Q&A Summary

Event Name: Mitsubishi Heavy Industries, Ltd. 1H FY2026 Financial Results Briefing
Date: November 6, 2026
Speaker: Eisaku Ito (Member of the Board, President and CEO)
Hiroshi Nishio (Member of the Board, Senior Vice President, and CFO)

Participant 1

Q: Regarding the additional provision recognized for Integrated coal Gasification Combined Cycle (IGCC)-related expenses, you explained that it covers component replacements necessary to ensure stable plant operations. Will this involve major construction work? Can we assume that the provision has largely addressed the risk of further losses?
Also, regarding underlying profitability, would it be appropriate to use ¥690 billion as the starting point, calculated by adding back the approximately ¥70 billion provision and the ¥20 billion risk buffer to the FY2026 business profit forecast of ¥600 billion? With revenue growth expected in Gas Turbine Combined Cycle (GTCC) and Defense, could you also comment on the profit outlook over the next three years?

A: (Nishio) The provision does not assume that ¥60–70 billion of work will be carried out all at once. Based on current technology, certain components will need to be replaced periodically, and we expect the associated costs to continue over time. The provision covers these future costs.
Your understanding of normalized profit levels is correct. We see ¥690 billion as the starting point for the 2027 Medium-Term Business Plan (MTBP). We also expect revenue from GTCC and Defense to be higher in FY2027 than in FY2026, as you suggested.

Q: You announced approximately ¥500 billion in GTCC-related growth investments. Although relatively few of MHI Group's direct customers are hyperscalers, will you manage investments in hot part production capacity while taking into account the potential impact of data center construction delays on electricity demand from utilities? How do you view the outlook for the gas turbine market?

A: (Ito) Our forecast for global gas turbine demand over the next five years is slightly conservative, at an annual average of more than 70 GW. However, demand remains exceptionally strong in 2026, as it was last year, and could reach around 100 GW for the full year. (c.f. p.6: Global Gas Turbine Demand)
While much of the attention is focused on electricity demand from data centers, even in the United States—where that demand is greatest—data centers account for only slightly more than 10% of total electricity demand. Globally, the share is just a few percent. (c.f. p.6: Power Demand)

Looking at our gas turbine order intake in 2024 and 2025 by customer type, utilities and independent power producers (IPPs) accounted for 94% of the total. These customers supply electricity reliably to factories, households, and other users through the grid.

By cycle type, most of our orders are for highly efficient combined-cycle plants. By turbine size, more than 80% are for advanced J-Series gas turbines. A key characteristic of our business is that utilities and IPPs account for the vast majority of our limited production slots. (c.f. p.7: CY2024-25 Order Intake)

We expect the installed base of J-Series gas turbines to approximately double over the five years from FY2025 to FY2030. Even if electricity demand declines somewhat, utilities and IPPs tend to give priority to operating our highly reliable and efficient J-Series turbines as baseload power sources. The combination of a growing installed base and long operating hours under baseload conditions will drive demand for after-sales services, including the replacement of hot parts that are subject to wear. (c.f. p.7: GTCC Installed Base & After-Sales Service Revenue)

We therefore have a high degree of confidence in our forecasts for after-sales service demand and will expand production capacity for hot parts accordingly. These components require sophisticated design and manufacturing expertise and are a key source of our competitive advantage. We intend to focus our strategic investments in this area.

Meanwhile, our approach to expanding production capacity for new gas turbines remains unchanged. We are working to expand production capacity toward twice its previous level through shorter lead times and higher productivity, without major capital investment.

While we need to monitor the impact of developments in data center demand, our gas turbine business serves a broad range of electricity demand, primarily through utilities and IPPs.

Participant 2

Q: After-sales services accounted for 42% of GTCC revenue in 1H FY2026, meaning that new units represented a relatively high share of revenue. Nevertheless, the Energy Systems segment's business profit margin for Q2 alone was just under 20%, excluding the one-time IGCC-related expense. With further reductions in lead times and improvements in throughput expected from the Innovative Total Optimization (ITO)* initiative, together with continued growth in after-sales service revenue, is it fair to say that GTCC is entering a period of substantial margin improvement, with increasing confidence in that outlook?

Also, how do you assess the risk of order cancellations if gas turbine market conditions change, particularly given the characteristics of your customer base?

*Innovative Total Optimization): A management strategy and methodology designed to unlock MHI Group's maximum potential, achieving sustained growth through Group-Wide Optimization and Reach Expansion (expansion into new business areas).

A: (Ito) We have had no order cancellations over the past one to two years, reflecting in part our careful assessment of individual projects before accepting orders. Before booking an order, we assess not only the contractual and technical requirements but also the readiness of the infrastructure needed to build the power plant. We therefore accept orders for projects backed by concrete development plans. As a result, even if electricity demand fluctuates to some extent, we expect the projects we have booked to proceed broadly as planned.

(Nishio) The medium- to long-term outlook for after-sales services presented today is intended to provide a clearer explanation of our GTCC business model. It does not reflect a fundamental change in the structure of the business.

As revenue from new gas turbines increases, the share of after-sales services in total GTCC revenue is expected to decline temporarily. However, with margins on new gas turbine orders also improving, we expect meaningful growth in overall GTCC profit.

Q: My understanding is that margins on GTCC orders have been improving for approximately two years. Have these improvements now fully taken hold, and is there scope for further improvement? Could you comment on the progress to date?

A: (Nishio) Margins on new gas turbine orders have been improving gradually, and the benefits are beginning to flow through as revenue is recognized. Our GTCC order backlog, excluding long-term service agreements (LTSAs), stands at approximately ¥4 trillion. Revenue from these projects will be recognized progressively through FY2030–31, and the benefits of improved margins at the time of order intake will be reflected in our financial performance accordingly.

Q: What prompted the decision to buy back shares at this particular time? Was it because the 2024 MTBP is approaching its final stage and the cash flow outlook has become clearer, or did the share price also play a role? Could you also explain your approach to capital management under the 2027 MTBP?

A: (Nishio) We have consistently explained that share buybacks are an option we may pursue as circumstances warrant. Through our ongoing discussions of the medium- to long-term growth strategy, we have gained greater visibility into the scale and timing of the major investments that will be required. Taking into account the increase in shareholders' equity, we concluded that a buyback of up to ¥300 billion at this time would allow us to optimize our capital position ahead of the 2027 MTBP without compromising our ability to fund future growth investments. Under the 2027 MTBP, we intend to

continue using ROE as our profitability target and Dividend on Equity (DOE) as the basic framework for shareholder returns. We will continue to examine the specific target levels. Buybacks will remain one of the options available to us as part of a flexible approach to capital management.

Q: Was the improved outlook for profit growth and cash generation in GTCC and Defense also a factor in the timing of the buyback?

A: (Nishio) We placed particular emphasis on balancing our outlook for future profit growth with our planned growth investments. Our increased confidence in our ability to generate cash in the years ahead was also one of the factors behind the decision.

Participant 3

Q: Regarding the additional IGCC-related provision, if any of the components used at the Nakoso and Hirono IGCC plants have also been installed at other plants, is there a risk of similar additional costs arising elsewhere? Was the decision to maintain the ¥20 billion risk buffer intended to address the potential impact on other projects?

A: (Nishio) The components covered by this provision are used exclusively at the Nakoso and Hirono IGCC plants. We therefore do not expect the same issue to affect other plants. The approximately ¥70 billion provision represents our best estimate at this time. The ¥20 billion risk buffer is not intended to cover a potential shortfall in this provision, nor does it relate to any other specific risk or event.

Q: The full-year business profit margin forecast for the Energy Systems segment is 14.3%, which I understand would be approximately 17% excluding the one-time expense of around ¥70 billion. With after-sales service demand expected to grow as the installed base of gas turbines at utilities expands, could a 20% business profit margin become merely an intermediate milestone on the way to FY2030, with 25% potentially within reach? Has your medium- to long-term margin outlook improved from your previous expectations? Could you provide some quantitative guidance?

A: (Nishio) We previously stated that Energy Systems could eventually achieve a business profit margin of 20%. However, we expect new-unit sales, which carry lower margins than after-sales services, to account for a larger share of GTCC revenue. As a result, achieving a 25% business profit margin in Energy Systems as a whole would not be easy. Nevertheless, we expect substantial growth in profit in absolute terms. Compared with when we previously discussed the possibility of reaching a 20% margin, we now see somewhat greater potential for growth in the amount of profit.

Participant 4

Q: Most of MHI Group's gas turbine orders come from utilities and IPPs. Including indirect demand through these customers, how dependent is MHI Group's GTCC business on data centers? In the United States, lengthy grid connection timelines have increased demand for off-grid power generation for data centers. At the same time, there has been opposition in some areas to the construction of gas turbine power plants as well as data centers, including at the state legislative level. How do you view these developments?

A: (Ito) As shown in the earlier slide, electricity demand from data centers is expected to grow rapidly in the United States, but data centers still account for only around 10% of the country's total electricity demand. If some of the anticipated growth in demand does not materialize, there will be some impact, but we believe the effect on our overall GTCC business would be limited. We recognize that demand for off-grid power generation using small- and medium-sized gas turbines is increasing. However, such systems can be considerably more expensive, and we expect lower-cost electricity supplied through the grid to become increasingly attractive over time. We are also aware of opposition to power plant construction in certain areas. However, approximately 90% of the electricity supplied by utilities serves conventional users, including factories and households. We believe some of this opposition may stem from the misconception that all new power plants are being built solely to serve data centers.

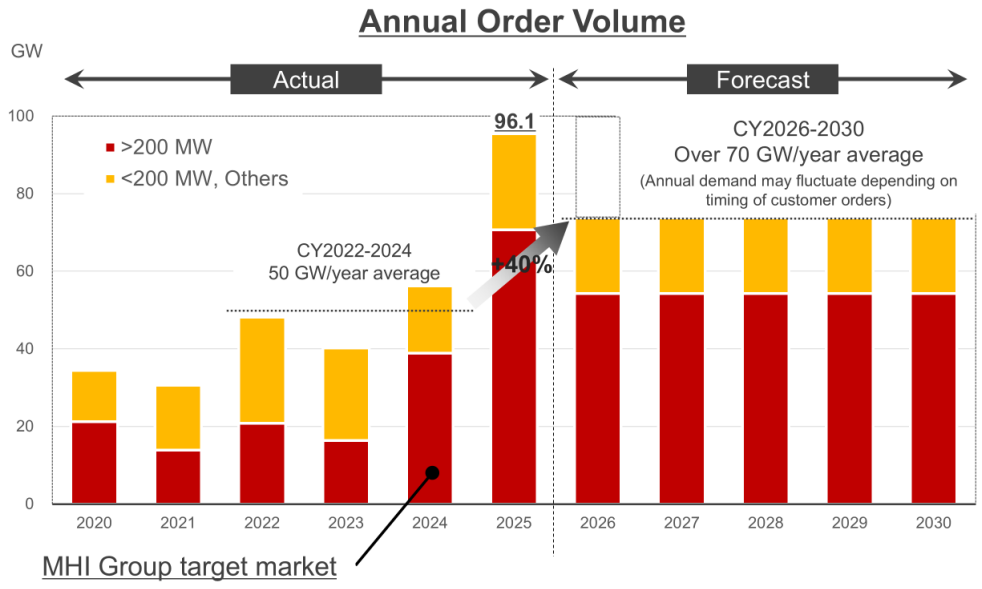
Q: Is it correct to understand that Energy Systems has an order backlog of approximately ¥8 trillion, of which around ¥6 trillion relates to GTCC?

A: (Ito) Our order backlog in GTCC is approximately ¥6 trillion. Based on our discussions with customers, we believe the risk of order cancellations is very low.

Q: Regarding the approximately ¥500 billion in planned GTCC growth investments, could you clarify where the main investments will be made? Also, do you foresee any supply chain constraints as you expand production capacity?

A: (Ito) We plan to invest in production facilities primarily at Takasago Machinery Works (Hyogo Prefecture, Japan), as well as at other locations in Japan and the United States. We are also taking the necessary steps to strengthen our supply chain.

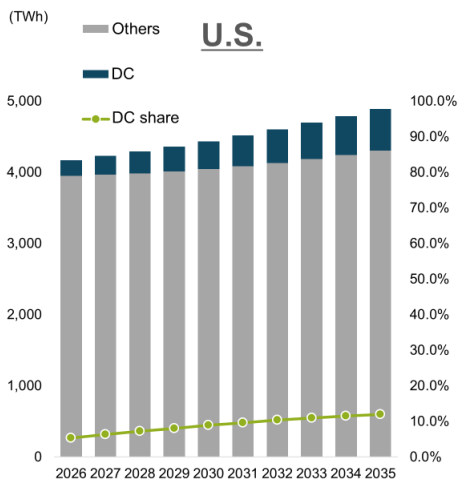
Global Gas Turbine Demand

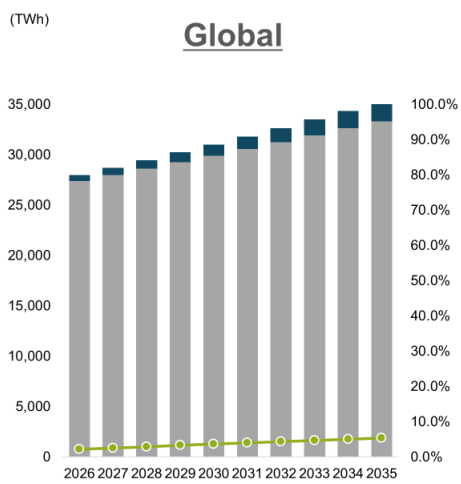


© MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

Power Demand

➢ In U.S., power demand from data centers is growing, while population and economic growth drive global demand



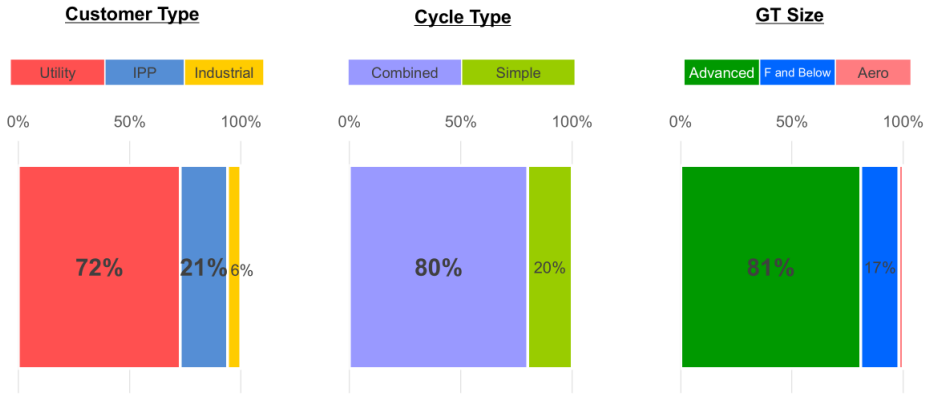


(Graphs based on data from BloombergNEF)

© MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

CY2024-25 Order Intake (MHI Group Global Orders in All Capacity Ranges on Tech-Owner Basis)

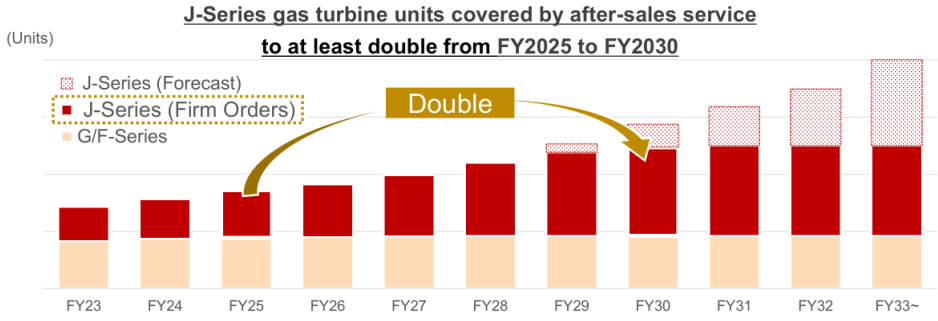
➢ MHI Group's project portfolio is heavily weighted toward utility customers, whose projects are more likely to proceed, and combined-cycle plants, which typically have high utilization rates and offer significant after-sales service opportunities

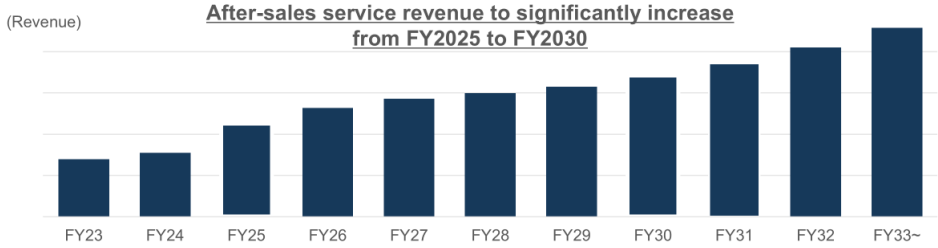


(Graphs based on data from McCoy Power Reports)

© MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved

GTCC Installed Base & After-Sales Service Revenue (MHI Group)





© MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved

Note regarding forward looking statements:
Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and uncertainties. Investors are recommended not to depend solely on these projections when making investment decisions. Actual results may vary significantly from these projections due to a number of factors, including, but not limited to, economic trends affecting the Company's operating environment, fluctuations in the value of the Japanese yen to the U.S. dollar and other foreign currencies, and trends in Japan's stock markets. The results projected here should not be construed in any way as a guarantee by the Company.

End of Document