

A Message from the President and CEO

Achieve Group-Wide Optimization and Reach Expansion

Unlocking growth potential to establish a virtuous
cycle of high profitability and growth investments
by creating new value

Eisaku Ito

President and CEO



A Message from the President and CEO

Toward a Bold New Start

Bolstered by strong performance, now is the time for ambitious change

My name is Eisaku Ito, and I assumed the role of President and CEO in April 2025. I would like to express my sincere gratitude to all of our stakeholders, including shareholders and other investors, for their continued support.

In 1987, I joined Mitsubishi Heavy Industries driven by the ambition to contribute to the world in the field of gas turbines, which I had studied at university. I spent around 30 years engaged in the R&D of gas turbines at MHI's research institute and business divisions in Takasago City, Hyogo Prefecture, in Western Japan. In 2016, the Technology & Innovation Headquarters, ICT Solution Headquarters, and Value Chain Headquarters were consolidated to form the Shared Technology Framework. Beginning in 2016, I spent two years in our Marketing & Innovation Headquarters, a department within the Shared Technology Framework. From 2020, I served as CTO and led our Shared Technology Framework.

As a member of the executive team, I now oversee the entire company, but back during my days at our research institute, I had opportunities to engage broadly with products other than gas turbines. The purpose of the Shared Technology Framework is to effectively deploy technology across MHI Group. In that sense, I have always been mindful of the Group's overall direction from

a technological perspective.

Since our founding, MHI Group has contributed to the progress of society with our businesses. Upon assuming the role of CEO, I considered the dual issues of how we can achieve sustained growth going forward and how we can help resolve the various challenges facing humanity. As my answer to these questions, I launched our new corporate strategy, Innovative Total Optimization (ITO), to unlock our inherent potential.

Allow me to share my thoughts on leading MHI Group—including the ITO concept—with you, the stakeholders reading this report.

Approach to Change

Innovative Total Optimization

In FY2024, MHI Group posted record-high figures for orders received, revenue, and profit. Notably, our growing core businesses, such as Energy Systems and Defense, significantly exceeded our plan, contributing to an order backlog exceeding ¥10 trillion.

Leading MHI during a time of such strong performance is a privilege, but I also feel a great sense of responsibility. I believe our excellent performance in FY2024 presents a rare and valuable opportunity for transformation. Therefore, I decided to implement the ITO concept, aiming to fundamentally transform how we work and think. This management methodology pursues two goals to fully unlock our potential: Group-Wide Optimization and Reach Expansion.

By creating a virtuous cycle comprised of two steps—1) Transition to a high-profitability business model, and 2) Reallocating resources to growth investments—we will target sustained enhancement of corporate value. The three-letter acronym ITO also matches my last name, so I hope it will be easy for everyone to remember.

First Pillar of ITO: Group-Wide Optimization

Two perspectives to ensure reliable business execution

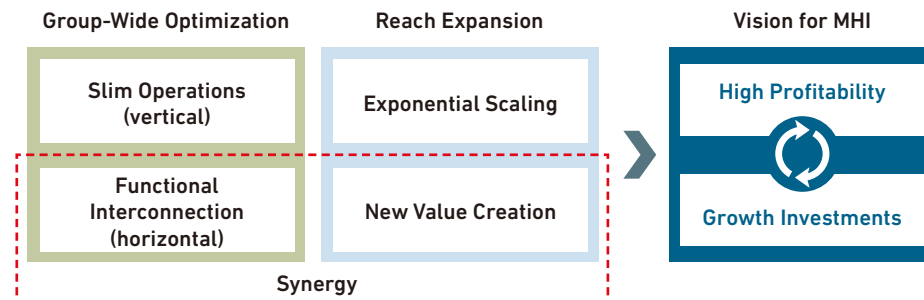
The first pillar of ITO is the implementation of Group-Wide Optimization. This means strengthening vertical and horizontal collaboration within the organization to improve productivity and increase profitability.

Regarding vertical optimization, our goal is to streamline the entire value chain of each business as much as possible. This involves strengthening collaboration across operational processes, such as development, technical design, manufacturing, sales, and services to streamline the flow of goods and information, with the aim of improving quality, cost, and delivery (QCD) and halving lead times. Maintaining functions like R&D and IT as shared Group-wide platforms will also enable each business to operate in a slim, streamlined manner.

Horizontal optimization refers to the functional integration of knowledge and technologies across multiple organizations. By sharing best practices, lessons learned from past failures, and early signs of change in the business environment throughout the Group, we can significantly enhance our productivity and risk management capabilities.

To provide a simple example, MHI Group has around 30 Strategic Business Units (SBUs). If each SBU were to stop building similar IT tools independently, and instead the entire Group adopted one superior tool, we could achieve equal or better results with a single effort. I believe that one effort is enough. For example, when an SBU faces what seems to be a new problem, other SBUs may have already experienced that problem and established solutions to it. In such cases, rather than tackling the issue within a single SBU, gathering experienced personnel from other departments for a short-term,

Basic Concept of ITO



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intensive response would allow us to solve the problem at an early stage while it is still manageable.

MHI has accumulated expertise in a variety of forms, including core technologies, digital techniques, and intellectual property, which are housed in our technical and corporate departments as shared assets. While our SBUs work to streamline their operations as much as possible during normal operations, our ability to execute concentrated deployment of resources during critical phases is a key strength of the Group.

This Group-Wide Optimization will enable us to significantly reduce unnecessary work and costs, and in so doing, I believe we will be able to cut internal expenses by one percentage point or more relative to total revenue. By improving our fundamental cost structure, we will succeed in lowering the barriers to launching promising new products and increasing the likelihood of their success.

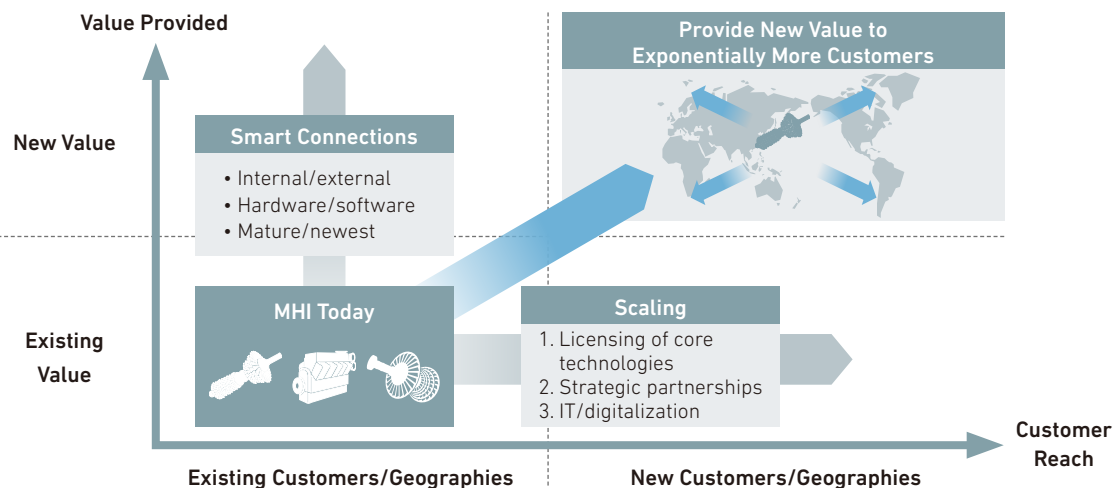
Second Pillar of ITO: Reach Expansion

Making significant contributions to the advancement of society by providing new value to exponentially more customers

The second pillar of ITO is Reach Expansion, which involves quickly delivering new value to an exponentially greater number of geographies and customers, thereby expanding our reach. This entails dramatically increasing both the value we offer and the customer segments we target, ignoring existing boundaries. Key concepts for Reach Expansion are Exponential Scaling and Smart Connections.

The first key concept, Exponential Scaling, means dramatically increasing the number of customers and regions we reach by combining the licensing of core technologies, strategic partnerships, and the leveraging of IT. In our efforts to faithfully meet each customer's needs, we have often responded to individual requests by designing custom solutions and sourcing different parts for each case. While this attentive approach has helped us build customer trust, responding to individual requests in the traditional way limits the reach of even the best products and technologies. By anticipating

Image of Reach Expansion



social needs and preparing standardized, broadly applicable designs, we can meet the requirements of multiple customers and proactively make optimal proposals to them. Moreover, delivering our products to a wider customer base allows us to increase our contributions to the advancement of society.

As we expand globally, we aim to reach customers previously beyond our reach by licensing our products to partners in various countries. While we focus on core components, increasing sales volume through our licensees will allow us to generate new revenue from after-sales services.

The second key concept, Smart Connections, means combining the diverse technologies and products within the Group to create new value. With over 500 products and more than 700 technologies, we possess an unparalleled diversity of offerings. When developing new products, we can meet 95% of our requirements by combining existing technologies within the Group, while addressing the remaining 5% with new development or open innovation. This overwhelming technological platform is the source of both our fast development speed and quality, and I believe this is a capability unique to MHI Group.

Addressing Global Challenges

Combining technologies to deliver practical solutions

The world faces various challenges, including the need for stable energy supplies, as well as climate change, other global environmental issues, and increasing geopolitical risks.

Major natural disasters caused by global warming remain a pressing issue, and efforts to achieve decarbonization are still essential. At the same time, there has been growing recognition in recent years of the need for solutions tailored to the regional characteristics of each country. MHI Group has consistently advocated for a realistic Energy Transition incorporating the S + 3E (Safety + Energy security, Economic efficiency, and Environment) concept. We are proud that this has been effective and gained wider acceptance. One example of this is thermal power, where transitioning from coal to gas can reduce CO₂ emissions to around one-third of previous levels. As such, orders for gas turbine combined cycle (GTCC) systems are extremely strong. We see similar trends toward the recommissioning and new construction of nuclear power plants in Japan.

Meanwhile, many countries experiencing rapid growth require infrastructure development to keep pace with population increases

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and urbanization. At MHI Group, we possess numerous technologies and products that can help resolve municipal issues and realize a circular society in emerging countries. These include cutting-edge AI-based control technology for waste-to-energy plants and hydrolysis technology for converting food waste into biological raw materials. By partnering with leading local companies and licensing our core technologies, we can make an even greater social impact.

One example of this is Prismo, a next-generation Automated Guideway Transit (AGT) system—announced in May 2025—which combines electrification technologies with our existing automated guideway transit system. Prismo cars can be rapidly charged during station stops, eliminating the need for power rails and offering advantages in terms of cost and aesthetics. Moreover, this new system overcomes time and location constraints, and can effectively utilize renewable energy.

We are also excited about the potential of intelligent mechanical

systems. One of our strengths is running complex, high-performance machines with exceptional precision backed by many years of experience in hardware control technology. Incorporating AI technologies will allow us to automate plant operations and coordinate among multiple machinery systems to optimize performance—capabilities that have become our core competencies. We are also preparing to provide various solutions to address the severe labor shortages expected in the near future.

Through our MHI FUTURE STREAM initiative—which continuously monitors around 100 megatrends—we work to formulate solutions to the many challenges facing the world by combining our proprietary technologies and products.

While I often use the term Group-Wide Optimization, we are not pursuing an omnidirectional approach to business strategy. Rather, in our approach to business portfolio management, we are deliberately prioritizing certain businesses, offering solutions that address the challenges facing society.

2024 MTBP Progressing as Planned

Efficiently executing future-oriented capital investments and R&D

As I mentioned earlier, MHI Group posted record-high results in FY2024, and as such, our 2024 Medium-Term Business Plan (MTBP), ending in FY2026, is progressing as planned, giving us confidence in our ability to balance business growth with further profitability improvements.

In our growing core businesses, the current challenge is to enhance business execution capabilities by increasing resource deployment to meet an unprecedented volume of customer orders, while reliably delivering products and services to our customers. With this in mind, we will aggressively and rationally execute R&D and capital expenditures to prepare our company for the future. For example, we are expanding production in GTCC to meet strong demand. Even when making capital expenditures in similar amounts to past disbursements, today, we can greatly enhance the effectiveness of those investments by conducting factory production simulations

beforehand. Moreover, we can increase production volume by 20%–30% by improving manufacturing techniques and optimizing processes, even without expanding our facilities.

In our future growth areas, our strategy is to interpret changes in the market and make adequate preparations to move forward with commercialization. Due to uncertainties regarding government policies, there is a global trend toward stagnation in projects involving hydrogen and ammonia. The greatest challenge lies in investment economics that make sense from the customers' perspective. If we can offer proposals with greatly improved economics, projects with forward momentum will definitely emerge. In the meantime, we will go back to the R&D phase in order to resolve barriers to real-world implementation.

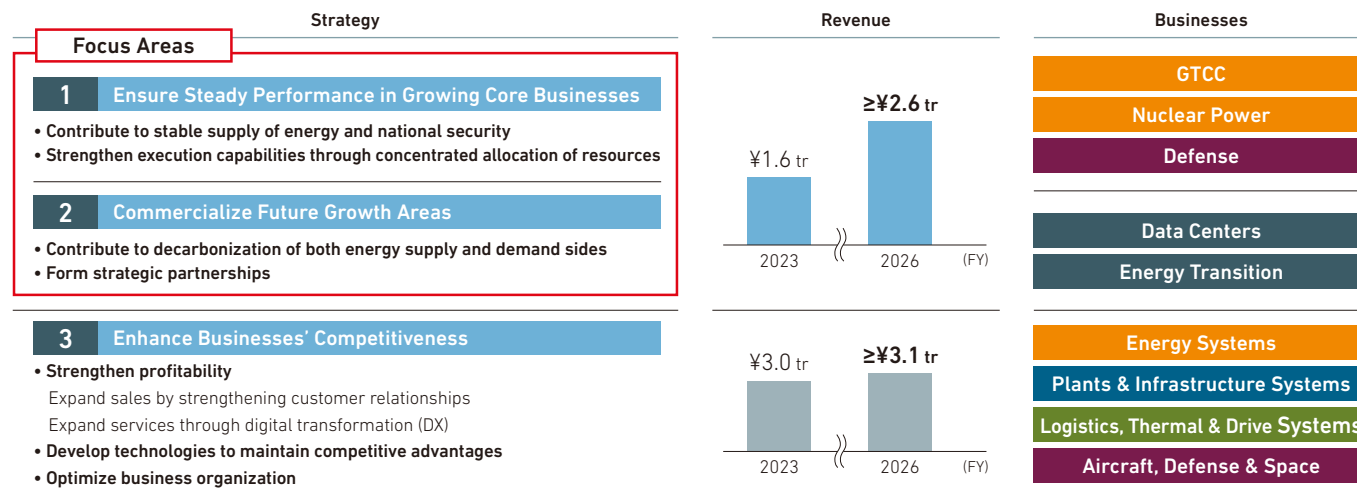
Regarding businesses requiring competitiveness enhancements, we are working to shift our perspective, seeking out the true value required by the end-users beyond our customers. By putting ourselves in their shoes and delivering features and value that satisfy the users' needs, we might open up entirely new markets different from those in which we have operated before. As a first step, each SBU will engage in rigorous brainstorming to explore new possibilities for value creation. If we find a clear path to significant growth, we may redefine that SBU as a future growth area and execute focused deployment of resources accordingly. If, however, we find a best owner outside of the Group, which is capable of successfully growing that business, we will not hesitate to entrust it to them.

While our policy to focus investments on growing core businesses and future growth areas remains unchanged, we will also actively invest in promising opportunities outside these focus areas where good ideas emerge and opportunities exist, and where we are confident that solid growth is possible. One example is Prismo, which I mentioned earlier.



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Policies and Objectives of Portfolio Management



Based on the presentation materials from the 2024 Medium-Term Business Plan Progress Briefing (May 28, 2025)



Working with Internal and External Partners Who Share

Common Goals

Aiming to be a company where employees contribute to society and enjoy their work

I hope that all 80,000 employees of MHI Group will take pride in knowing that their work makes a significant contribution to the advancement of society and enjoy doing so. The Group is active in a wide range of areas, from those with a global impact, to those closely connected to everyday life. The way in which our employees engage with our products and businesses varies by division and job description. When we work with an awareness that our efforts contribute to the advancement of society, we can deliver excellent products and services to our customers. This, in turn, encourages our customers to choose our Group's products again. I believe that my greatest mission as CEO is to draw out the full potential of each and every employee.

Moreover, I intend to actively promote our vision and our future

aspirations, and we welcome people for whom these resonate to join our Group. Even if they do not, I hope to increase the number of external partners who will work with us toward the same goals.

MHI Group's 140-Year History of Transformation and Growth Delivering results that exceed expectations

Our share price has shown strong performance recently. This reflects the high expectations of the capital markets, which instills in me a strong sense of responsibility. Our market capitalization is now over ¥10 trillion, which indicates that society expects great things from us.

While this record-high performance is certainly gratifying, this is only the beginning. We have yet to unlock our full potential, and I believe we can grow even more.

MHI has a proud history of more than 140 years, but if we consider that a single employee's career lasts only around 40 years, 140 years is not even four times that. During that time, products like launch vehicles and nuclear power plants—which did not exist at our

founding—were created, and businesses that we started with licenses from European and American companies grew to make world-leading products utilizing our own technologies. When I joined the company, the gas turbine business was like an in-house start-up project, but in just 40 years it has grown into a trillion-yen business. The history of Mitsubishi Heavy Industries is one of bold efforts to pursue new opportunities, transformative change, and sustained growth.

The Group still has ample potential for growth. By unlocking that potential, meeting the needs of exponentially more customers, and making a greater contribution to global progress, I believe we can also deliver exceptional outcomes in terms of business performance.

By putting ITO into practice, we will establish a virtuous cycle of growth investments and high profitability, delivering on the shareholder returns promised in our 2024 MTBP. We invite you to follow our progress in this ambitious endeavor.