

Consolidated Balance Sheets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
At March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current assets			
Cash and deposits (Note 26)	¥ 106,108	¥ 74,311	\$ 974,989
Notes and accounts receivable–trade	473,204	427,665	4,348,103
Merchandise and finished goods	75,042	68,176	689,534
Work in process (Notes 6, 11 and 13)	426,256	405,087	3,916,714
Raw materials and supplies	130,359	119,558	1,197,822
Other	51,176	45,333	470,238
Allowance for doubtful accounts	(3,367)	(3,792)	(30,938)
Total current assets	1,258,781	1,136,340	11,566,489
Non-current assets			
Property, plant and equipment (Note 7 and 12)			
Buildings and structures, net	193,931	194,939	1,781,963
Machinery, equipment and vehicles, net	151,196	148,620	1,389,286
Land	62,183	62,705	571,377
Leased assets, net	2,694	2,148	24,754
Construction in progress	15,959	18,227	146,642
Other, net	56,604	59,028	520,114
Total property, plant and equipment	482,570	485,669	4,434,163
Intangible assets	21,358	16,797	196,251
Investments and other assets			
Investment securities (Notes 8, 9 and 12)	12,035	14,501	110,585
Retirement benefit asset (Note 14)	135	93	1,240
Deferred tax assets (Note 25)	70,598	70,179	648,700
Other (Notes 10)	114,203	116,696	1,049,371
Allowance for doubtful accounts	(1,838)	(1,422)	(16,889)
Total investments and other assets	195,134	200,048	1,793,017
Total non-current assets	699,063	702,514	6,423,440
Total assets	¥1,957,845	¥1,838,855	\$17,989,938

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Liabilities and Net Assets

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current liabilities			
Notes and accounts payable–trade (Note 12)	¥ 261,159	¥ 247,191	\$ 2,399,697
Electronically recorded obligations–operating	110,526	123,083	1,015,584
Short-term loans payable (Note 12)	166,188	100,023	1,527,042
Current portion of bonds (Note 12)	20,000	10,000	183,773
Lease obligations (Note 12)	1,542	319	14,169
Income taxes payable (Note 25)	6,116	10,390	56,198
Provision for sales promotion expenses	12,174	4,991	111,863
Provision for bonuses	22,032	21,168	202,444
Provision for construction warranties	14,454	13,096	132,813
Provision for loss on construction contracts (Note 13)	11,464	27,609	105,339
Advances received	148,610	181,419	1,365,524
Other	173,456	124,986	1,593,825
Total current liabilities	947,726	864,280	8,708,316
Non-current liabilities			
Bonds payable (Note 12)	160,000	140,000	1,470,183
Long-term loans payable (Note 12)	188,859	187,568	1,735,358
Lease obligations (Note 12)	873	1,513	8,022
Deferred tax liabilities (Note 25)	796	593	7,314
Retirement benefit liability (Note 14)	129,846	97,602	1,193,109
Provision for the in-service issues of commercial aircraft jet engines (Note 15)	15,689	11,468	144,161
Other	42,491	43,566	390,435
Total non-current liabilities	538,556	482,313	4,948,599
Total liabilities	1,486,283	1,346,593	13,656,924
Net assets (Note 17):			
Shareholders' equity:			
Common stock:			
Authorized–336,000,000 shares			
Issued–167,080,532 shares in 2020			
–167,080,532 shares in 2019	104,484	104,484	960,066
Capital surplus	54,542	54,542	501,167
Retained earnings	326,626	324,606	3,001,250
Treasury stock–36,587 shares in 2020			
–35,196 shares in 2019	(133)	(130)	(1,222)
Total shareholders' equity	485,520	483,502	4,461,270
Accumulated other comprehensive income			
Net unrealized gains (losses) on securities	1,636	2,682	15,033
Deferred gains (losses) on hedges	(272)	(227)	(2,499)
Foreign currency translation adjustments	(11,311)	(4,556)	(103,933)
Remeasurements of defined benefit plans	(19,946)	(5,014)	(183,277)
Total accumulated other comprehensive income	(29,892)	(7,115)	(274,667)
Non-controlling interests	15,934	15,874	146,412
Total net assets	471,562	492,261	4,333,015
Total liabilities and net assets	¥1,957,845	¥1,838,855	\$17,989,938

Consolidated Statements of Income

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥1,641,335	¥1,594,743	\$15,081,641
Cost of sales (Note 18)	(1,370,809)	(1,326,668)	(12,595,874)
Gross profit	270,526	268,075	2,485,767
Selling, general and administrative expenses			
Salaries and allowances	(56,651)	(54,952)	(520,546)
Research and development expenses (Note 19)	(52,608)	(48,734)	(483,396)
Other	(99,203)	(100,364)	(911,541)
Total selling, general and administrative expenses	(208,463)	(204,052)	(1,915,492)
Operating profit	62,063	64,023	570,275
Non-operating income			
Interest income	695	909	6,386
Dividend income	288	294	2,646
Share of profit of entities accounted for using equity method	1,255	1,574	11,532
Penalty income	2,784	13	25,581
Insurance claim income	1,191	388	10,944
Other	3,469	3,516	31,875
Total non-operating income	9,686	6,696	89,001
Non-operating expenses			
Interest expenses	(3,615)	(3,427)	(33,217)
Foreign exchange losses	(8,479)	(4,721)	(77,911)
Payments for the in-service issues of commercial aircraft jet engines (Note 20)	(11,500)	(14,851)	(105,669)
Other	(7,725)	(9,857)	(70,982)
Total non-operating expenses	(31,319)	(32,858)	(287,779)
Ordinary profit	40,429	37,861	371,488
Extraordinary income			
Gain on sales of property, plant and equipment (Note 21)	1,277	–	11,734
Total extraordinary income	1,277	–	11,734
Extraordinary losses			
Loss on withdrawal from business (Note 22)	(2,383)	–	(21,897)
Total extraordinary losses	(2,383)	–	(21,897)
Profit before income taxes (Note 25)	39,323	37,861	361,325
Income taxes—current	(10,546)	(16,704)	(96,903)
Income taxes—deferred	(8,500)	8,681	(78,103)
Total income taxes	(19,046)	(8,022)	(175,007)
Profit	20,276	29,838	186,309
Profit attributable to non-controlling interests	1,614	2,385	14,830
Profit attributable to owners of parent	¥ 18,662	¥ 27,453	\$ 171,478

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥20,276	¥29,838	\$186,309
Other comprehensive income (loss):			
Net unrealized gains (losses) on securities	(1,065)	(864)	(9,786)
Deferred gains (losses) on hedges	(21)	(675)	(193)
Foreign currency translation adjustments	(5,284)	(796)	(48,553)
Remeasurements of defined benefit plans	(15,017)	549	(137,986)
Share of other comprehensive income of entities accounted for using equity method	(1,936)	(4,867)	(17,789)
Total other comprehensive income (loss) (Note 23)	(23,326)	(6,654)	(214,334)
Comprehensive income	(3,049)	23,183	(28,016)
Comprehensive income attributable to:			
Owners of parent	(4,116)	21,220	(37,820)
Non-controlling interests	¥ 1,066	¥ 1,962	\$ 9,795
Per share amounts (Notes 24 and 27)			
Net income per share—basic	¥ 111.7	¥ 164.3	\$ 1.03
Cash dividends	70.0	65.0	0.64

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Consolidated Statements of Changes in Net Assets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2020 and 2019

	Number of shares of common stock (thousands)	Shareholders' equity					Millions of yen						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income						Total net assets
							Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2018	167,080	¥104,484	¥54,573	¥308,010	¥(124)	¥466,944	¥3,526	¥403	¥ 719	¥ (5,532)	¥ (883)	¥15,324	¥481,386
Profit attributable to owners of parent for the year	-	-	-	27,453	-	27,453	-	-	-	-	-	-	27,453
Treasury stock purchased, net	-	-	-	-	(7)	(7)	-	-	-	-	-	-	(7)
Cash dividends	-	-	-	(10,858)	-	(10,858)	-	-	-	-	-	-	(10,858)
Loss on sales of treasury stock	-	-	(0)	-	1	1	-	-	-	-	-	-	1
Transfer of loss on sales of treasury stock	-	-	0	(0)	-	-	-	-	-	-	-	-	-
Capital increase of consolidated subsidiaries	-	-	(30)	-	-	(30)	-	-	-	-	-	-	(30)
Other	-	-	-	-	-	-	(843)	(630)	(5,275)	517	(6,232)	549	(5,683)
Balance at March 31, 2019	167,080	¥104,484	¥54,542	¥324,606	¥(130)	¥483,502	¥2,682	¥(227)	¥ (4,556)	¥ (5,014)	¥ (7,115)	¥15,874	¥492,261
Cumulative effect of changes in accounting policies	-	-	-	(4,948)	-	(4,948)	-	-	-	-	-	-	(4,948)
Restated balance	-	104,484	54,542	319,657	(130)	478,554	2,682	(227)	(4,556)	(5,014)	(7,115)	15,874	487,312
Profit attributable to owners of parent for the year	-	-	-	18,662	-	18,662	-	-	-	-	-	-	18,662
Treasury stock purchased, net	-	-	-	-	(3)	(3)	-	-	-	-	-	-	(3)
Cash dividends	-	-	-	(11,693)	-	(11,693)	-	-	-	-	-	-	(11,693)
Loss on sales of treasury stock	-	-	(0)	-	0	0	-	-	-	-	-	-	0
Transfer of loss on sales of treasury stock	-	-	0	(0)	-	-	-	-	-	-	-	-	-
Capital increase of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(1,046)	(44)	(6,754)	(14,931)	(22,776)	60	(22,716)
Balance at March 31, 2020	167,080	¥104,484	¥54,542	¥326,626	¥(133)	¥485,520	¥1,636	¥(272)	¥(11,311)	¥(19,946)	¥(29,892)	¥15,934	¥471,562

	Number of shares of common stock (thousands)	Shareholders' equity					Thousands of U.S. dollars						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income						Total net assets
							Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2019	167,080	\$960,066	\$501,167	\$2,982,689	\$(1,195)	\$4,442,727	\$24,644	\$(2,086)	\$(41,863)	\$(46,072)	\$(65,377)	\$145,861	\$4,523,211
Cumulative effect of changes in accounting policies	-	-	-	(45,465)	-	(45,465)	-	-	-	-	-	-	(45,465)
Restated balance	-	960,066	501,167	2,937,214	(1,195)	4,397,262	24,644	(2,086)	(41,863)	(46,072)	(65,377)	145,861	4,477,736
Profit attributable to owners of parent for the year	-	-	-	171,478	-	171,478	-	-	-	-	-	-	171,478
Treasury stock purchased, net	-	-	-	-	(28)	(28)	-	-	-	-	-	-	(28)
Cash dividends	-	-	-	(107,443)	-	(107,443)	-	-	-	-	-	-	(107,443)
Loss on sales of treasury stock	-	-	(0)	-	0	0	-	-	-	-	-	-	0
Transfer of loss on sales of treasury stock	-	-	0	(0)	-	-	-	-	-	-	-	-	-
Capital increase of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(9,611)	(404)	(62,060)	(137,196)	(209,281)	551	(208,729)
Balance at March 31, 2020	167,080	\$960,066	\$501,167	\$3,001,250	\$(1,222)	\$4,461,270	\$15,033	\$(2,499)	\$(103,933)	\$(183,277)	\$(274,667)	\$146,412	\$4,333,015

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥39,323	¥ 37,861	\$361,325
Depreciation	61,283	59,022	563,108
Increase (decrease) in allowance for doubtful accounts	238	(667)	2,187
Increase (decrease) in provision for sales promotion expenses	707	14	6,496
Increase (decrease) in provision for bonuses	889	1,245	8,169
Increase (decrease) in provision for construction warranties	1,412	100	12,974
Increase (decrease) in provision for loss on construction contracts	(16,133)	9,336	(148,240)
Increase (decrease) in retirement benefit liability	10,574	11,982	97,161
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	4,221	11,468	38,785
Interest and dividend income	(983)	(1,203)	(9,032)
Interest expenses	3,615	3,427	33,217
Share of loss (profit) of entities accounted for using equity method	(1,255)	(1,574)	(11,532)
Loss (gain) on sales of property, plant and equipment	(1,277)	-	(11,734)
Loss on withdrawal from business	2,383	-	21,897
Decrease (increase) in notes and accounts receivable-trade	(46,753)	58,985	(429,597)
Decrease (increase) in inventories	(48,068)	(65,383)	(441,680)
Increase (decrease) in notes and accounts payable-trade	2,401	6,829	22,062
Decrease (increase) in advance payments	3,326	1,202	30,561
Increase (decrease) in advances received	(31,827)	(14,013)	(292,447)
Decrease (increase) in other current assets	(8,986)	(1,557)	(82,569)
Increase (decrease) in other current liabilities	18,303	2,284	168,180
Other, net	6,004	1,192	55,169
Subtotal	(600)	120,553	(5,513)
Interest and dividend income received	2,500	3,859	22,972
Interest expenses paid	(3,630)	(3,439)	(33,355)
Income taxes paid	(13,731)	(11,211)	(126,169)
Net cash provided by (used in) operating activities	¥(15,461)	¥109,762	\$(142,066)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	¥ (71,947)	¥(82,836)	\$ (661,095)
Proceeds from sales of property, plant and equipment and intangible assets	6,087	605	55,931
Purchase of investment securities	(935)	(1,025)	(8,591)
Proceeds from sales of investment securities	1,232	989	11,320
Purchase of shares of subsidiaries and associates	(5,400)	(3,818)	(49,619)
Other, net	1,562	741	14,353
Net cash provided by (used in) investing activities	¥ (69,401)	¥(85,344)	\$ (637,701)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥103,758	¥(10,866)	\$ 953,395
Proceeds from long-term loans payable	24,348	34,772	223,725
Repayments of long-term loans payable	(28,938)	(30,709)	(265,901)
Proceeds from issuance of bonds	40,000	20,000	367,546
Redemption of bonds	(10,000)	(20,000)	(91,886)
Cash dividends paid	(11,710)	(10,868)	(107,599)
Dividends paid to non-controlling interests	(989)	(1,950)	(9,088)
Other, net	(664)	(149)	(6,101)
Net cash provided by (used in) financing activities	¥115,803	¥(19,771)	\$1,064,072
Effect of exchange rate change on cash and cash equivalents	3,293	(696)	30,258
Net increase (decrease) in cash and cash equivalents	34,234	3,949	314,564
Cash and cash equivalents at beginning of period	68,311	64,362	627,685
Cash and cash equivalents at end of period	¥102,546	¥68,311	\$ 942,259
Supplemental information on cash flows:			
Cash and cash equivalents:			
Cash and deposits in the balance sheets	¥106,108	¥74,311	\$ 974,989
Time deposits with maturities over three months	(3,562)	(6,000)	(32,730)
Total (Note 26)	¥102,546	¥68,311	\$ 942,259

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