<FY16 3Q results>

Q Have there been any changes in market conditions?
A Since OPEC’s decision to reduce crude oil exports, crude oil prices have remained stable, and we are seeing signs that our customers may be ready to resume making investments. We recognize that this is a major change. However, it doesn’t mean that such change is happening across the board: some of our customers are refraining from making investments and continue to restructure their operations. Market conditions vary. We will have to wait for crude oil prices to stabilize before we see a broad resumption of investment.

Q How were 3Q orders for the control business here in Japan and in other markets?
A Some projects in Japan had a low gross margin, but orders were about right where we assumed they would be. In other markets, orders were down for the downstream segment. Orders in certain regions, mainly the United States, showed a slight decrease. Orders are down overall from the same period one year ago, and this can be attributed to the receipt of large orders back then. When evaluating our order situation, please look at things from a longer-term perspective.

Q Operating income was down for the Japan control business in 3Q. Why is this?
A When comparing 3Q with the previous two quarters, one must consider that we booked a number of low gross margin projects during this quarter. That doesn’t mean there was a change in the market trend or that we experienced serious difficulties.

Q A number of EPCs have reported poor results as a result of the situation with certain large projects in North America. Has Yokogawa been impacted in any way?
A Our activities in such projects are nearing the final stage, so we have not been impacted.
<FY16 forecast>
Q  How certain are you that your overseas control business will hit its 4Q order target?
A  Based on a careful review of the orders that we expect to receive in 4Q, we believe that we can hit this target. We expect to be able to book enough orders to do this.

Q  Are you certain that you'll hit your sales target for FY16 4Q?
A  Considering the backlog of orders that we have for FY16 4Q, we believe it is doable.

Q  Given that your operating income has been up and down, will you be able to achieve the targeted 5 billion yen increase in gross profits in 4Q?
A  We have reason to think so. However, there is always the risk that intensifying competition or a delay in booking orders or sales in 4Q will impact our ability to do better than last year. In view of the fact that we face certain slight risks that could impact sales, we have not changed our forecast to reflect positive factors such as our order backlog and strong anticipated sales. We will do our best to hit this target.

Q  When do you expect to see a recovery in crude oil prices and orders?
A  There are various opinions about this and it is difficult to forecast. The best case scenario is for a quick resumption of energy-related investment and an upswing in orders this year. But even if our orders take longer to recover, we will secure profits by reducing costs and shifting resources to more profitable fields.

<Mid-term plan>
Q  What is the current status of your cost reduction activities and how certain are you that you will hit the 10 billion yen cost reduction target?
A  We are on track to hitting that target this fiscal year.
   Although the target for FY17 is much higher, we must achieve it. There is a risk that weak sales could cause us to miss this target.
   Currently we are carrying out measures such as accelerating our centralization of purchasing and going paperless to improve efficiency. These measures are starting to have an effect. We will introduce other measures and will speed up their implementation.
Q  How are things going with the mid-term business plan?
A  Conditions have changed since we made this plan, and that includes external factors such as the protracted low crude oil prices and the resulting curtailment of capital investment by our customers. We face a tough challenge meeting the targets for orders and sales, but we are working hard to make the needed improvements in profitability and efficiency.

To achieve the targets set out in the mid-term business plan, we are focusing our efforts mainly on improving profitability. Towards this end, we will continue to reduce costs and shift the resources into more profitable business fields.

Note: The information pertaining to our business plans and forecasts that has been provided in this presentation and at analyst meetings contains forward-looking statements that are based on our management’s current knowledge and require the making of assumptions about future events. As such, it cannot be guaranteed that these statements will not differ materially from actual results. Some of the text in this document has been modified to aid understanding.

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