

Q&A at the Medium-Term Business Plan “FY2019 MTBP” Detailed Edition

質問	回答
<p>Q1 :</p> <p>As the revision of financial forecast FY 2019 announced at the end of September, operating income decreases from 72.0 billion yen to 56.0 billion yen because of change in market environment.</p> <p>Nevertheless, why do you think you can achieve operating income of 100.0 billion yen in FY 2021?</p>	<p>A1 :</p> <p>The causes of the revision of financial forecast FY 2019 are currency fluctuation and change in market condition in Precision Machinery & Robot segment. Since we assume exchange rate 110 yen / US\$ during MTBP 2019, operating income decreases about 10.0 billion yen at currently exchange rate (about 107 yen / US\$) but it is covered by the risk buffer of 28.0 billion yen.</p> <p>In the Precision Machinery & Robot segment, we are confident of achieving MTBP target by implementing various measures during MTBP 2019 period. In addition, we are also confident of achieving operating income of 100.0 billion yen in FY 2021 because there are some elements increase about 20.0 billion yen, mainly in the jet engine business in the Aerospace Systems and other segments.</p>
<p>Q2 :</p> <p>Due to an increase in after-sales in jet engine business, operating income will increase in FY 2021 by 23.0 billion yen compared to FY 2018. Is it possible to achieve in just two years?</p>	<p>A2 :</p> <p>For recent new type of jet engines, most of Airlines and engine makers engage a comprehensive maintenance contract. A comprehensive maintenance contract is that the airline pays money for appropriate for operating time of engines and an engine manufacture bear fees for repairs and replacements for parts. The operating time of engine is depends on flight time and it can be assumed. Therefore after-sales income can be calculated at the same time. So we have enough confident to increase profit significantly from increased after-sales.</p>

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<p>Q3 : In recent years, CAPEX has continuously exceeded Depreciation and Amortization. Will high-level CAPEX continue during this medium term business plan?</p>	<p>A3 : In the growth fields such as Aerospace and others, CAPEX is expected to remain high level but it will peak out in FY 2019. Going forward, we will continue to invest in growth areas, but reduce overall investment and bring CAPEX closer to depreciation and amortization.</p>
<p>Q4 : How do you determine upper limit of CAPEX for each segment every year?</p>	<p>A4 : Autonomous business management which we aim is the principle of self-sufficient, so capital that needs for CAPEX should be earned by a segment itself. When a segment needs CAPEX that exceeds their capital, we especially deliberate about it.</p>
<p>Q5 : KHI had a presentation of MTBP 2019 (Outline) in May. What did you discuss with segments after May?</p>	<p>A5 : We have discussed how to precede selection and concentration as directions of each segment and distributions of capital but we had not concluded at May. As a result of discussing deeply, we decided to integrate into 14 BU from 30 BU as revising strategic basic units.</p>