

Special Feature 01

At the Forefront of Our Future Growth Areas

A Message from the CSO

We are seeing progress in our efforts to expand the future growth areas that will drive MHI Group's sustained development in the future. In the growing data center market, we are considering M&A as a means to accelerate early-stage business expansion. In this section, Masayuki Suematsu, CSO, explains MHI Group's growth strategies.

Unlock growth potential and create new value

Masayuki Suematsu

Director, Executive Vice President, and CSO



Special Feature 01 ▶ **At the Forefront of Our Future Growth Areas****Record-High Results in FY2024****Past efforts now bearing fruit**

In FY2024, we posted record-high figures for orders received, revenue, and business profit. We see this outcome as the fruition of our long-standing efforts to improve profitability. For example, we have worked for several years to increase profitability by expanding the proportion of after-sales services in our Strategic Business Units (SBUs). Now, we are seeing tangible results from these steady efforts, and we feel confident in the progress being made.

Strengthening portfolio management is one of the goals of our 2024 Medium-Term Business Plan (MTBP), so this is not a new development. Indeed, there are many examples of M&As that have helped optimize our portfolio of businesses. Under our 2024 MTBP, we classified our businesses into three categories: growing core businesses, future growth areas, and businesses requiring competitiveness enhancements. Going forward, we will continue strengthening the Group by carefully considering business cycles and market positioning in each of these categories, applying clear priorities within them.

At the Forefront of Our Future Growth Areas**Power generation, cooling, and control systems—
one-stop-shop solutions for data centers**

To realize sustained growth in MHI Group, we are working to commercialize our future growth areas, leveraging them as potential drivers of performance.

In the data center sector, the rapid proliferation of generative AI, particularly in North America, is expected to spur additional data center construction, accompanied by increased demand for power generation, cooling, and other equipment. MHI Group has a strong track record of deliveries and customer trust in these areas, and by combining them with our expertise in energy management—including control and monitoring—we aim to provide one-stop-shop

solutions to data center customers. Our goal is to be a partner that can respond to our customers' diverse needs in one stop, going beyond simple equipment supply to become a player in the integrated solutions space.

An important step toward this goal was our acquisition of U.S.-based Concentric, LLC—a power solutions provider with a nationwide customer network—in 2023. We are working to accelerate development of our data center business, with Concentric at its core. In May 2025, we established a new strategic business hub in the United States, the world's largest market. From this location in Dallas, Texas, we will collaborate with major U.S. industry players and leading technology providers to speed up the development of next-generation products. We will continue actively pursuing M&As as we expand our operations, aiming to grow the data center business into a multi-hundred-billion-yen operation as soon as possible. We will also build a framework to address advanced customer needs in not only our main market, the United States, but also Japan and Southeast Asia.

In the Energy Transition, another future growth area, real-world implementation is progressing more slowly than expected. Economic feasibility is clearly the main challenge, but the need for decarbonization to secure the planet's future remains unchanged. Therefore, we believe it is vital to persist in technology development to resolve issues related to implementation, preparing for future needs.

In the hydrogen and ammonia area, we are driving forward with technology development across the entire value chain, from production to utilization. Some technologies are approaching the practical application phase, including hydrogen co-firing and 100% hydrogen firing in gas turbines, as well as 100% hydrogen combustion in reciprocating gas engines. In the CO₂ capture, utilization, and storage (CCUS) area, we are building a wide product lineup to address demand, ranging from compact, standardized capture units to large-scale, tailor-made carbon capture plants.

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We cannot promise results overnight, but at the same time, we are not sitting back and waiting for progress to materialize over, for example, a 10-year timeframe. Rather, we will swiftly propose cost-effective solutions that make it easier for customers to make investment decisions.

In our growing core businesses—GTCC, Nuclear Power, and Defense—we are booking numerous orders on the back of robust demand. In response to this situation, we are proactively expanding production capacity, strengthening human capital, pushing forward with R&D, and reinforcing the supply chain. Based on the CEO's Innovative Total Optimization (ITO) approach to managing the company, we are working to shorten lead times, raise productivity, and make sufficient investments as needed, in a flexible manner.

We are also driving forward initiatives in the businesses that require competitiveness enhancements, aiming to further improve the profitability of existing operations. For example, in the Box Making Machine* business within the Plants & Infrastructure Systems segment, we offer remote maintenance services using augmented reality (AR) technology, which saw rising demand during the COVID-19 pandemic. We provide these services through a subscription model as part of our effort to enhance services offerings by leveraging digital technologies. In the Steam Power business within the Energy Systems segment, we have carried out structural reforms over many years, transforming it into a highly profitable business specializing in after-sales services.

* A machine that processes corrugated sheets into cardboard boxes for packaging, transport, and storage

MHI Is in Growth Mode**Unlocking our full potential, rather than playing defense**

While I have spoken about the steady progress MHI is making, I must point out that running a business resembles a sailboat pressing forward even against headwinds. Risk—like the wind—is a constant force, evolving in nature and impact, with the potential to drive both gains and setbacks. To win a yacht race, for example, you must first know the latest rules and regulations, then accurately predict the wind and topography from forecasts and charts. Running a corporation is no different. As a company, we must understand global policy trends, gather and analyze information on uncertainties in the business environment, and anticipate their impact on our businesses at an early stage. This will enable us to turn changes in our environment to our advantage and press forward.

CEO Eisaku Ito, who took office in April 2025, introduced a new corporate strategy and methodology called ITO. This is a management approach that seeks to create significant innovation by drawing out the potential of MHI Group from the perspective of Group-Wide Optimization, while achieving Reach Expansion in our businesses in terms of both quality and quantity. The essence of ITO lies not in mere cost reductions or efficiency improvements. By sharing knowledge, successes, and lessons learned from past failures across organizational boundaries and working together, we can create new value beyond what was previously thought possible.

Thorough implementation of ITO is also one of my key missions. To this end, I will use new digital media to convey ITO more widely and clearly to our employees. By staying true to



fundamental practices, working diligently, and continuing to challenge ourselves without setting self-imposed limits, we will gain the rewarding experience of delivering new value. I want employees to recognize that we are in growth mode, and I will work to create an environment that allows them to enjoy their work while fully utilizing their abilities.

As CSO, I will help lead MHI Group to unlock its growth potential and create new value, with the aim of enhancing overall corporate value.