aircraft demand</li> <li>Expansion of MRO operations to service best-selling engine (PW1100G)</li> <li>Decarbonization-driven demand for more efficient engines</li> </ul>
	<b>Marine Machinery</b>	<ul style="list-style-type: none"> <li>Strengthened environmental regulations aiming at CO<sub>2</sub> reduction and zero GHG emissions</li> </ul>	

T	<b>Clean Gas and Steam Power</b>	<ul style="list-style-type: none"> <li>• Further escalation of competition with international competitors</li> <li>• Uncertainty of future energy portfolio</li> </ul>
	<b>Nuclear Power Systems</b>	<ul style="list-style-type: none"> <li>• Escalating competition with other power sources</li> </ul>
	<b>Compressors</b>	<ul style="list-style-type: none"> <li>• Escalating competition, rise of Chinese manufacturers</li> <li>• Cutbacks in new-plant investment in response to transition away from fossil fuels; decrease in customers' plants in operation</li> </ul>
	<b>Aero Engines</b>	<ul style="list-style-type: none"> <li>• Sluggish market growth due to pandemic</li> </ul>
	<b>Marine Machinery</b>	<ul style="list-style-type: none"> <li>• Less business opportunity due to unfavorable domestic shipbuilding market conditions</li> </ul>

## Overview of FY2020 and Priority Strategies in the 2021 Medium-Term Business Plan

Consolidated orders received were down year on year at ¥1,299.2 billion, largely as a result of a decline in steam power and GTCC\*7 orders from year-earlier levels that were boosted by large-scale new construction projects. Revenue totaled ¥1,546.0 billion, a year-on-year decrease attributable largely to reduced sales in the steam power and aero engine businesses. Despite a gain on sales of securities related to the offshore wind power systems business, profit from business activities declined to ¥127.6 billion from a year-earlier level inflated by one-off profits arising due to the settlement of the dispute related to a South African project. This decline was largely a result of the deterioration in the profitability of steam power construction projects.

MHI Group will build an innovative ecosystem in pursuit of a carbon-neutral society. Our thermal power systems business plans to commission into operation large gas turbines that burn a fuel blend containing 30% hydrogen in the U.S. by 2025 as a step toward decarbonization of thermal power generation. At the same time, we will develop and demonstrate new combustors as the key enabling technology of 100% hydrogen-fired power

generation. Additionally, we will shift the coal-fired thermal power business's primary focus to maintenance and innovation, promote decarbonization of existing power plants and propose fuel-switching retrofits in the aim of transitioning in stages to biomass and/or ammonia fuels and fuel blends to realize carbon neutrality.

In the nuclear power business, we are working with electric utilities to restart existing light-water reactor plants, installing severe accident management facilities and preparing for completion of a fuel cycle facility's construction. In FY2020, we completed construction of Japan's first severe accident management facility. We will also develop a next-generation light-water reactor that will bring to fruition some of the safest reactors in the world thanks to the deployment of revolutionary technologies. We are aiming for commercial operation by the mid 2030's. Additionally, we will develop future reactors (e.g., small modular light-water reactors, high-temperature gas-cooled reactors, fast reactors, micro-reactors, nuclear fusion reactors) to be able to meet diverse needs for power sources in the future. Lastly, we are building out our wind power systems business in collaboration with partners.

## Business Initiatives in the 2021 Medium-Term Business Plan

<b>Clean Gas and Steam Power</b>	<ul style="list-style-type: none"> <li>• Develop and demonstrate hydrogen-fired gas turbines and other clean power products in pursuit of a decarbonized society</li> <li>• Expand the number of gas turbine order bookings and improve profitability by reducing costs</li> <li>• Expand advanced maintenance and innovation businesses</li> <li>• Expand industrial businesses through energy solutions</li> </ul>
<b>Nuclear Power Systems</b>	<ul style="list-style-type: none"> <li>• Provide support for the restart of domestic light-water reactor plants and the installation of severe accident management facilities, and strengthen service operations to contribute to stable supply and higher economic efficiency after restarting</li> <li>• Support the completion of nuclear fuel reprocessing facilities, support maintenance work after completion, and achieve the nuclear fuel cycle domestically in Japan</li> <li>• Decommission light-water reactor plants, and provide support for TEPCO's Fukushima Daiichi nuclear power plant</li> <li>• Promote development of next-generation light-water reactors and future reactors (e.g., small modular light-water reactors, high-temperature gas-cooled reactors, fast reactors, micro-reactors, nuclear fusion reactors) that will achieve some of the world's safest reactors thanks to the deployment of revolutionary technologies.</li> </ul>
<b>Compressors</b>	<ul style="list-style-type: none"> <li>• Expand operations by allocating more resources, including staff, to after-sales service</li> <li>• Strengthen competitiveness in new construction projects; maintain stable order bookings in oil and gas sector and top market share in chemical sector</li> <li>• Accelerate new-energy initiatives (ultra-high-speed peripheral compressors for hydrogen sector, geared compressors for CCUS)</li> </ul>
<b>Aero Engines</b>	<ul style="list-style-type: none"> <li>• Ramp up MRO business's new model (PW1100G-JM) service operations and parts repair business</li> <li>• Increase production by ramping up new Nagasaki plant's capacity utilization</li> <li>• Strengthen design and technological capabilities by deepening collaboration, including joint development programs, with aircraft engine makers</li> </ul>
<b>Marine machinery</b>	<ul style="list-style-type: none"> <li>• Participate in global R&amp;D partnerships together with the other major players in the maritime industry to accelerate the development of technology toward zero GHG emissions</li> <li>• Expand MET turbocharger business (expand and maintain market share in the two-stroke engine market as a stable business and accelerate to penetrate the four-stroke engine market for further business expansion)</li> <li>• Expand service business by strengthening global network</li> </ul>

\*1 USC: Ultra super critical \*2 CCS/CCUS: Carbon capture and storage/carbon capture utilization and storage \*3 AQS: Air quality control systems

\*4 SOFC: Solid oxide fuel cells \*5 OEM: Original Engine Manufacturer \*6 MRO: Maintenance, Repair and Overhaul \*7 GTCC: Gas turbine combined cycle

# Business Strategy: Plants & Infrastructure Systems



CO<sub>2</sub> Capture Plant (U.S.A.)

## Current Status Assessment

S	<b>Strengths</b>	<b>Commercial Ships</b>	<ul style="list-style-type: none"> <li>• Unparalleled environmental and energy-saving technologies</li> <li>• Gas-handling technologies cultivated on LNG/LPG carriers</li> </ul>
		<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Reliable and economically feasible carbon capture technology supported by commercial track records around the world</li> <li>• Engineering capabilities that respond to a variety of decarbonization businesses (e.g., clean fuel / CO<sub>2</sub> utilization) applied abundant experience in chemical reaction technologies</li> <li>• Advanced project management and system integration capabilities based on chemical plant and transportation system experience</li> <li>• Global extensive experience with APM*<sup>1</sup> and O&amp;M*<sup>2</sup> business</li> </ul>
		<b>Environmental Systems</b>	<ul style="list-style-type: none"> <li>• Comprehensive engineering capabilities for waste-treatment plants spanning entire project phase, from EPC to O&amp;M</li> <li>• Plant provided with after-sales service based on extensive track record as a plant contractor</li> </ul>
		<b>Metals Machinery</b>	<ul style="list-style-type: none"> <li>• Full product lineup and global presence</li> </ul>
		<b>Machinery Systems</b>	<ul style="list-style-type: none"> <li>• Broad scope of business fields and wide-ranging mechatronics technical capabilities</li> </ul>

\*1 APM: Automated People Mover (fully automated, driverless vehicles) \*2 O&M: Operation & Maintenance

W	<b>Weaknesses</b>	<b>Commercial Ships</b>	<ul style="list-style-type: none"> <li>• Relative cost competitiveness of large hull ratio ships (e.g., cargo ships)</li> </ul>
		<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Volatility in orders and profit</li> </ul>
		<b>Environmental Systems</b>	<ul style="list-style-type: none"> <li>• Cost competitiveness due to build-to-order manufacturing structure</li> </ul>
		<b>Metals Machinery</b>	<ul style="list-style-type: none"> <li>• Major market volatility</li> </ul>
		<b>Machinery Systems</b>	<ul style="list-style-type: none"> <li>• Predominantly mature businesses, largely in Japan</li> </ul>

O	<b>Opportunities</b>	<b>Commercial Ships</b>	<ul style="list-style-type: none"> <li>• Environmental regulations aimed at low-carbon and carbon-free initiatives in marine transportation</li> <li>• Growing demand for improved vessel safety/efficiency</li> </ul>
		<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Global acceleration of decarbonization in all industrial sectors</li> <li>• Growth in demand for O&amp;M / service business</li> </ul>
		<b>Environmental Systems</b>	<ul style="list-style-type: none"> <li>• Growing commitment to decarbonization and environmental impact mitigation</li> <li>• Digital automation of plant operations</li> </ul>
		<b>Metals Machinery</b>	<ul style="list-style-type: none"> <li>• Growing commitment to decarbonization and environmental impact mitigation, growing demand for high-value-added products such as advanced high-strength steel</li> </ul>
		<b>Machinery Systems</b>	<ul style="list-style-type: none"> <li>• Extension of new (mobility) businesses in response to electrification and smartification (IoT, AI, CASE*<sup>3</sup>) of society</li> </ul>

\*3 CASE: Connected, Autonomous, Shared & Service, Electric

T	<b>Threats</b>	<b>Commercial Ships</b>	<ul style="list-style-type: none"> <li>• Increasingly severe competition as the gap between supply and demand for new ships persists, reorganization of South Korean and Chinese shipbuilding industries</li> </ul>
		<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Increase in new entrants</li> </ul>
		<b>Environmental Systems</b>	<ul style="list-style-type: none"> <li>• Intensification of competition with competitors</li> <li>• Long-term domestic market shrinkage</li> </ul>
		<b>Metals Machinery</b>	<ul style="list-style-type: none"> <li>• Intensification of competition with competitors</li> </ul>
		<b>Machinery Systems</b>	<ul style="list-style-type: none"> <li>• Shrinking domestic market for existing businesses and intensifying competition for development in the new fields of electrification and smartification</li> </ul>

## Overview of FY2020 and Priority Strategies in the 2021 Medium-Term Business Plan

Consolidated orders received decreased year on year to ¥575.2 billion due to delays seen in contract negotiations and the order placement processes as a result of worldwide lockdowns undertaken in response to the COVID-19 pandemic that affected the commercial ship, engineering and metals machinery businesses. Revenue was likewise down year on year at ¥637.2 billion, as a result of reduced revenue from engineering and metals machinery. The decrease in profit, among other factors, resulted in a ¥10.2 billion loss from business activities, a worse performance than in the previous fiscal year.

Under the 2021 Medium-Term Business Plan, we are pursuing initiatives tailored to each business's characteristics and market environment in the aim of stabilizing and enhancing its earning capacity. In addition, in our domain as a solutions provider for environment-friendly products that contribute to the realization of a decarbonized society, we are expanding business opportunities by working on technology sharing and human resource mobility. We will continue to strengthen service businesses leveraging digitalization and expand life-cycle businesses that support customers throughout entire life cycles of machinery systems and plants.

## Business Initiatives in the 2021 Medium-Term Business Plan

<b>General</b>	<ul style="list-style-type: none"> <li>• Pursue initiatives tailored to each business's characteristics and market environment in the aim of stabilizing and increasing its earning capacity</li> <li>• Expand business opportunities by internal flexible mobilization of human resources and by sharing technology across businesses as a provider of environment-friendly product solutions that contribute to the realization of a decarbonized society</li> <li>• Strengthen service businesses leveraging digitalization</li> <li>• Expand life-cycle businesses that support customers throughout entire life cycles of machinery systems and plants</li> </ul>
<b>Commercial Ships</b>	<ul style="list-style-type: none"> <li>• Build high-density, outfitted ships like government vessels and ferries</li> <li>• Extend engineering businesses in response to environmental regulations, etc.</li> </ul>
<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Strengthen decarbonization business (e.g., clean-fuel / CO<sub>2</sub>-utilization)</li> <li>• Expand O&amp;M / service business through digitalization</li> </ul>
<b>Environmental Systems</b>	<ul style="list-style-type: none"> <li>• Strengthen ability to provide best solution and cost competitiveness to win orders for new construction projects</li> <li>• Upgrade engineering capabilities to drive sustained profit growth</li> </ul>
<b>Metals Machinery</b>	<ul style="list-style-type: none"> <li>• Strengthen decarbonization and other environmental initiatives</li> <li>• Expand life-cycle businesses (expand maintenance service businesses, roll out advanced services that leverage digitalization)</li> </ul>
<b>Machinery Systems</b>	<ul style="list-style-type: none"> <li>• Enhance management efficiency through internal resource sharing and flexible mobilization of human resources</li> <li>• Advancement of service businesses through digitalization</li> <li>• Create electrification/smartification businesses (in the mobility space) through utilization of mechatronics technologies</li> </ul>

## Business Strategy: Logistics, Thermal & Drive Systems



Engine Generator Sets for Data Centers

### Current Status Assessment

<b>Strengths</b> <span style="font-size: 48px; color: #4F81BD; opacity: 0.5;">S</span>	Expertise cultivated in a wide range of product fields and effective utilization of resources within the domain	
	<b>Material Handling Systems</b>	<ul style="list-style-type: none"> <li>A product lineup that can be consistently offered from ports to warehouses, as well as a strong sales network</li> </ul>
	<b>HVAC Systems, Automotive Air-Conditioners</b>	<ul style="list-style-type: none"> <li>Extensive product lineup and world-class environmental and energy-saving technologies</li> </ul>
	<b>Turbochargers</b>	<ul style="list-style-type: none"> <li>Ability to develop high-performance and high quality products leveraging high-speed rotation and heat &amp; fluid dynamics technologies</li> </ul>
	<b>Engines</b>	<ul style="list-style-type: none"> <li>Technological capability to use alternative fuels such as hydrogen</li> </ul>
<b>Weaknesses</b> <span style="font-size: 48px; color: #4F81BD; opacity: 0.5;">W</span>	Tendency to be affected by short-term economic fluctuations	
	<b>Turbochargers</b>	<ul style="list-style-type: none"> <li>Specialization in the single product makes the business more heavily vulnerable to customer business conditions</li> </ul>
	<b>Engines</b>	<ul style="list-style-type: none"> <li>Resources are spread out due to large lineup</li> </ul>
<b>Opportunities</b> <span style="font-size: 48px; color: #4F81BD; opacity: 0.5;">O</span>	<b>Material Handling Systems</b>	<ul style="list-style-type: none"> <li>Growing market for logistics solutions with expansion of e-commerce business</li> </ul>
	<b>HVAC Systems, Automotive Air-Conditioners</b>	<ul style="list-style-type: none"> <li>Expansion of market for products meeting environmental and energy-saving regulations</li> </ul>
	<b>Turbochargers</b>	<ul style="list-style-type: none"> <li>Increase in hybrid vehicles with turbochargers during the shift to electric</li> </ul>
	<b>Engines</b>	<ul style="list-style-type: none"> <li>Growing data center market and expanding market for the distributed gas power generation systems market in Southeast Asia</li> </ul>
<b>Threats</b> <span style="font-size: 48px; color: #4F81BD; opacity: 0.5;">T</span>	Adverse effects of U.S.-China trade friction and COVID-19	
	<b>Turbochargers</b>	<ul style="list-style-type: none"> <li>Shrinking market over the longer term due to accelerated growth of electric vehicles</li> </ul>
	<b>Engines</b>	<ul style="list-style-type: none"> <li>Medium to long-term decline in demand for diesel and gas engines due to energy transition</li> </ul>

## Overview of FY2020 and Priority Strategies in the 2021 Medium-Term Business Plan

Consolidated orders received were down year on year to ¥868.0 billion due to a decrease in material handling systems and turbochargers resulting from the negative impact of the COVID-19 pandemic on business conditions. Revenue was down year on year to ¥860.3 billion due to the decrease in material handling systems and turbochargers. Profit from business activities decreased year on year to ¥15.6 billion largely due to the impact of a decrease in sales despite improvements being made through optimization of fixed costs.

COVID-19 has wreaked havoc since the second half of FY2019, and the entire Logistics, Thermal & Drive Systems domain has been affected, but revenue bottomed out in the first quarter of FY2020 and is on a trend of recovery. Furthermore, the impact on profit from business activities was minimized by quickly implementing measures such as the optimization of fixed costs.

## Business Initiatives in the 2021 Medium-Term Business Plan

<b>General</b>	Medium volume products are expected to recover to pre-COVID levels in FY2021, followed by a steady expansion of the market. The Company will continue to optimize resources and prepare for further growth.
<b>Material Handling Systems</b>	<ul style="list-style-type: none"> <li>Promote growth strategies in the expanding of our solutions portfolio</li> <li>Strengthen sales strategy (reorganization of sales network, introduction of new products)</li> </ul>
<b>HVAC Systems, Automotive Air-Conditioners</b>	<ul style="list-style-type: none"> <li>Grow BtoB area through expansion of product lineup matching the needs of each region</li> <li>Strengthen sales (proceeding with direct sales, etc.)</li> <li>Expand lineup of environmentally friendly products</li> </ul>
<b>Turbochargers</b>	<ul style="list-style-type: none"> <li>Focus on immediate optimization of fixed costs based on changes in market conditions</li> <li>Accelerate development of new products supporting electrification</li> </ul>
<b>Engines</b>	<ul style="list-style-type: none"> <li>Focus resources into medium and large core products</li> <li>Place emphasis on promising markets, such as those for data centers and distributed gas power generation systems in Southeast Asia</li> <li>Develop engines fueled by 100% hydrogen and hydrogen blends</li> </ul>

## Business Strategy: Aircraft, Defense & Space

H-IIB Launch Vehicle No. 9 (H-IIB F9), carrying aboard the H-II Transfer Vehicle "KOUNOTORI9" (HTV9)

### Current Status Assessment

Strengths <b>S</b>	Commercial Aviation	<ul style="list-style-type: none"> <li>Business domain covering the entire value chain of commercial aviation (aero structure, aircraft OEM and operation support including MRO)</li> <li>Design and manufacturing technologies for large composite main wing boxes and other structural components</li> <li>Over 1,000 in service CRJ fleet as the business assets</li> </ul>
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> <li>Leading-edge technologies cultivated by the development of defense and space products</li> <li>Defense: Ability to make proposals for integrated defense systems, and expertise and channels cultivated through past and ongoing international projects</li> <li>Space: Development capabilities in launch vehicles and rocket engines and their world-leading reliability</li> </ul>
Weaknesses <b>W</b>	Commercial Aviation	<ul style="list-style-type: none"> <li>Biased commercial aviation business portfolio and supply chain</li> <li>High sensitivity to foreign exchange fluctuations, as business is concentrated on overseas customers</li> </ul>
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> <li>Defense: A lack of experience in export projects</li> <li>Space: Inadequate cost competitiveness in global markets</li> </ul>
Opportunities <b>O</b>	Commercial Aviation	<ul style="list-style-type: none"> <li>Growth opportunity of new aircraft delivery and MRO business along with long-term passenger demand increasing</li> <li>More demands by operators for "total care" operation support to their fleet</li> <li>Increasing need for innovative technology for environmental adaptation, such as decarbonization and electrification</li> </ul>
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> <li>Defense: A decision on the Three Principles on Transfer of Defense Equipment and Technology by the Japanese Cabinet</li> <li>Growth in the domains of space, cyberspace, and electromagnetic spectrum due to revisions of the National Defense Program Guidelines and the Mid-Term Defense Program by the Japanese Government</li> <li>Space: Growing launch market in line with an expanding need for satellites, including the use of space in national security</li> </ul>
Threats <b>T</b>	Commercial Aviation	<ul style="list-style-type: none"> <li>Business environment with vulnerability of the passenger demand due to event risks such as conflict, economic crisis, epidemics, natural disaster, etc.</li> <li>Global reorganization across industries, including M&amp;A, and more competition as the result of such industry movement</li> </ul>
	Integrated Defense & Space Systems	<ul style="list-style-type: none"> <li>Defense: Budget cuts for Japanese-made frontal combat equipment due to an increase in imported equipment</li> <li>Space: A risk of price-cutting of overseas launch services due to the entry of U.S. start-ups</li> </ul>

## Overview of FY2020 and Business Initiatives in the 2021 Medium-Term Business Plan

Consolidated orders received were down year on year to ¥626.2 billion, mainly due to a decrease in commercial aviation as a result of sluggish demand for aircraft caused by the COVID-19 outbreak. Furthermore, revenue decreased year on year to ¥702.1 billion due to a decrease in commercial aviation despite an increase in defense products such as missile systems and naval ships. Business profit improved year on year to a loss of ¥94.8 billion due to the minimization of SpaceJet expenses.

In the field of commercial aviation, we are working to build a highly profitable production base by further improving production efficiency and strengthening cost competitiveness in the aero structure business for the future recovery of aviation demand, and are also utilizing the composite manufacturing technologies we have developed over the years to participate in narrow-body aircraft programs expected to see high growth. For the commercial aircraft business, we are aiming to establish our revenue base for the CRJ program and expand upon

the MRO\*<sup>1</sup> business (which is recovering relatively quickly from the impact of COVID-19). In the SpaceJet program, we will consider various business possibilities by utilizing the knowledge and expertise we have obtained thus far while monitoring 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\*<sup>2</sup>, 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, aiming for the first launch in FY2021.

\*1 MRO: Maintenance, Repair and Overhaul

\*2 MRO&U: Maintenance, Repair, Overhaul, and Upgrade

## Business Initiatives in the 2021 Medium-Term Business Plan

Commercial Aviation	Aerostructure business	Develop highly profitable production base	<ul style="list-style-type: none"> <li>Automate indirect operations through AI/IoT</li> <li>Enhance procurement networks in North America and Asia</li> </ul>
		Initiatives for new programs	<ul style="list-style-type: none"> <li>Participate in new program for narrow-body aircraft utilizing composite technology and automated assembly technology</li> </ul>
	Aircraft OEM business	Strengthening of MRO business	<ul style="list-style-type: none"> <li>Capture demand recovered from the impact of COVID-19 in the North American MRO market of CRJ program through expansion of maintenance hangars</li> </ul>
		SpaceJet Program	<ul style="list-style-type: none"> <li>Utilize obtained knowledge and expertise</li> <li>Consider various business possibilities for commercial aircraft</li> </ul>
Integrated Defense & Space Systems	Expansion of existing domestic and peripheral fields	Existing business	<ul style="list-style-type: none"> <li>Steadily conduct our next core projects (F-X: Japanese next generation fighter, H3 Launch Vehicle)</li> <li>Expand business for Command and Control systems and M&amp;S*<sup>3</sup>, etc.</li> </ul>
		Related business	<ul style="list-style-type: none"> <li>Expand MRO&amp;U, and education and training</li> <li>Expand into new related business fields (space [including utilization of satellite information], cyberspace, unmanned vehicles, etc.)</li> </ul>
	Overseas business expansion	Application of MHI products for foreign military equipment	<ul style="list-style-type: none"> <li>Utilize channels with overseas manufacturers cultivated through existing businesses</li> <li>Cooperate with the Japanese government in parallel with inter-company talks</li> </ul>
		International development projects	<ul style="list-style-type: none"> <li>Launch international development projects with allies (supporting the Japanese government)</li> <li>Enter international development projects</li> </ul>
	Establishment of civil businesses using dual-use technologies		<ul style="list-style-type: none"> <li>Utilize core technologies of defense and space</li> <li>Expand civil business particularly in the safety and security field (cybersecurity, warning surveillance, wide-area status observation)</li> </ul>

\*3 M&S: Modeling and Simulation