

Q&A Summary

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Speakers: Masanori Yuri, Senior Fellow, Senior General Manager, GTCC Business Division, Energy Systems; Head of Takasago Machinery Works
Takao Tsukui, Director of the Sales Strategy Department, Energy Systems; President and CEO, Mitsubishi Power, Ltd.

Questioner 1

Q. What are the advantages of MHI's gas turbines compared to those of GE and Siemens?

A. (Yuri) Our gas turbines are distinguished primarily by their high reliability. At our Takasago Machinery Works, we operate an on-site, commercial-scale power plant where new technologies undergo long-term validation prior to market launch. Although this approach requires additional development time, it ensures that our products maintain exceptional reliability once launched.

Q. I assume that other companies could adopt a similar approach. Do you expect GE and others to follow this model?

A. (Yuri) The timing of product launches varies according to each company's policies. Given the advanced combustion and cooling technologies used in gas turbines, our policy is to thoroughly verify new technologies at our own grid-connected power plant before introducing them to the market.

Q. While high reliability is a key differentiator, would you not say that high efficiency and fuel flexibility are also advantages of MHI's gas turbines?

A. (Yuri) My understanding is that our output and efficiency levels are comparable with those of other manufacturers.

Q. You received a large order from Taiwan Power Company in September, but were you competing against GE or other companies? If so, what advantages helped you win the order?

A. (Yuri) We refrain from commenting on our competitors. However, our understanding is that the order was ultimately awarded based on the superior reliability of our turbines, considering both quantitative and qualitative factors.

Q. MHI reports your gas turbine backlog in terms of units, but could you convert this figure into gigawatts (GW)?

A. (Yuri) As of the end of Q1 FY2025, our backlog was 53 units. Since the output of a single large frame gas turbine slightly exceeds 0.4 GW, one estimate of the total backlog could be

over 20 GW.

- Q. MHI's planned 30% increase in production capacity seems conservative relative to GE and Siemens. What is your perspective on capital investment?
- A. (Yuri) Based on the extremely strong demand we see in the market, we are currently working to increase production. While our initial target is a 30% capacity increase, we are considering further expansion. We aim to realize this increase with a lean approach in order to remain responsive to market fluctuations and customer needs, since it is unclear whether elevated demand will be sustained in the long term.

Questioner 2

- Q. Regarding the plan to increase production capacity by 30% toward the end of FY2026, what bottlenecks exist at Takasago Machinery Works, and how will you optimize production? Will capacity step up in March 2027 or increase gradually?
- A. (Yuri) Gas turbine production involves various processes including material procurement, manufacturing, and assembly, and we do not have one bottleneck in any single process. Our approach is to increase production with a lean approach by shortening lead times and standardizing designs. While I cannot specify the exact number of units we will produce starting in any given fiscal year, we plan to gradually increase capacity.
- Q. Have there been any specific changes since the new President & CEO, Mr. Ito, took office, or are current efforts a continuation of existing initiatives?
- A. (Yuri) Over the past year, requests for increased production have intensified significantly. Although our fundamental approach has remained consistent since Ito assumed the position of CEO, we have accelerated our efforts to increase production.
- Q. You mentioned a desire to maintain balanced order intake across regions. Could you share recent trends in your U.S. market share and future product development plans?
- A. (Tsukui) We opened Savannah Machinery Works in the U.S. in 2011, which was our second gas turbine manufacturing base to be established after Takasago. This facility is crucial for mitigating currency risks, and our business in North America – where demand for gas turbines is strong, especially driven by power requirements from data centers – is steadily growing. That said, to hedge risks and honor longstanding customer relationships, we aim for balanced order distribution, including Southeast Asia and the Middle East, avoiding overconcentration in North America.
- Q. What is your position on the direct supply of gas turbines to data centers?
- A. (Tsukui) Our contracts for gas turbines are with power companies, not directly with data centers. In North America, most demand for gas turbines comes from power companies, while it is absolutely true that data centers are driving the demand for electricity as offtakers. We

have solid partnerships with power companies and a strong track record in the U.S. However, there is a possibility that Independent Power Producer (IPP) projects will increase in response to rising power demand, resulting in a situation resembling the IPP boom of the 2000s, so we should monitor the situation carefully.

Questioner 3

- Q. The surge in data center demand seems like a significant business opportunity. Is there direct demand for gas turbines from data centers, and what is your strategy for this market?
- A. (Tsukui) While data center electricity needs drive gas turbine demand indirectly, most power plant development in North America is planned by power companies. Our policy is to focus on meeting demand from these power companies.
- Q. You have stated goals to achieve zero CO2 emissions via the utilization of hydrogen and ammonia. What is your outlook on the timeline for practical application and commercialization of these decarbonization technologies?
- A. (Yuri) We updated our hydrogen and ammonia utilization roadmap two years ago amid a high level of excitement in the market. However, we feel real-world implementation has slowed somewhat due to unresolved technological, economic, and supply chain challenges. We remain committed to developing hydrogen- and ammonia-ready gas turbines, and our R&D efforts have not abated, but progress has been slower than anticipated, particularly considering fuel procurement and overall supply chain feasibility.

Questioner 4

- Q. Could the anti-ESG movement in the U.S. affect the green hydrogen gas turbine project in Utah, now or in the future?
- A. (Tsukui) As MHI is not the primary operator of the Utah project, I will refrain from commenting on this matter.

Questioner 5

- Q. What synergies have you observed in MHI's GTCC business through your collaboration with Dongfang Turbine in China?
- A. (Tsukui) Our strong partnership with Dongfang Electric Corporation is over 20 years old, and we have licensed our technology to them since the first national project in China.
- (Yuri) Our business model involves supplying core gas turbine components to Dongfang Turbine, which assembles and sells the turbines locally. This has allowed us to expand our business while protecting technological assets and generating strong synergies.
- Q. Orders in China dropped in FY2024, so has demand slowed down there?
- A. (Tsukui) Demand in China has slowed down compared to FY2022 and FY2023, partly due to economic stagnation there. Nonetheless, China remains a large market where we continue

to expect a certain amount of steady demand.

- Q. You might consider outsourcing as a way to increase production capacity without extensive capital expenditures. What criteria guide your selection of outsourcing partners and the use of local suppliers in the U.S., China, and elsewhere?
- A. (Yuri) The ratio of in-house production versus outsourced content is a crucial factor when expanding capacity. It is not the case that we make no capital expenditures, and indeed we have continued to make capital investments in core bottleneck parts. When selecting outsourcing partners, we mitigate risk by employing a double-sourcing strategy rather than relying on a single supplier. Considering the issue of tariffs, one potential capacity expansion strategy is to increase the procurement and manufacturing of parts in the U.S. In order to increase production while maintaining an optimum balance, we plan to collaborate with our partners in each region.

Questioner 6

- Q. With the growing installed base of gas turbines, replacement demand for blades and vanes is accelerating, potentially becoming a bottleneck. Could you increase production capacity by manufacturing these components at Dongfang Turbines?
- A. (Yuri) Hot parts such as combustors, turbine blades, and vanes hold significant added value and are critical for maintenance services. We are actively working to expand production capacity to ensure stable parts supply amid rising demand. For example, turbine blades are cast, then machined and coated. While we are working to increase production capacity for castings, machining and coating after casting are performed not only at Takasago Machinery Works but also at Orlando Service Center in Florida. As such, our capacity expansion strategy considers regional demand and geopolitical risks.
- Q. I remember your mentioning at a previous factory tour that MHI used to produce 36 units of F- and G-Series turbines annually. How many units could you build if you only made the JAC-Series? I think you recently shipped the first U.S.-made JAC-Series turbine, so what is your production capacity there?
- A. (Yuri) The JAC-Series has nearly twice the output of the F-Series and is physically larger with a more complex structure. Consequently, producing 36 JAC-Series units annually with the same equipment is not feasible. Please understand that we do not disclose specific production figures.
- Q. Do the gas turbine market volume graphs in the presentation materials (based on McCoy Power Reports data) show annual order figures? Also, do the data include service contracts such as Long-Term Service Agreements (LTSA)?
- A. (Tsukui) The data represent the output capacity of newly ordered gas turbines and do not include service contracts.

Q. Does the 42 GW gas turbine market volume figure for the first half of 2025 include turbines that will begin operation in 2030 or 2031?

A. (Tsukui) The figure includes almost no turbines that will begin operation in 2031.

Note regarding forward looking statements:

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