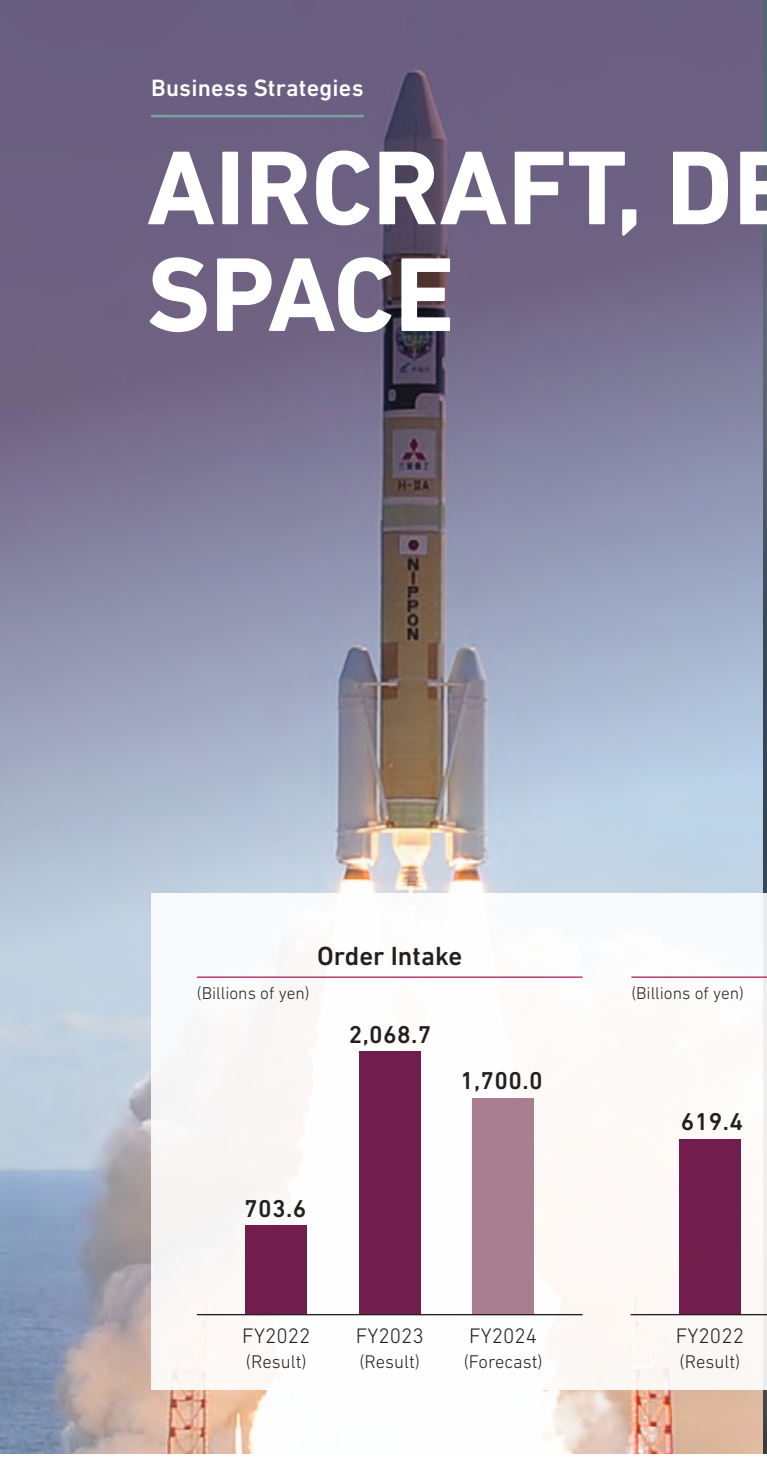
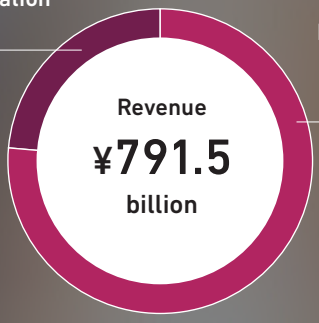
AIRCRAFT, DEFENSE & SPACE



Commercial Aviation
¥185.1 billion

Key products and services
- Commercial aviation (Aerostructure Tier 1 business, Aftermarket business)

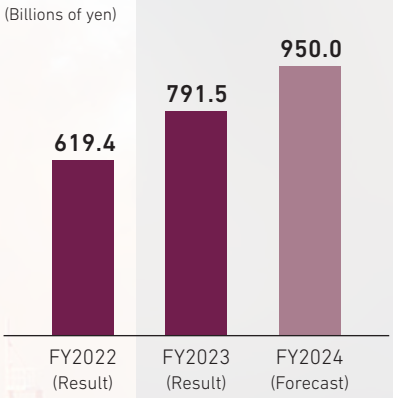


Integrated Defense & Space Systems
¥606.4 billion

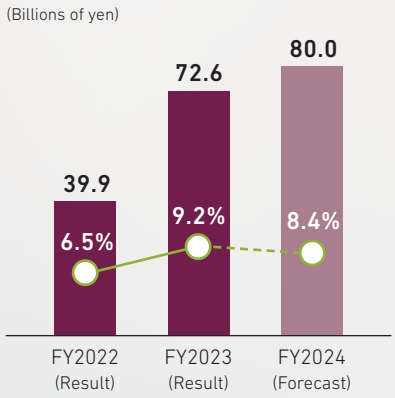
Key products and services
- Defense aircraft
- Missile systems
- Naval ships
- Maritime systems (torpedoes)
- Land systems (tanks)
- Space systems

Order Intake

Revenue



Business Profit / Profit Margin



Overview of FY2023

Consolidated order intake totaled ¥2,068.7 billion, up from the previous year, mainly due to an increase in orders for missile systems, defense aircraft, and maritime systems in response to the Japanese government's policy on strengthening its defense capabilities.

Revenue totaled ¥791.5 billion, up year on year, due to an increase in sales of commercial aviation and missile systems. Profit from business activities was ¥72.6 billion, surpassing the previous year's figure, driven by an increase in sales of commercial aviation, missile systems, and defense aircraft.

Main wings of Boeing 787

Type 12 surface-to-ship missile

Business Environment and Key Strategies in the Medium to Long Term

Business Environment

In the commercial aviation field, passenger demand has largely recovered from the decline caused by the global COVID-19 pandemic, and it is expected to continue growing in line with the expanding global economy. For the short term, quality issues with certain aircraft models and supply chain constraints caused by industry-wide labor shortages are impacting the orderly recovery of passenger aircraft production. In the medium to long term, however, both production rates and operational aircraft numbers are expected to increase in line with passenger demand.

In the defense field, Japan's Defense Buildup Program has seen significant expansion, reflecting a growing momentum toward further enhancement of national security.

In the space field, demand for launch vehicles is expanding against the backdrop of growing utilization of space worldwide. Expectations are high among domestic and overseas satellite operators particularly with respect to the H3, Japan's latest mainstay launch vehicle.

Business Status

In the aerostructure Tier 1 business of the commercial aviation sector, we will continue digitalization of the design, manufacturing, and certification processes of aircraft. By also promoting R&D in such areas as advanced composite materials and automation to achieve high-rate production, we will pursue participation in new programs. In the aftermarket business, we will further improve the productivity of our existing MRO[1] operations, primarily focused on CRJ. We will also work to expand business scale and improve profitability by capturing demand for services for other aircraft models, expanding our CR&O[2] business, and increasing the sales of used parts. In addition, we will accelerate the integration of our multiple operations in North America, the largest market in the aviation industry, so that we can capture a pool of new customers and expand our business beyond our current boundary.

In the defense business, we received several major orders, including for stand-off defense capabilities. We were also selected as the prime contractor for the procurement of a new frigate, a testament to the role we are expected to play in strengthening national security. In addition, we will continue supporting a safe and secure society by enhancing unmanned defense capabilities, improving the performance of existing equipment, and expanding into peripheral fields.

In the space business, the H3 Test Flight No. 2 and Flight No. 3 were successful. We will continue working alongside the Japan Aerospace Exploration Agency (JAXA) to ensure the successful completion of the H3's development.

1 MRO: Maintenance, Repair and Overhaul
2 CR&O: Component Repair and Overhaul

FOCUS

New era with first successful launch of H3 Test Flight No. 2

At 9:22 a.m. on February 17, 2024, we launched the H3 Test Flight No. 2, a new domestically produced rocket, from the Tanegashima Space Center. Around one year after the failure of the Test Flight No. 1, caused by the second-stage engine failing to ignite, the Test Flight No. 2 successfully resumed flight. In this mission, the second-stage engine ignited and burned correctly, achieving the planned orbit entry. We received numerous messages of joy and praise from our customers and stakeholders, both domestic and international, who had eagerly anticipated the successful launch.

The decision to develop the H3, intended to succeed the H-IIA as Japan's flagship rocket, was made in 2013 with the goals of ensuring autonomy in space activities and creating a rocket with international competitiveness. MHI was selected as the prime contractor for development and post-development launch services and has been working with JAXA since 2014 to develop the airframe system. Ten years after development began, the successful launch of the H3 Test Flight No. 2 marks the first step towards transitioning from the soon-to-be-retired H-IIA (up to F50) and H-IIB (up to F9) rockets to the H3.

Moving forward, the H3 will serve as Japan's flagship rocket, supporting the nation's increasingly vital space activities, which include intelligence gathering, Earth observation, broadcasting and communications, scientific exploration, and international cooperation. Furthermore, in addition to our domestic missions, we aim to become a key player in the rapidly expanding global satellite launch market. By consistently achieving successful launches, we will continue earning the confidence of our customers.

The second H3 launch vehicle ©JAXA