

The Acquisition of Naval Ships Business from Mitsui E&S Shipbuilding: Strengthening our Defense Business

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1. Long-term Vision in Defense and Space Business

- Expand business fields across land, sea, air, space as well as cyber and electromagnetic domains
- Deploy dual-use products such as unmanned systems and cybersecurity
- Provide total solutions that advance safety and security

Defense & Space

Contribute toward building a more secure and safer world

- ✓ Meeting demand for high reliability, safety and quality
- ✓ Developing and commercializing cutting-edge technologies



- Steadily strengthen our competitive advantages
- Meet emerging needs such as manpower saving, unmanned vehicles and cybersecurity

Maintain and expand current domestic business and related business fields

Expand service business
1) Upgrade & MRO businesses, education & training
2) Repair business for US forces in Japan

Roll out overseas business through joint development and technology transfer of domestic equipment

New technologies to build a safer world

2. Overview of the Acquisition

Company Name	(TBD)	
Head Office	Tamano City Okayama Prefecture	to be located in current Mitsui E&S Shipbuilding's Tamano Works
Businesses & Products	i. Naval and Governmental Ships	Business related to manufacturing of naval ships and governmental ships, and the equipment and devices equipping them.
	ii. Ocean Development & Underwater Equipment	Business related to manufacturing of autonomous surface and underwater vehicles
	iii. MRO (Maintenance, Repair, and Overhaul)	Business related to MRO of naval ships and government vessels, and the equipment and devices equipping them, and autonomous surface and underwater vehicles
Revenue	37.5 billion yen	※ For fiscal year ended March 2020
Total Assets	20.7 billion yen	※ As of March 31, 2020
Closing Date	Targeting October 1, 2021	



3. Major Collaboration between Mitsui E&S and MHI

- 1996-** Construction of the Submarine Rescue Ship “Chihaya”
- 2000-** Construction of the Deep-sea Scientific Drilling Vessel “Chikyu”
- 2009-** MHI supported Mitsui Shipbuilding in the construction of the destroyer “Fuyuzuki”
- October 2018** MHI was contracted to build a new frigate (FFM) by the Ministry of Defense Mitsui E&S Shipbuilding and MHI have started collaboration in this project
- October 2020** New frigate “Kumano” launched (Tamano Works of Mitsui E&S Shipbuilding)
- March 2021** New frigate “Mogami” launched (Nagasaki Shipyard of MHI)



Destroyer “Fuyuzuki”



New Frigate “Kumano”



New Frigate “Mogami”

4. Strategic Rationale

1. Surface Ship Business

The various auxiliary ships that Mitsui E&S Shipbuilding specializes in and the naval ships that MHI specializes in are **complementary in product positioning and development, design, and construction technologies**

Fusion of technologies and capabilities where each company has competitive advantage

- Expand product lineup
- Standardize design functions & integrate operations
- Share manufacturing resources

- Increase ability to respond to fluctuations in manufacturing volume and expand business scale
- Strengthen development capabilities
- Improve production efficiency

Major Product Lineups of Mitsui E&S Shipbuilding



Submarine rescue ship "Chihaya"



Acoustic surveillance ship "Hibiki"



Replenishment ship "Mashu"



Tank landing ship "Osumi"

Major Product Lineups of MHI



AEGIS Destroyer "Atago"



Destroyer "Akizuki"



Destroyer "Asahi"



New Frigate "Mogami"

4. Strategic Rationale

2. Underwater Equipment Business

Both companies have been developing dual-use **minimally-manned and autonomous technologies and unmanned vehicles** for on-water / under-water / seabed / deep sea applications areas

Integrate development and design resources
 Strengthen development capabilities and improve efficiency

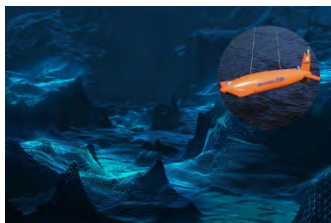


Accelerate development and launch of manpower-saving and unmanned technologies
 ⇒ **Meet the needs of the JSDF and governmental operators**
 (Decrease in military personnel due to the declining birthrate and aging population)

Mitsui E&S Shipbuilding's main products and initiatives



EMD: Expendable Mine Disposal System



R&D for Deep-sea Ocean Exploration using Unmanned Vehicles

MHI's main products and initiatives



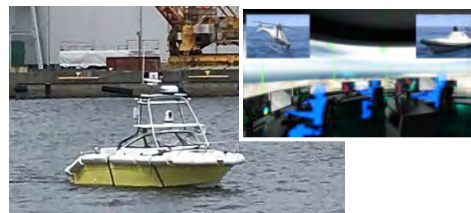
Unmanned Underwater Vehicle for Mine Countermeasures "OZZ-5"



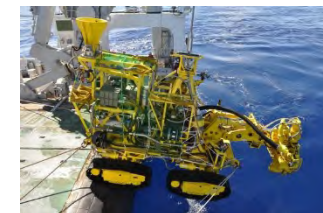
Expendable Mine Disposal System "S-10"
 *Source: JMSDF Website



ROV: Remotely Operated Vehicle



R&D on Autonomous Surface Vehicle



Mining Testing Machine for Offshore Resource Drilling
 *Source: METI Website

4. Strategic Rationale

3. MRO Business

In the MRO business for JMSDF, leverage digital technology to strengthen operational support such as in the key areas of failure prediction and preventive maintenance

Provide after-sales service not only for destroyers but also for auxiliary and governmental ships that contributes to improving utilization rates and reducing life cycle costs

Highly responsive support of naval ships at each base of JMSDF



Positioning of Defense Business and Portfolio Management

Hisato Kozawa

Director, Senior Vice President

CFO

March 29, 2021

Positioning of Naval Ships Business in our Defense Business – steady growth expected–

Integrate and strengthen our collective technologies and development resources through the acquisition, allowing us to **effectively manage** the fluctuation in business volume and enhance profitability.

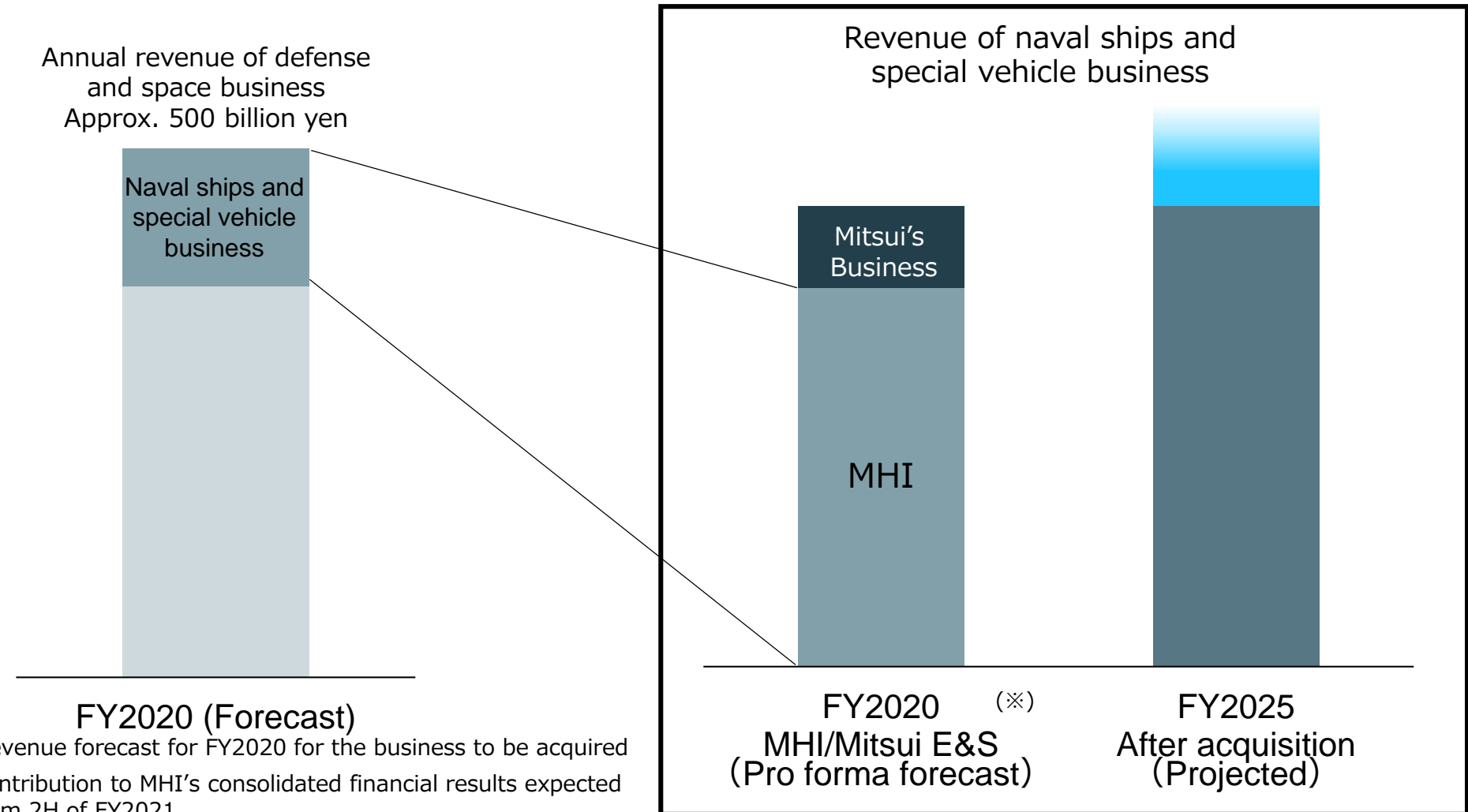
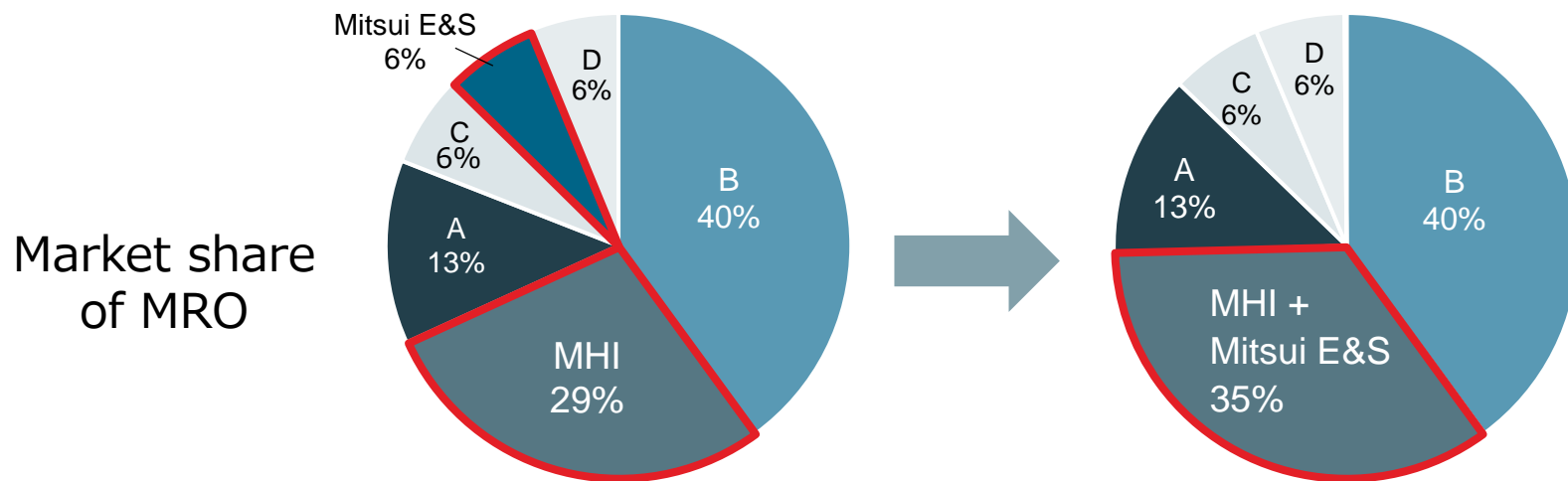
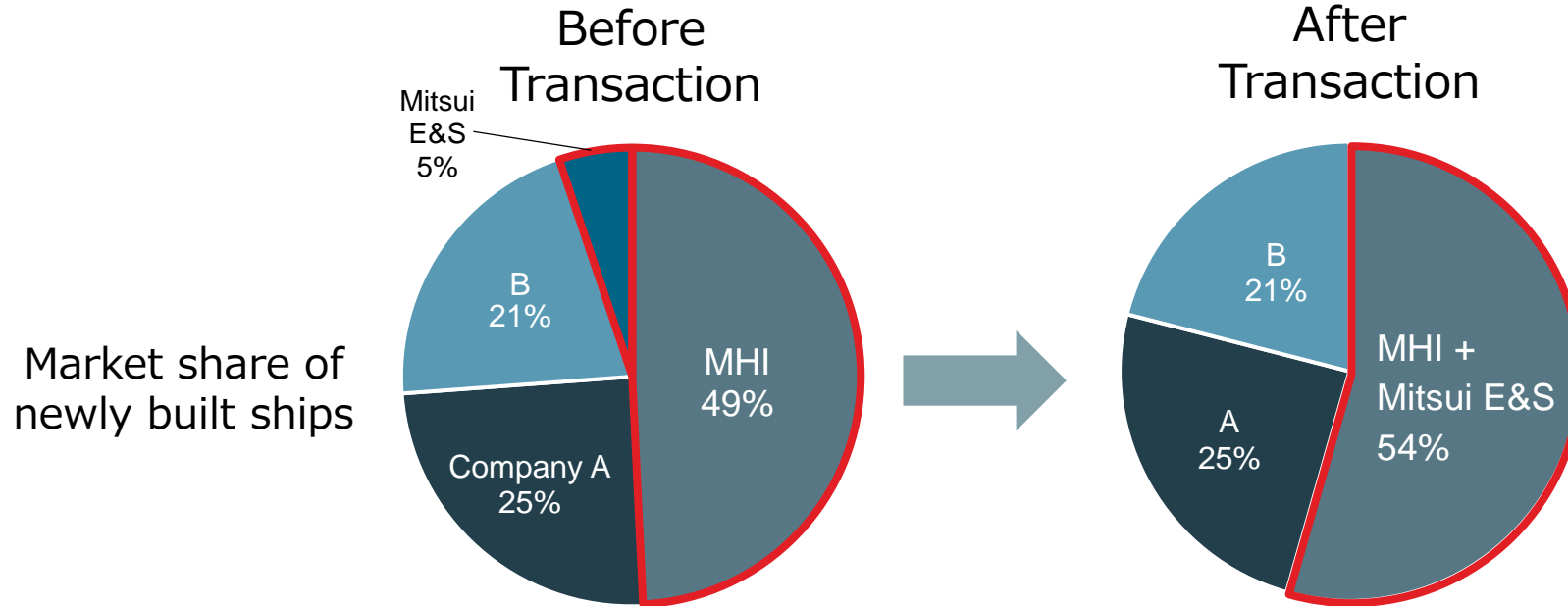


Illustration of the Strengthening of our Defense Business through this Acquisition



*Estimate based on MHI's analysis

Key Premise: Utilize portfolio management to contribute to recovery and enhancement of profitability and development of growth areas

- For each business, determine whether more growth can be expected inside or outside of MHI
- Consider acquisition of businesses in which growth or synergies are expected to be greater as part of MHI
- Sell or divest businesses that are expected to grow more outside of MHI
 - Made Mitsubishi Power a wholly owned subsidiary of MHI to promote and accelerate energy transition businesses
 - Embarked on acquisition of naval ships business of Mitsui E&S Shipbuilding to strengthen this stable core business
 - Transformed business model / business structure of offshore wind business
 - Divestiture of machine tool business
 - Divestiture of Koyagi Shipyard (in negotiation)

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