

## Consolidated Balance Sheets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
At March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Assets</b>			
Current assets			
Cash and deposits (Note 27)	¥ 126,702	¥ 106,108	\$ 1,144,346
Notes and accounts receivable–trade (Note 10)	460,436	473,204	4,158,562
Merchandise and finished goods	69,223	75,042	625,208
Work in process (Notes 5, 10 and 12)	452,848	426,256	4,090,029
Raw materials and supplies	136,471	130,359	1,232,578
Other	43,314	51,176	391,203
Allowance for doubtful accounts	(3,589)	(3,367)	(32,415)
Total current assets	1,285,407	1,258,781	11,609,529
Non-current assets			
Property, plant and equipment (Notes 6 and 11)			
Buildings and structures, net	172,951	193,931	1,562,057
Machinery, equipment and vehicles, net	142,951	151,196	1,291,104
Land	57,743	62,183	521,523
Leased assets, net	10,564	2,694	95,412
Construction in progress	16,635	15,959	150,244
Other, net	50,413	56,604	455,320
Total property, plant and equipment	451,259	482,570	4,075,677
Intangible assets	22,427	21,358	202,556
Investments and other assets			
Investment securities (Notes 7, 8 and 11)	12,721	12,035	114,893
Retirement benefit asset (Note 13)	155	135	1,400
Deferred tax assets (Notes 3 and 26)	70,452	70,598	636,308
Other (Note 9)	122,254	114,203	1,104,173
Allowance for doubtful accounts	(1,403)	(1,838)	(12,672)
Total investments and other assets	204,180	195,134	1,844,111
Total non-current assets	677,868	699,063	6,122,363
Total assets	¥1,963,276	¥1,957,845	\$17,731,900

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable–trade (Note 11)	¥ 247,294	¥ 261,159	\$ 2,233,508
Electronically recorded obligations–operating	107,849	110,526	974,070
Short-term borrowings (Note 11)	141,579	166,188	1,278,712
Current portion of bonds payable (Note 11)	30,000	20,000	270,954
Lease obligations (Note 11)	1,061	1,542	9,583
Income taxes payable (Note 26)	4,753	6,116	42,928
Provision for sales promotion expenses	7,380	12,174	66,655
Provision for bonuses	18,239	22,032	164,731
Provision for construction warranties	12,550	14,454	113,349
Provision for loss on construction contracts (Note 12)	14,263	11,464	128,820
Advances received	153,298	148,610	1,384,556
Other	179,283	173,456	1,619,247
Total current liabilities	917,555	947,726	8,287,166
Non-current liabilities			
Bonds payable (Note 11)	190,000	160,000	1,716,040
Long-term borrowings (Note 11)	199,177	188,859	1,798,925
Lease obligations (Note 11)	9,532	873	86,091
Deferred tax liabilities (Note 26)	1,125	796	10,161
Retirement benefit liability (Note 13)	115,456	129,846	1,042,775
Provision for the in-service issues of commercial aircraft jet engines (Note 14)	5,984	15,689	54,046
Other	41,668	42,491	376,337
Total non-current liabilities	562,944	538,556	5,084,393
Total liabilities	1,480,500	1,486,283	13,371,568
Net assets (Note 16):			
Shareholders' equity:			
Common stock:			
Authorized–336,000,000 shares			
Issued–167,080,532 shares in 2021			
–167,080,532 shares in 2020	104,484	104,484	943,678
Capital surplus	54,542	54,542	492,612
Retained earnings	306,576	326,626	2,768,931
Treasury stock–38,282 shares in 2021			
–36,587 shares in 2020	(136)	(133)	(1,228)
Total shareholders' equity	465,467	485,520	4,204,001
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,955	1,636	17,657
Deferred gains or losses on hedges	(179)	(272)	(1,617)
Foreign currency translation adjustments	(931)	(11,311)	(8,409)
Remeasurements of defined benefit plans	(979)	(19,946)	(8,842)
Total accumulated other comprehensive income	(134)	(29,892)	(1,210)
Non-controlling interests	17,442	15,934	157,533
Total net assets	482,775	471,562	4,360,323
Total liabilities and net assets	¥1,963,276	¥1,957,845	\$17,731,900

## Consolidated Statements of Operations

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	<b>¥1,488,486</b>	¥1,641,335	<b>\$13,443,696</b>
Cost of sales (Note 17)	<b>(1,297,324)</b>	(1,370,809)	<b>(11,717,160)</b>
Gross profit	<b>191,162</b>	270,526	<b>1,726,535</b>
Selling, general and administrative expenses			
Salaries and allowances	<b>(56,970)</b>	(56,651)	<b>(514,541)</b>
Research and development expenses (Note 18)	<b>(44,949)</b>	(52,608)	<b>(405,970)</b>
Other	<b>(94,548)</b>	(99,203)	<b>(853,938)</b>
Total selling, general and administrative expenses	<b>(196,468)</b>	(208,463)	<b>(1,774,458)</b>
Operating profit (loss)	<b>(5,305)</b>	62,063	<b>(47,914)</b>
Non-operating income			
Interest income	<b>677</b>	695	<b>6,115</b>
Dividend income	<b>2,161</b>	288	<b>19,518</b>
Share of profit of entities accounted for using equity method	<b>411</b>	1,255	<b>3,712</b>
Foreign exchange gains	<b>4,074</b>	-	<b>36,796</b>
Reversal of provision for the in-service issues of commercial aircraft jet engines (Note 19)	<b>3,306</b>	-	<b>29,859</b>
Other	<b>4,587</b>	7,446	<b>41,429</b>
Total non-operating income	<b>15,218</b>	9,686	<b>137,446</b>
Non-operating expenses			
Interest expenses	<b>(3,790)</b>	(3,615)	<b>(34,230)</b>
Foreign exchange losses	<b>-</b>	(8,479)	<b>-</b>
Loss on retirement of non-current assets	<b>(2,886)</b>	(1,699)	<b>(26,066)</b>
Payments for the in-service issues of commercial aircraft jet engines (Note 19)	<b>-</b>	(11,500)	<b>-</b>
Other	<b>(6,091)</b>	(6,025)	<b>(55,013)</b>
Total non-operating expenses	<b>(12,768)</b>	(31,319)	<b>(115,318)</b>
Ordinary profit (loss)	<b>(2,855)</b>	40,429	<b>(25,786)</b>
Extraordinary income			
Gain on sale of non-current assets (Note 20)	<b>3,236</b>	1,277	<b>29,227</b>
Gain on sale of shares of subsidiaries and associates (Note 21)	<b>1,581</b>	-	<b>14,279</b>
Total extraordinary income	<b>4,817</b>	1,277	<b>43,506</b>
Extraordinary losses			
Loss on withdrawal from business (Note 22)	<b>-</b>	(2,383)	<b>-</b>
Impairment losses (Note 23)	<b>(15,205)</b>	-	<b>(137,328)</b>
Loss on valuation of shares of subsidiaries and associates (Note 7)	<b>(1,444)</b>	-	<b>(13,042)</b>
Total extraordinary losses	<b>(16,649)</b>	(2,383)	<b>(150,370)</b>
Profit (loss) before income taxes (Note 26)	<b>(14,688)</b>	39,323	<b>(132,659)</b>
Income taxes—current	<b>(10,506)</b>	(10,546)	<b>(94,888)</b>
Income taxes—deferred	<b>7,707</b>	(8,500)	<b>69,608</b>
Total income taxes	<b>(2,798)</b>	(19,046)	<b>(25,271)</b>
Profit (loss)	<b>(17,486)</b>	20,276	<b>(157,930)</b>
Profit attributable to non-controlling interests	<b>1,846</b>	1,614	<b>16,673</b>
Profit (loss) attributable to owners of parent	<b>¥ (19,332)</b>	¥ 18,662	<b>\$ (174,603)</b>

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit (loss)	<b>¥(17,486)</b>	¥20,276	<b>\$(157,930)</b>
Other comprehensive income:			
Valuation difference on available-for-sale securities	<b>426</b>	(1,065)	<b>3,848</b>
Deferred gains or loss on hedges	<b>(284)</b>	(21)	<b>(2,565)</b>
Foreign currency translation adjustment	<b>6,727</b>	(5,284)	<b>60,757</b>
Remeasurements of defined benefit plans	<b>18,969</b>	(15,017)	<b>171,324</b>
Share of other comprehensive income of entities accounted for using equity method	<b>4,496</b>	(1,936)	<b>40,607</b>
Total other comprehensive income (Note 24)	<b>30,335</b>	(23,326)	<b>273,979</b>
Comprehensive income	<b>12,848</b>	(3,049)	<b>116,040</b>
Comprehensive income attributable to:			
Owners of parent	<b>10,423</b>	(4,116)	<b>94,138</b>
Non-controlling interests	<b>¥ 2,425</b>	¥ 1,066	<b>\$ 21,902</b>
	Yen		U.S. dollars (Note 1)
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Per share amounts (Notes 25 and 29)			
Net income (loss) per share—basic	<b>¥ (115.7)</b>	¥ 111.7	<b>\$ (1.05)</b>
Cash dividends	<b>-</b>	70.0	<b>-</b>

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## Consolidated Statements of Changes in Net Assets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2021 and 2020

	Number of shares of common stock (thousands)	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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		
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
Dividends of surplus		-	-	(11,693)	-	(11,693)	-	-	-	-	-	-	(11,693)
Profit (loss) attributable to owners of parent for the year		-	-	18,662	-	18,662	-	-	-	-	-	-	18,662
Purchase of treasury shares		-	-	-	(3)	(3)	-	-	-	-	-	-	(3)
Disposal of treasury shares		-	(0)	-	0	0	-	-	-	-	-	-	0
Transfer of loss on disposal of treasury shares		-	0	(0)	-	-	-	-	-	-	-	-	-
Change in ownership interest of parent due to transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity		-	-	-	-	-	(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
Dividends of surplus		-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) attributable to owners of parent for the year		-	-	(19,332)	-	(19,332)	-	-	-	-	-	-	(19,332)
Purchase of treasury shares		-	-	-	(3)	(3)	-	-	-	-	-	-	(3)
Disposal of treasury shares		-	(0)	-	0	0	-	-	-	-	-	-	0
Transfer of loss on disposal of treasury shares		-	0	(0)	-	-	-	-	-	-	-	-	-
Change in ownership interest of parent due to transactions with non-controlling interests		-	(0)	-	-	(0)	-	-	-	-	-	-	(0)
Other		-	-	(716)	-	(716)	-	-	-	-	-	-	(716)
Net changes in items other than shareholders' equity		-	-	-	-	-	319	92	10,379	18,966	29,758	1,507	31,265
Balance at March 31, 2021	167,080	¥104,484	¥54,542	¥306,576	¥(136)	¥465,467	¥1,955	¥(179)	¥ (931)	¥ (979)	¥ (134)	¥17,442	¥482,775

	Thousands of U.S. dollars	Thousands of U.S. dollars											
		Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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		
Balance at March 31, 2020		\$943,678	\$492,612	\$2,950,018	\$(1,201)	\$4,385,116	\$14,776	\$(2,457)	\$(102,159)	\$(180,148)	\$(269,978)	\$143,913	\$4,259,050
Dividends of surplus		-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) attributable to owners of parent for the year		-	-	(174,603)	-	(174,603)	-	-	-	-	-	-	(174,603)
Purchase of treasury shares		-	-	-	(27)	(27)	-	-	-	-	-	-	(27)
Disposal of treasury shares		-	(0)	-	0	0	-	-	-	-	-	-	0
Transfer of loss on disposal of treasury shares		-	0	(0)	-	-	-	-	-	-	-	-	-
Change in ownership interest of parent due to transactions with non-controlling interests		-	(0)	-	-	(0)	-	-	-	-	-	-	(0)
Other		-	-	(6,467)	0	(6,467)	-	-	-	-	-	-	(6,467)
Net changes in items other than shareholders' equity		-	-	-	-	-	2,881	831	93,741	171,297	268,768	13,611	282,379
Balance at March 31, 2021		\$943,678	\$492,612	\$2,768,931	\$(1,228)	\$4,204,001	\$17,657	\$(1,617)	\$ (8,409)	\$ (8,842)	\$ (1,210)	\$157,533	\$4,360,323

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (14,688)	¥ 39,323	\$ (132,659)
Depreciation	61,258	61,283	553,270
Impairment losses	15,205	–	137,328
Loss on valuation of shares of subsidiaries and associates	1,444	–	13,042
Increase (decrease) in allowance for doubtful accounts	(343)	238	(3,098)
Increase (decrease) in provision for sales promotion expenses	(5,085)	707	(45,927)
Increase (decrease) in provision for bonuses	(3,819)	889	(34,492)
Increase (decrease) in provision for construction warranties	(1,938)	1,412	(17,504)
Increase (decrease) in provision for loss on construction contracts	2,788	(16,133)	25,181
Increase (decrease) in retirement benefit liability	11,611	10,574	104,868
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	(9,705)	4,221	(87,654)
Interest and dividend income	(2,839)	(983)	(25,641)
Interest expenses	3,790	3,615	34,230
Share of loss (profit) of entities accounted for using equity method	(411)	(1,255)	(3,712)
Loss (gain) on sale of non-current assets	(3,236)	(1,277)	(29,227)
Loss on withdrawal from business	–	2,383	–
Loss (gain) on sale of shares of subsidiaries and associates	(1,581)	–	(14,279)
Decrease (increase) in trade receivables	23,267	(46,753)	210,143
Decrease (increase) in inventories	(26,374)	(48,068)	(238,204)
Increase (decrease) in trade payables	(16,784)	2,401	(151,590)
Decrease (increase) in advance payments to suppliers	(132)	3,326	(1,192)
Increase (decrease) in advances received	4,209	(31,827)	38,015
Decrease (increase) in other current assets	8,900	(8,986)	80,383
Increase (decrease) in other current liabilities	2,988	18,303	26,987
Other, net	(5,570)	6,004	(50,307)
Subtotal	42,953	(600)	387,943
Interest and dividends received	6,370	2,500	57,533
Interest paid	(3,646)	(3,630)	(32,930)
Income taxes paid	(11,076)	(13,731)	(100,036)
Net cash provided by (used in) operating activities	¥ 34,601	¥ (15,461)	\$ 312,509

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	¥ (51,692)	¥ (71,947)	\$ (466,871)
Proceeds from sale of property, plant and equipment and intangible assets	13,656	6,087	123,338
Purchase of investment securities	(1,042)	(935)	(9,411)
Proceeds from sale of investment securities	1,407	1,232	12,708
Purchase of shares of subsidiaries and associates	(97)	(5,400)	(876)
Proceeds from sales of shares of subsidiaries and associates	1,927	–	17,404
Other, net	(1,551)	1,562	(14,008)
Net cash provided by (used in) investing activities	¥ (37,392)	¥ (69,401)	\$ (337,717)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	¥ (28,409)	¥ 103,758	\$ (256,584)
Proceeds from long-term borrowings	27,310	24,348	246,658
Repayments of long-term borrowings	(22,297)	(28,938)	(201,382)
Proceeds from issuance of bonds	60,000	40,000	541,908
Redemption of bonds	(20,000)	(10,000)	(180,636)
Dividends paid	(59)	(11,710)	(533)
Dividends paid to non-controlling interests	(960)	(989)	(8,671)
Proceeds from sale and leaseback transactions	10,014	–	90,444
Other, net	(2,505)	(664)	(22,625)
Net cash provided by (used in) financing activities	¥ 23,093	¥ 115,803	\$ 208,571
Effect of exchange rate change on cash and cash equivalents	(682)	3,293	(6,160)
Net increase (decrease) in cash and cash equivalents	19,619	34,234	177,195
Cash and cash equivalents at beginning of period	102,546	68,311	926,174
Cash and cash equivalents at end of period	¥ 122,166	¥ 102,546	\$ 1,103,378
Supplemental information on cash flows:			
Cash and cash equivalents:			
Cash and deposits in the balance sheets	¥ 126,702	¥ 106,108	\$ 1,144,346
Time deposits with maturities over three months	(4,536)	(3,562)	(40,968)
Total (Note 27)	¥ 122,166	¥ 102,546	\$ 1,103,378

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