Overview

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, supported by various countries' fiscal and monetary policies of 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 increases in the Ship & Offshore Structure and the Precision Machinery & Robot segment. Net sales decreased versus the previous fiscal year overall, due to decreases in the Aerospace Systems segment and other segments despite increases in the Precision Machinery & Robot segment and Ship & Offshore Structure segment. Operating profit 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 profit despite foreign exchange gains and reversal of the provision for the in-service issues of commercial aircraft. A loss attributable to owners of parent was recorded due to impairment losses recorded under extraordinary loss as well as a recurring loss 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 loss attributable to owners of parent came to ¥19.3 billion, deteriorating ¥37.9 billion year on year. ROIC* was negative 1.0%, while ROE was negative 4.2%.

* Before-tax ROIC = EBIT (profit before income taxes + interest expense) / 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, for the fiscal year ended March 31, 2021, the accounting period of 6 consolidated subsidiaries was 15 months (January 1, 2020 to March 31, 2021).

Business segment

The following sections supply additional details on the consolidated performance of each business segment. Please note that operating profit or loss includes intersegment transactions.

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 sales of component parts of airframes for Ministry of Defense in Japan and commercial aircraft and of component parts of commercial aircraft jet engines.

Operating loss came to ¥31.6 billion, deteriorating ¥74.4 billion year on year, mainly due to the 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 profit 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 saw 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 some general-purpose robots projects have been postponed 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 sales of hydraulic components for the construction machinery market and robots for the semiconductor and vehicle body assembly markets.

Operating profit 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, 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 terms, however, relatively stable growth is expected around the world due to the 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 rolling stock in 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 impacted 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 profit 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 profit 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 that 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.

Consolidated financial position

(1) Assets

Current assets were ¥1,285.4 billion, a ¥26.6 billion increase from the previous fiscal year mainly due to an increase in inventories. Fixed assets were ¥677.8 billion, a ¥21.1 billion decrease from the previous fiscal year mainly due to 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.

(2) Liabilities

Interest-bearing debt was ¥593.3 billion, a ¥25.8 billion increase from the previous fiscal year. Total liabilities were ¥1,480.5 billion, a ¥5.7 billion decrease from the previous fiscal year mainly due to a decrease in notes and accounts payable-trade.

(3) Net assets

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

Cash Flows

(1) Cash flows from operating activities

Operating activities provided net cash of ¥34.6 billion, a ¥50.0 billion turnaround 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 trade receivables of ¥23.2 billion and depreciation and amortization of ¥61.2 billion. Major uses of operating cash flows included the expenditure of ¥26.3 billion due to an increase in inventories assets, ¥16.7 billion due to a decrease in trade payables.

(2) 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, and mainly reflected the purchase of property, plant and equipment, as well as intangible assets.

(3) 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.

Dividends

As a basic management policy, the Company aims to increase corporate value by consistently generating profit exceeding the cost of invested capital. In line with this policy, the Company believes that one priority for management is to engage in cutting-edge research and development as well as the innovative capital investment required to achieve future growth and thereby return profits to shareholders by enhancing shareholder value over the long term.

In order to maintain a good balance between enhancing shareholder value and returning profits to shareholders through dividends, the Company has set a medium- to long-term consolidated payout ratio standard of 30% corresponding to the consolidated profit attributable to the owners of the parent and in light of both the outlook for future earnings and a comprehensive examination of its financial condition, including its free cash flow, D/E ratio (debt-to-equity ratio) and other factors.

The Company has a basic policy of distributing surplus retained earnings as dividends twice a year, once after the fiscal second quarter and once after the fiscal year-end. Interim dividends are authorized by the Board of Directors, while year-end dividends are authorized at the general meetings of shareholders.