

**Report of Earnings and Financial Statements for the
Fiscal Year Ended March 31, 2021 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

May 11, 2021

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, and NSE
 Stock code: 7012
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Scheduled dates:

Ordinary general meeting of shareholders	June 25, 2021
Commencement date of dividend payments	-
Submission of financial statements	June 25, 2021
Supplementary materials to financial results	Available
Financial Results Presentation	Conducted (for institutional investors, analysts and the press)

(Amounts in millions of yen rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021
(April 1, 2020 – March 31, 2021)

(1) Operating Results

Years ended March 31 (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	1,488,486	(9.3)	(5,305)	-	(2,855)	-	(19,332)	-
2020	1,641,335	2.9	62,063	(3.1)	40,429	6.8	18,662	(32.0)

Note: Comprehensive income Fiscal year ended March 31, 2021: ¥12,848 million -%
 Fiscal year ended March 31, 2020: ¥(3,049) million -%

Years ended March 31

	Net income per share	Net income per share – diluted	Return on equity	Return on assets	Operating income margin
	Yen	Yen	%	%	%
2021	(115.73)	-	(4.2)	(0.1)	(0.4)
2020	111.72	-	4.0	2.1	3.8

For reference: Share of profit of entities accounted for using equity method
 Fiscal year ended March 31, 2021: ¥ 41 million
 Fiscal year ended March 31, 2020: ¥ 1,255 million

(2) Financial Condition

March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2021	1,963,276	482,775	23.7	2,785.71
2020	1,957,845	471,562	23.3	2,727.59

For reference: Shareholders' equity March 31, 2021: ¥ 465,332 million
March 31, 2020: ¥ 455,627 million

(3) Cash Flow Position

Years ended March 31

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
2021	34,601	(37,392)	23,093	122,166
2020	(15,461)	(69,401)	115,803	102,546

2. Dividends

Years ended/ending March 31

Record date or term	Dividend per share					Total dividends paid (annual) Millions of yen	Payout ratio (consolidated) %	Dividends / Net assets (consolidated) %
	1Q	2Q	3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen			
2020	-	35.00	-	0.00	35.00	5,846	31.3	1.3
2021	-	0.00	-	0.00	0.00	-	-	-
2022 (forecast)	-	-	-	-	30.00		29.5	

Note: The Company's Articles of Incorporation stipulate that the last day of the second quarter and the last day of the fiscal year are the dates of record for dividends. Dividends forecast for the fiscal year ending March 31, 2022 has been prepared for the full fiscal year only. As it is not possible to forecast the interim and year-end dividends separately, only the total annual dividends are presented.

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2022

(April 1, 2021 – March 31, 2022)

(Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,500,000	0.8	30,000	-	20,000	-	17,000	-	101.77

Notes

- 1) Changes affecting the status of material subsidiaries (scope of consolidation): None
- 2) Changes in accounting policies, changes in accounting estimates, and correction of errors
 - (1) Changes in accounting policies in accord with revisions to accounting standards: None
 - (2) Changes in accounting policies other than (1): None
 - (3) Changes in accounting estimates: None
 - (4) Correction of errors: None
- 3) Number of shares issued and outstanding (common stock)
 - (1) Number of shares issued as of period-end (including treasury stock)

March 31, 2021:	167,080,532 shares
March 31, 2020:	167,080,532 shares
 - (2) Number of shares of treasury stock as of period-end

March 31, 2021:	38,282 shares
March 31, 2020:	36,587 shares
 - (3) Average number of shares during respective periods

March 31, 2021:	167,043,192 shares
March 31, 2020:	167,044,577 shares

(Reference) Financial Results of the Company for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Operating Results

Years ended March 31 (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	1,098,661	(12.1)	(50,722)	-	(35,544)	-	(35,788)	-
2020	1,250,354	4.6	20,463	34.6	17,141	80.0	10,822	(28.3)

	Net income per share	Net income per share – diluted
	Yen	Yen
2021	(214.24)	-
2020	64.78	-

(2) Financial Condition

March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2021	1,630,571	287,749	17.6	1,722.61
2020	1,609,205	323,836	20.1	1,938.63

For reference: Shareholders' equity
March 31, 2021: ¥ 287,749 million
March 31, 2020: ¥ 323,836 million

***Report of Earnings and Financial Statements are not subject to audit.**

***Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of their preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “1. Overview of operating results (4) Consolidated earnings outlook” on page 12 in the Accompanying Materials.

How to Obtain Supplementary Material on Financial Results and Details of the Financial Results

The Company plans to conduct a presentation for institutional investors, analysts and the press on Tuesday May 11, 2021, and to post the presentation material on financial results to be used for the presentation on TDnet and the Company’s website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

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1. Overview of operating results

(1) Consolidated operating results

With the spread of variants of the virus that causes COVID-19 around the world, the outlook for an end to the pandemic remains uncertain. However, due to the progress of vaccination mainly in developed countries, there has been a decrease in the number of new infections in some areas, and there are also signs of a recovery in demand for short-distance flights and an increase in demand for air freight in the United States and Japan. In addition, there are promising signs that the global economy will recover in the future, such as supporting the economy through fiscal and monetary policies of each country and efforts to realize a decarbonized society. As U.S.-China relations remain unimproved, it is necessary to continue to pay close attention to the downside risks of the global economy.

Amid such an operating environment, the Group's orders received in the fiscal year ended March 31, 2021, decreased versus the previous fiscal year, in the Aerospace Systems segment and the Rolling Stock segment despite the increase in the Ship & Offshore Structure and the Precision Machinery & Robot segment. Net sales decreased versus the previous fiscal year overall, due to decrease in the Aerospace Systems segment and other segments despite increase in the Precision Machinery & Robot segment and other segment. Operating income declined, due to deterioration in profitability in the Aerospace Systems segment and other factors, despite the improvement in the Motorcycle & Engine segment. Recurring profit declined due to a decline in operating income despite foreign exchange gains and reversal of the provision for the in-service issues of commercial aircraft. Net income attributable to owners of parent decreased due to impairment loss being recorded under extraordinary loss as well as the decline in recurring profit despite decrease in tax expense due to recognition of deferred tax assets.

As a result, the Group's consolidated orders received decreased ¥111.0 billion versus the same period of the previous fiscal year to ¥1,402.4 billion, consolidated net sales decreased ¥152.8 billion year on year to ¥1,488.4 billion, operating loss came to ¥5.3 billion, deteriorating ¥67.3 billion year on year, recurring loss totaled ¥2.8 billion, deteriorating ¥43.2 billion year on year, and net loss attributable to owners of parent came to ¥19.3 billion, deteriorating ¥37.9 billion year on year. ROIC* was 1.0% negative, while ROE was 4.2% negative.

* Before-tax ROIC = $\text{EBIT (earnings before income taxes + interest expenses)} \div \text{invested capital (interest-bearing debt + shareholders' equity)}$

The Company has changed the fiscal year-end of its six consolidated subsidiaries from December 31 to March 31 or to a provisional fiscal year-end method. As a result, in the fiscal year ended March 31, 2021, the accounting period of 6 consolidated subsidiaries is 15 months (January 1, 2020 to March 31, 2021).

Consolidated operating performance in the fiscal year ended March 31, 2021, is summarized by segment below.

Segment Information

Segment net sales, operating income, and orders received (billions of yen)

	Fiscal year ended March 31						Orders received		
	2020(A)		2021(B)		Change (B – A)		Fiscal year ended March 31		
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income	2020 (A)	2021 (B)	Change (B – A)
Aerospace Systems	532.5	42.7	377.7	(31.6)	(154.8)	(74.4)	414.9	329.5	(85.4)
Energy System & Plant Engineering	242.9	17.5	240.1	13.4	(2.8)	(4.1)	252.3	219.0	(33.3)
Precision Machinery & Robot	217.3	12.2	240.8	14.0	23.4	1.8	218.8	259.4	40.5
Ship & Offshore Structure	71.6	(0.6)	79.4	(3.0)	7.7	(2.4)	56.2	98.1	41.8
Rolling Stock	136.5	(3.8)	133.2	(4.5)	(3.3)	(0.7)	125.7	77.0	(48.7)
Motorcycle & Engine	337.7	(1.9)	336.6	11.7	(1.0)	13.7	337.7	336.6	(1.0)
Other	102.4	1.2	80.4	0.4	(22.0)	(0.7)	107.5	82.5	(24.9)
Adjustments	-	(5.3)	-	(5.7)	-	(0.3)	-	-	-
Total	1,641.3	62.0	1,488.4	(5.3)	(152.8)	(67.3)	1,513.5	1,402.4	(111.0)

Notes: 1. Net sales include only sales to external customers.

2. The Motorcycle & Engine segment's orders received are equal to its net sales as production is based mainly on estimated demand.

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, there is a certain level of demand from the Ministry of Defense in Japan amid the tight defense budget. With respect to commercial aircraft, global passenger demand has been sluggish due to the COVID-19 pandemic and demand for commercial aircraft airframes and jet engines has declined.

Amid such an operating environment, consolidated orders received decreased ¥85.4 billion year on year to ¥329.5 billion due to decreases in orders for component parts of airframes and jet engines for commercial aircraft, despite an increase in orders received from the Ministry of Defense in Japan.

Consolidated net sales decreased ¥154.8 billion year on year to ¥377.7 billion due to decreases in component parts of airframes for Ministry of Defense in Japan and commercial aircraft, and component parts of commercial aircraft jet engines.

Operating loss came to ¥31.6 billion, deteriorating ¥74.4 billion year on year, mainly due to a decrease in sales.

Energy System & Plant Engineering

Regarding the business environment surrounding the Energy System & Plant Engineering segment, in Japan, there is ongoing demand for replacing aging facilities for refuse incineration plants, while over the medium to long term, demand for distributed power sources in Japan and overseas, and for energy infrastructure development in emerging markets, remains firmly rooted. On the other hand, although there are signs of economic recovery in the Chinese market, where the virus has been successfully contained at a relatively early stage, and in some developed countries where the infection is showing signs of abating, there are concerns about the impact on some sales and after-sales service activities because restrictions on the movement of people remain significant.

Amid such an operating environment, consolidated orders received amounted to ¥219.0 billion, a decrease of ¥33.3 billion compared to the same period of the previous year, when the Company received orders for major construction of domestic waste disposal facilities.

Consolidated net sales decreased by ¥2.8 billion to ¥240.1 billion compared to the same period of the previous year, when the Company recorded sales to overseas chemical plants, despite an increase in the volume of work on domestic waste disposal facilities and higher sales of Gas Turbine Combined Cycle (GTCC) power plants in Japan.

Operating income decreased ¥4.1 billion year on year to ¥13.4 billion due to the decrease in revenue, as well as losses on operations resulting from the effect of COVID-19 pandemic.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the precision machinery field, the Chinese construction machinery market recovered quickly from the impact of the spread of the COVID-19 pandemic and recorded record-high sales of hydraulic excavators. While construction machinery markets outside China had stagnated, with demand declining significantly due to the impact of the pandemic, lately there have been very clear signs of a recovery in demand. In the robot field, while postponements of some general-purpose robots projects due to the impact of the COVID-19 pandemic, sales of general industrial robots have been solid in the Chinese market where the recovery in sales of such robots was rapid. With respect to robots for the semiconductor market, performance is strong due to increased capital investment by manufacturers of semiconductor manufacturing equipment, and demand is expected to steadily expand over the medium to long term as well.

Amid such an operating environment, consolidated orders received increased ¥40.5 billion year on year to ¥259.4 billion, due to increases in hydraulic components for the construction machinery market and robots for the semiconductor and vehicle body assembly markets.

Consolidated net sales increased by ¥23.4 billion year on year to ¥240.8 billion due to increases in hydraulic components for the construction machinery market and robots for the semiconductor and vehicle body assembly markets.

Operating income increased ¥1.8 billion year on year to ¥14.0 billion due to the increase in revenue.

Ship & Offshore Structure

Regarding the business environment surrounding the Ship & Offshore Structure segment, despite the emergence of demand for gas-fueled vessels in conjunction with tighter environmental regulations taking shape, the situation remains challenging due to the limited number of business talks on new projects due to the continued uncertainty of the global economy.

Amid such an operating environment, consolidated orders received increased by ¥41.8 billion to ¥98.1 billion from the previous fiscal year due to orders for a submarine for Ministry of Defense in Japan.

Consolidated net sales increased ¥7.7 billion year on year to ¥79.4 billion, mainly due to an increase in the volume of work of submarines for Ministry of Defense in Japan.

Operating loss worsened by ¥2.4 billion year on year to ¥3.0 billion mainly due to the posting of losses from operations, despite the increase in revenue.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, the effect of the COVID-19 pandemic has led to a review of railway-related investment plans in Japan, and delays in work processes as well as postponement and cancellation of biddings overseas. In the medium and long term, however, relatively stable growth is expected around the world due to development of

urban transportation as an environmental protection measure and to ease congestion in large cities caused by increasing population concentration, as well as demand for railway infrastructure following economic development in Asian countries.

Amid such an operating environment, consolidated orders received amounted to ¥77.0 billion, a decline of ¥48.7 billion compared with the previous fiscal year, when the Company received orders for large-scale projects in Japan.

Consolidated net sales decreased ¥3.3 billion year on year to ¥133.2 billion, due to a decrease in sales of railcars for the United States.

Operating loss worsened by ¥0.7 billion year on year to ¥4.5 billion, mainly due to a deterioration in the profitability of overseas projects caused by the impact of the COVID-19 pandemic in addition to the decrease in revenue.

Motorcycle & Engine

Regarding the business environment surrounding the Motorcycle & Engine segment, the COVID-19 spread in the main markets. In the United States, a major market, demand for off-road models such as four-wheeled vehicles increased compared with the previous year, and in the European market, although there was a temporary negative impact from the lockdown in various countries in the early spring, the level has recovered to the level of the previous year. Meanwhile, Southeast Asian markets continued to stagnate.

Amid such an operating environment, consolidated net sales decreased ¥1.0 billion year on year to ¥336.6 billion, due to decreased sales of motorcycles in Southeast Asian markets and the appreciation of the yen against the U.S. dollar, despite increased sales of off-road models such as four-wheeled vehicles in the North American market.

Operating income came to ¥11.7 billion, improving ¥13.7 billion year on year, due to reductions in fixed costs and promotion expenses.

Other Operations

Consolidated net sales decreased ¥22.0 billion year on year to ¥80.4 billion.

Operating income decreased ¥0.7 billion year on year to ¥0.4 billion.

In the Group Vision 2030, the Group will focus on three fields; “A Safe and Secure Remotely-Connected Society”, “Near-Future Mobility” and “Energy and Environmental Solutions” and will transform our business structure into a form which promises faster growth in line with environmental changes. The Group is making steady progress in new businesses, such as the development of surgical support robots and automated PCR testing, the development of delivery robots and unmanned transport helicopters, and the promotion of hydrogen-related projects.

(2) Consolidated financial condition

(i) Assets

Current assets were ¥1,285.4 billion, ¥26.6 billion increase from the previous fiscal year due to an increase in inventories.

Fixed assets were ¥677.8 billion, ¥21.1 billion decrease from the previous fiscal year due to a decrease in depreciation of property, plant and equipment.

As a result, total assets were ¥1,963.2 billion, ¥5.4 billion increase from the previous fiscal year.

(ii) Liabilities

Interest-bearing debt was ¥593.3 billion, ¥25.8 billion increase from the previous fiscal year.

Liabilities were ¥1,480.5 billion, ¥5.7 billion decrease from the previous fiscal year due to a decrease in notes and accounts payable-trade.

(iii) Net assets

Consolidated net assets were ¥482.7 billion, ¥11.2 billion increase from the previous fiscal year due to an increase in remeasurements of defined benefit plans.

(3) Cash flows

(i) Cash flows from operating activities

Operating activities provided net cash of ¥34.6 billion, ¥50.0 billion increase from the previous fiscal year, when operating activities used net cash of ¥15.4 billion. Major sources of operating cash flows included a decrease in notes and accounts receivable-trade of ¥23.2 billion and Depreciation and amortization of ¥61.2 billion. Major uses of operating cash flows included expenditure of ¥26.3 billion due to an increase in inventory assets, ¥16.7 billion due to a decrease in notes and accounts payable-trade.

(ii) Cash flows from investing activities

Investing activities used net cash of ¥37.3 billion which is ¥32.0 billion less than in the previous fiscal year, mainly due to purchase of property, plant and equipment, as well as intangible assets.

(iii) Cash flows from financing activities

Financing activities provided net cash of ¥23.0 billion, which is ¥92.7 billion less than in the previous fiscal year. This was mainly due to proceeds from issuance of bonds.

(4) Consolidated earnings outlook

With respect to the earnings forecasts for the fiscal year ending March 31, 2022, the Company is expecting consolidated net sales of ¥1,500.0 billion, a ¥11.6 billion year on year increase, due to

expected increases in the Rolling Stock segment, the Motorcycle & Engine segment and other segments, despite expected decrease in the Aerospace systems segment by applying “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of March 31, 2020).

In terms of profit, the Company is forecasting consolidated operating income of ¥30.0 billion, recurring profit of ¥20.0 billion, and net income attributable to owners of parent of ¥17.0 billion. Furthermore, the Company is expecting ROIC of 2.5% and ROE of 3.9%. These forecasts are based on the expectation for an improvement of profitability of component parts of commercial aircraft jet engines with the recovery of commercial aircraft operating hours in the Aerospace Systems segment and for an increase in profits in conjunction with a rise in sales of the Motorcycle and Engine segment and other factors.

Consolidated orders received are expected to increase ¥77.6 billion year on year to ¥1,480.0 billion.

Assumed exchange rates of ¥106/US\$ and ¥128/Euro are used for the above consolidated earnings outlook.

Note regarding consolidated earnings outlook

The above earnings outlook is based on information available at the time of preparation, and includes risks and uncertainties. We therefore discourage making investment decisions depending solely on this outlook. Please note that actual earnings may differ materially from this outlook, due to a variety of important factors stemming from changes the external environment and/or the Company’s internal environment. Important factors that impact actual operating performance include, but are not limited to, the economic situation surrounding the Company’s scope of business, foreign exchange rates, in particular the yen/dollar exchange rate, tax codes and other regulatory system-related issues.

2. Basic rationale for selecting accounting standards

In the near term, KHI Group plans to continue to use Japanese accounting standards to disclose consolidated financial statements. The Group will continue to study the possible adoption of IFRS from the standpoint of increasing corporate value over the medium- to long-term horizon as well as promoting constructive dialogue with investors, all while taking the situation surrounding the Group both in Japan and overseas into consideration.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Years ended March 31	Millions of yen	
	2020	2021
Assets		
Current assets		
Cash and deposits	106,108	126,702
Notes and accounts receivable—trade	473,204	460,436
Merchandise and finished goods	75,042	69,223
Work in process	426,256	452,848
Raw materials and supplies	130,359	136,471
Other	51,176	43,314
Allowance for doubtful accounts	(3,367)	(3,589)
Total current assets	1,258,781	1,285,407
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	193,931	172,951
Machinery, equipment and vehicles, net	151,196	142,951
Land	62,183	57,743
Leased assets, net	2,694	10,564
Construction in progress	15,959	16,635
Other, net	56,604	50,413
Total property, plant and equipment	482,570	451,259
Intangible assets	21,358	22,427
Investments and other assets		
Investment securities	12,035	12,721
Retirement benefit asset	135	155
Deferred tax assets	70,598	70,452
Other	114,203	122,254
Allowance for doubtful accounts	(1,838)	(1,403)
Total investments and other assets	195,134	204,180
Total non-current assets	699,063	677,868
Total assets	1,957,845	1,963,276

Liabilities

Current liabilities

Notes and accounts payable-trade	261,159	247,294
Electronically recorded obligations - operating	110,526	107,849
Short-term loans payable	166,188	141,579
Current portion of bonds	20,000	30,000
Lease obligations	1,542	1,061
Income taxes payable	6,116	4,753
Provision for sales promotion expenses	12,174	7,380
Provision for bonuses	22,032	18,239
Provision for construction warranties	14,454	12,550
Provision for loss on construction contracts	11,464	14,263
Advances received	148,610	153,298
Other	173,456	179,283

Total current liabilities	<u>947,726</u>	<u>917,555</u>
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Non-current liabilities

Bonds payable	160,000	190,000
Long-term loans payable	188,859	199,177
Lease obligations	873	9,532
Deferred tax liabilities	796	1,125
Retirement benefit liability	129,846	115,456
Provision for the in-service issues of commercial aircraft jet engines	(*1)15,689	(*1)5,984
Other	42,491	41,668

Total non-current liabilities	<u>538,556</u>	<u>562,944</u>
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Total liabilities

Total liabilities	<u>1,486,283</u>	<u>1,480,500</u>
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Net assets

Shareholders' equity

Common stock	104,484	104,484
Capital surplus	54,542	54,542
Retained earnings	326,626	306,576
Treasury stock	(133)	(136)

Total shareholders' equity	<u>485,520</u>	<u>465,467</u>
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Accumulated other comprehensive income

Net unrealized gains (losses) on securities	1,636	1,955
Deferred gains (losses) on hedges	(272)	(179)
Foreign currency translation adjustments	(11,311)	(931)
Remeasurements of defined benefit plans	(19,946)	(979)

Total accumulated other comprehensive income	<u>(29,892)</u>	<u>(134)</u>
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Non-controlling interests

Non-controlling interests	<u>15,934</u>	<u>17,442</u>
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Total net assets

Total net assets	<u>471,562</u>	<u>482,775</u>
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Total liabilities and net assets

Total liabilities and net assets	<u>1,957,845</u>	<u>1,963,276</u>
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(2) Consolidated statements of income and comprehensive income

Consolidated statements of income		Millions of yen	
Years ended March 31			
	2020	2021	
Net sales	1,641,335	1,488,486	
Cost of sales	1,370,809	1,297,324	
Gross profit	270,526	191,162	
Selling, general and administrative expenses			
Salaries and allowances	56,651	56,970	
Research and development expenses	52,608	44,949	
Other	99,203	94,548	
Total selling, general and administrative expenses	208,463	196,468	
Operating income (loss)	62,063	(5,305)	
Non-operating income			
Interest income	695	677	
Dividend income	288	2,161	
Share of profit of entities accounted for using equity method	1,255	411	
Foreign exchange gains	-	4,074	
Reversal of the provision for the in-service issues of commercial aircraft	-	(*1)3,306	
Other	7,446	4,587	
Total non-operating income	9,686	15,218	
Non-operating expenses			
Interest expense	3,615	3,790	
Foreign exchange losses	8,479	-	
Loss on disposal of property, plant and equipment	1,699	2,886	
Payments for the in-service issues of commercial aircraft jet engines	(*1)11,500	-	
Other	6,025	6,091	
Total non-operating expenses	31,319	12,768	
Recurring profit (loss)	40,429	(2,855)	
Extraordinary income			
Gain on sales of property, plant and equipment	(*2)1,277	(*2)3,236	
Gain on sales of shares of subsidiaries and affiliates	-	(*3)1,581	
Total extraordinary income	1,277	4,817	
Extraordinary losses			
Loss on withdrawal from business	(*4)2,383	-	
Impairment loss	-	(*5)15,205	
Loss on devaluation of stocks of subsidiaries and affiliates	-	1,444	
Total extraordinary losses	2,383	16,649	
Income before income taxes	39,323	(14,688)	
Income taxes – current	10,546	10,506	
Income taxes – deferred	8,500	(7,707)	
Total income taxes	19,046	2,798	
Net income (loss)	20,276	(17,486)	
Net income (loss) attributable to non-controlling interests	1,614	1,846	
Net income (loss) attributable to owners of parent	18,662	(19,332)	

Consolidated statements of comprehensive income

Years ended March 31

Millions of yen

	2020	2021
Net income (loss)	20,276	(17,486)
Other comprehensive income		
Net unrealized gains (losses) on securities	(1,065)	426
Deferred gains (losses) on hedges	(21)	(284)
Foreign currency translation adjustment	(5,284)	6,727
Remeasurement of defined benefit plans	(15,017)	18,969
Share of other comprehensive income of entities accounted for using equity method	(1,936)	4,496
Total other comprehensive income(loss)	(23,326)	30,335
Comprehensive Income(loss) attributable to:	(3,049)	12,848
Owners of parent	(4,116)	10,423
Non-controlling interests	1,066	2,425

(3) Consolidated statements of changes in net assets

Years ended March 31	Millions of yen	
	2020	2021
Shareholders' equity		
Common stock		
Balance at end of previous year	104,484	104,484
Total changes during the period	-	-
Balance at end of year	104,484	104,484
Capital surplus		
Balance at end of previous year	54,542	54,542
Changes during the period		
Loss on sales of treasury stock	(0)	(0)
Transfer of loss on sales of treasury stock	0	0
Changes in equity of parent company in transactions with non-controlling shareholders		(0)
Total changes during the period	-	(0)
Balance at end of year	54,542	54,542
Retained earnings		
Balance at end of previous year	324,606	326,626
Cumulative effect of changes in accounting policies	(4,948)	
Restated balance	319,657	
Changes during the period		
Cash dividend	(11,693)	
Net income (loss) attributable to owners of parent	18,662	(19,332)
Transfer of loss on sales of treasury stock	(0)	(0)
Other		(716)
Total changes during the period	6,968	(20,049)
Balance at end of year	326,626	306,576
Treasury stock		
Balance at end of previous year	(130)	(133)
Changes during the period		
Treasury stock purchased, net	(3)	(3)
Loss on sales of treasury stock	0	0
Total changes during the period	(3)	(3)
Balance at end of year	(133)	(136)
Total shareholders' equity		
Balance at end of previous year	483,502	485,520
Cumulative effect of changes in accounting policies	(4,948)	
Restated balance	478,554	
Changes during the period		
Cash dividend	(11,693)	
Net income (loss) attributable to owners of parent	18,662	(19,332)
Treasury stock purchased, net	(3)	(3)
Loss on sales of treasury stock	0	0
Transfer of loss on disposal of treasury stock	-	-
Changes in equity of parent company in transactions with non-controlling shareholders	-	(0)
Other	-	(716)
Total changes during the period	6,965	(20,052)

Years ended March 31	Millions of yen	
	2020	2021
Balance at end of year	485,520	465,467
Comprehensive income		
Net unrealized gains (losses) on securities		
Balance at end of previous year	2,682	1,636
Changes during the period		
Net changes in items other than shareholder's equity	(1,046)	319
Total changes during the period	(1,046)	319
Balance at end of year	1,636	1,955
Deferred gains (losses) on hedges		
Balance at end of previous year	(227)	(272)
Changes during the period		
Net changes in items other than shareholders' equity	(44)	92
Total changes during the period	(44)	92
Balance at end of year	(272)	(179)
Foreign currency translation adjustments		
Balance at end of previous year	(4,556)	(11,311)
Changes during the period		
Net changes in items other than shareholders' equity	(6,754)	10,379
Total changes during the period	(6,754)	10,379
Balance at end of year	(11,311)	(931)
Remeasurements of defined benefit plans		
Balance at end of previous year	(5,014)	(19,946)
Changes during the period		
Net changes in items other than shareholders' equity	(14,931)	18,966
Total changes during the period	(14,931)	18,966
Balance at end of year	(19,946)	(979)
Total comprehensive income		
Balance at end of previous year	(7,115)	(29,892)
Changes during the period		
Net changes in items other than shareholders' equity	(22,776)	29,758
Total changes during the period	(22,776)	29,758
Balance at end of year	(29,892)	(134)
Non-controlling interests		
Balance at end of previous year	15,874	15,934
Changes during the period		
Net changes in items other than shareholders' equity	60	1,507
Total changes during the period	60	1,507
Balance at end of year	15,934	17,442

Years ended March 31	Millions of yen	
	2020	2021
Total net assets		
Balance at end of previous year	492,261	471,562
Changes in accounting policies	(4,948)	
Restated balance	487,312	
Changes during the period		
Cash dividend	(11,693)	-
Net income attributable to owners of parent (loss)	18,662	(19,332)
Treasury stock purchased, net	(3)	(3)
Loss on sales of treasury stock	0	0
Transfer of loss on disposal of treasury stock	-	-
Changes in equity of parent company in transactions with non-controlling shareholders	-	(0)
Other	-	(716)
Net changes in items other than shareholders' equity	(22,716)	31,265
Total changes during the period	(15,750)	11,213
Balance at end of year	471,562	482,775

(4) Consolidated statements of cash flows

Years ended March 31	Millions of yen	
	2020	2021
Cash flows from operating activities		
Income before income taxes	39,323	(14,688)
Depreciation and amortization	61,283	61,258
Impairment loss	-	15,205
Loss on devaluation of stocks of subsidiaries and affiliates	-	1,444
Increase (decrease) in allowance for doubtful accounts	238	(343)
Increase (decrease) in provision for sales promotion expenses	707	(5,085)
Increase (decrease) in provision for bonuses	889	(3,819)
Increase (decrease) in provision for construction warranties	1,412	(1,938)
Increase (decrease) in provision for loss on construction contracts	(16,133)	2,788
Increase (decrease) in retirement benefit liability	10,574	11,611
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	4,221	(9,705)
Interest and dividend income	(983)	(2,839)
Interest expense	3,615	3,790
Share of loss (profit) of entities accounted for using equity method	(1,255)	(411)
Loss (gain) on sales of property, plant and equipment	(1,277)	(3,236)
Loss on withdrawal from business	2,383	-
Gain on sales of shares of subsidiaries and affiliates	-	(1,581)
Decrease (increase) in notes and accounts receivable-trade	(46,753)	23,267
Decrease (increase) in inventories	(48,068)	(26,374)
Increase (decrease) in notes and accounts payable-trade	2,401	(16,784)
Decrease (increase) in advance payments	3,326	(132)
Increase (decrease) in advances received	(31,827)	4,209
Decrease (increase) in other current assets	(8,986)	8,900
Increase (decrease) in other current liabilities	18,303	2,988
Other	6,004	(5,570)
Subtotal	(600)	42,953
Interest and dividends received	2,500	6,370
Interest paid	(3,630)	(3,646)
Income taxes paid	(13,731)	(11,076)
Net cash provided by (used in) operating activities	(15,461)	34,601
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(71,947)	(51,692)
Proceeds from sales of property, plant and equipment and intangible assets	6,087	13,656
Purchase of investment securities	(935)	(1,042)
Proceeds from sales of investment securities	1,232	1,407
Purchase of shares of subsidiaries and associates	(5,400)	(97)
Proceeds from sales of shares of subsidiaries and affiliates	-	1,927
Other	1,562	(1,551)
Net cash provided by (used in) investing activities	(69,401)	(37,392)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	103,758	(28,409)
Proceeds from long-term loans payable	24,348	27,310
Repayment of long-term loans payable	(28,938)	(22,297)
Proceeds from issuance of bonds	40,000	60,000
Redemption of bonds	(10,000)	(20,000)
Cash dividends paid	(11,710)	(59)
Dividends paid to non-controlling interests	(989)	(960)
Proceeds from sales and lease back	-	10,014
Other, net	(664)	(2,505)
Net cash provided by (used in) financing activities	115,803	23,093
Effect of exchange rate change on cash and cash equivalents	3,293	(682)
Net increase (decrease) in cash and cash equivalents	34,234	19,619
Cash and cash equivalents at beginning of period	68,311	102,546
Cash and cash equivalents at end of period	102,546	122,166

(5) Notes on financial statements

Notes on the going-concern assumption

Not applicable

Related to consolidated balance sheets

(*1) Provision for the in-service issues of commercial aircraft jet engines

The Company participates as a risk and revenue sharing partner on the Rolls-Royce Trent 1000 engine program, which has been impacted by the challenge of managing significant in-service issues. Rolls-Royce continues to work hard to remedy this situation. The Company has made a provision of the cost related to in-service issues which the Company would cover as a member of this program.

Related to consolidated statements of income

(*1) Payments/Reversal of the provision for the in-service issues of commercial aircraft jet engines

The Company participates as a risk and revenue sharing partner on the Rolls-Royce Trent 1000 engine program, which has been impacted by the challenge of managing significant in-service issues. Rolls-Royce continues to work hard to remedy this situation. The Company has made a provision of the cost related to in-service issues which the Company would cover as a member of this program. The provision was included within the non-operating expenses. The reversal of the provision was included within the non-operating income

(*2) Gain on sales of property, plant and equipment

Fiscal year ended March 31, 2020

Proceeds from the sale of former dormitory/company housing sites.

Fiscal year ended March 31, 2021

Proceeds from the sale of housing sites of the Company and its subsidiary.

(*3) Gain on sales of shares of subsidiaries and affiliates

Proceeds from the sale of shares of affiliates of subsidiaries

(*4) Loss on withdrawal from business

Losses associated with withdrawal from certain businesses by the Energy System & Plant Engineering segment.

(*5) Impairment loss

Due to a decline in profitability from the assets of the Sakaide Works of the Ship & Offshore Structure segment and of the Rolling Stock segment based on the current market environment.

Segment information

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate resources and assess performance. The Company's operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies, based on which they conduct businesses in Japan and overseas. The Company's operations are therefore segmented based on each internal company's product categories. The Company's seven reportable segments are the Aerospace Systems segment, the Energy System & Plant Engineering segment, the Precision Machinery & Robot segment, the Ship & Offshore Structure segment, the Rolling Stock segment, the Motorcycle & Engine segment, and the Other segment.

Main segment businesses are listed below.

Industry segment	Major products
Aerospace Systems	Production and sale of aircraft, jet engines, etc.
Energy System & Plant Engineering	Production and sale of energy-related machinery and system, marine machinery and system, industrial equipment, environmental equipment, ultralow temperature tank, hydrogen-related structures, crushers, etc.
Precision Machinery & Robot	Production and sale of industrial hydraulic products, industrial robots, etc.
Ship & Offshore Structure	Construction and sale of ships and other vessels, etc.
Rolling Stock	Production and sale of rolling stock, snow plows, etc.
Motorcycle & Engine	Production and sale of motorcycles, all-terrain vehicles (ATV), utility vehicles, personal watercraft ("JET SKI"), general-purpose gasoline engines, etc.
Other	commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, etc.

2. Method for calculating sales, profit/loss, assets, liabilities, and other items for reportable segments

The accounting methods applied to the reported business segments generally follow the accounting policies used to prepare the consolidated financial statements. The income of reporting segments is based on operating income. Inter-segment earnings and transfers are based on market prices.

3. Sales, income (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Sales			Segment income (loss)	Segment assets	Other items			
	External sales	Intersegment sales or transfer	Total			Depreciation / amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Aerospace Systems	532,549	6,477	539,027	42,777	745,048	22,539	-	-	25,121
Energy System & Plant Engineering	242,972	30,871	273,843	17,566	314,753	3,362	-	18,621	3,048
Precision Machinery & Robot	217,387	15,529	232,917	12,211	203,525	9,279	-	1,737	12,845
Ship & Offshore Structure	71,680	9,049	80,730	(637)	125,642	1,625	-	44,930	1,355
Rolling Stock	136,553	18	136,571	(3,819)	211,759	2,533	-	135	2,740
Motorcycle & Engine	337,757	772	338,529	(1,948)	282,185	15,963	-	1,601	21,353
Other	102,435	38,927	141,362	1,235	94,174	1,562	-	3,682	745
Total	1,641,335	101,647	1,742,983	67,386	1,977,089	56,866	-	70,708	67,210
Adjustments	-	(101,647)	(101,647)	(5,322)	(19,243)	4,417	-	-	3,284
Consolidated total	1,641,335	-	1,641,335	62,063	1,957,845	61,283	-	70,708	70,495

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Sales			Segment income (loss)	Segment assets	Other items			
	External sales	Intersegment sales or transfer	Total			Depreciation / amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Aerospace Systems	377,720	7,681	385,402	(31,668)	757,342	23,043	-	-	22,113
Energy System & Plant Engineering	240,117	20,252	260,370	13,408	342,500	3,340	-	18,080	4,162
Precision Machinery & Robot	240,864	14,853	255,717	14,086	213,792	10,071	-	(24)	9,836
Ship & Offshore Structure	79,425	3,764	83,189	(3,059)	133,932	1,407	4,076	49,841	1,030
Rolling Stock	133,248	7	133,256	(4,593)	215,688	2,551	11,129	148	2,424
Motorcycle & Engine	336,694	730	337,424	11,758	256,997	14,904	-	1,538	12,790
Other	80,415	36,979	117,395	469	73,211	947	-	3,880	548
Total	1,488,486	84,270	1,572,757	403	1,993,465	56,267	15,205	73,464	52,907
Adjustments	-	(84,270)	(84,270)	(5,709)	(30,189)	4,991	-	-	12,772
Consolidated total	1,488,486	-	1,488,486	(5,305)	1,963,276	61,258	15,205	73,464	65,679

4. Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

Fiscal year ended March 31		(Millions of yen)	
Sales	2020	2021	
Total for reportable segments	1,742,983	1,572,757	
Intersegment transactions	(101,647)	(84,270)	
Net sales reported on the consolidated financial statements	1,641,335	1,488,486	

Fiscal year ended March 31		(Millions of yen)	
Income	2020	2021	
Total for reportable segments	67,386	403	
Intersegment transactions	209	36	
Corporate expenses*	(5,532)	(5,745)	
Operating income (loss) on consolidated financial statements	62,063	(5,305)	

Note: Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

Fiscal year ended March 31		(Millions of yen)	
Assets	2020	2021	
Total for reportable segments	1,977,089	1,993,465	
Intersegment transactions etc.	(107,921)	(138,978)	
Corporate assets shared by all segments*	88,678	108,788	
Total assets on consolidated financial statements	1,957,845	1,963,276	

Note: Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

Fiscal year ended March 31		(Millions of yen)				
Other items	Total for reportable segments		Adjustments*		Amounts reported on the consolidated financial statements	
	2020	2021	2020	2021	2020	2021
Depreciation/amortization	56,866	56,267	4,417	4,991	61,283	61,258
Increase in property, plant and equipment and intangibles	67,210	52,907	3,284	12,772	70,495	65,679

Note: Adjustments are mainly due to fixed assets not attributed to reportable segments.

Per share data

Fiscal year ended March 31	(Yen)	
	2020	2021
Net assets per share	2,727.59	2,785.71
Earnings per share - basic	111.72	(115.73)

Notes:

1. Diluted net earnings per share are not stated because there are no potential shares.
2. Net income/loss per share and net income per share (diluted) were calculated based on the following:

Fiscal year ended March 31	(Millions of yen)	
	2020	2021
Earnings per share – basic		
Net income (loss) attributable to owners of parent	18,662	(19,332)
Earnings not attributable to common shareholders	—	—
Net income (loss) allocated to the common stock	18,662	(19,332)
Average number of common stock outstanding (Thousands of shares)	167,044	167,043

Material subsequent events

Not applicable.

4. Supplementary information on earnings forecasts for the fiscal year ending March 31, 2022

(1) Net sales and operating income (loss)

(Billions of yen)

	Outlook for the fiscal year ending March 31, 2022 (A)		Fiscal year ended March 31, 2021 (actual) (B)		Change (A – B)	
	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)
Aerospace System	340.0	(8.0)	377.7	(31.6)	(37.7)	23.6
Rolling Stock	150.0	3.0	133.2	(4.5)	16.8	7.5
Energy Solution & Marine	320.0	3.5	319.5	10.3	0.5	(6.8)
Precision Machinery & Robot	250.0	16.0	240.8	14.0	9.2	2.0
Motorcycle & Engine	380.0	17.0	336.6	11.7	43.4	5.3
Other	60.0	2.0	80.4	0.4	(20.4)	1.6
Adjustments		(3.5)		(5.7)		2.2
Total	1,500.0	30.0	1,488.4	(5.3)	11.6	35.3

(2) Orders received

(Billions of yen)

	Outlook for the fiscal year ending March 31, 2022 (A)	Fiscal year ended March 31, 2021 (actual) (B)	Change (A – B)
	Aerospace System	310.0	329.5
Rolling Stock	70.0	77.0	(7.0)
Energy Solution & Marine	400.0	317.1	82.9
Precision Machinery & Robot	260.0	259.4	0.6
Motorcycle & Engine	380.0	336.6	43.4
Other	60.0	82.5	(22.5)
Total	1,480.0	1,402.4	77.6

Notes: 1. Assumed exchange rates in the fiscal year ending March 31, 2022 would be ¥106/US\$ and ¥128/Euro.

2. The Motorcycle & Engine segment's orders received are equal to its net sales as production is based mainly on estimated demand.

3. The company will change its reportable segments to "Aerospace System", "Rolling Stock", "Energy Solution & Marine", "Precision Machinery & Robot", "Motorcycle & Engine" and "Other" from the fiscal year ending March 31, 2022. Operating results for the fiscal year ended March 31, 2021, have been recombined to match reportable segments following the changes.