Summary of Q&A at FY2016 Financial Results Briefing

May 17, 2017

<FY16 results>

Q How did your measures to enhance engineering efficiency help to reduce costs?

A We have been using the Central Engineering Centers (hereinafter CEC) more than initially expected. As the engineering resources of the CECs are being utilized globally, their increased utilization and the improved standardization of work processes have led to greater cost efficiency.

Q Why were orders up in 4Q?

A Conditions have been looking up in the domestic and overseas markets. The anticipated receipt of orders for large projects in 4Q provided a boost. We have the impression that, after a period of stagnation, the markets are showing some life.

Q What is the business environment like in North America?

A Orders have been down in recent years due to problems such as market stagnation and issues with our sales organization. However, in the second half of the fiscal year we started to see some improvement thanks to efforts to improve the sales organization and a slight pickup in the market.

Q Compared to three or four years ago, how has your customer's stance toward investment changed?

A As crude oil prices haven't recovered yet, our customers are keeping a tight lid on investment in new projects. We have the impression that they are focused on rationalizing operations, improving efficiency, and the like to increase throughput at existing facilities.

Q How are you faring in your competition with other companies?

A Competition on price varies depending on the situation, but in general competition is growing fiercer due to the decline in the number of projects. We will get an advantage over our competitors by expanding our business portfolio to include not only control systems but also manufacturing execution systems (MES) and enterprise resource planning (ERP) solutions.

<FY17 forecast>

Q What do you see happening with FY17 orders?

A Some of our customers who have made progress in restructuring their costs have begun to consider making investments. We don't expect the high growth that we saw three or four years ago, but we do think that we have passed out of the tough phase of one or two years ago.

Q Regarding your revised orders target of 400 billion yen, what are your expectations for profit

margins?

A Although competition is growing more intense, we do not currently see this having a huge negative impact on our profit margins. We will maintain our profit margin by reducing costs.

Q Can you explain why you now assume orders will recover sooner than expected?

A While we see no rapid general improvement in our customers' willingness to make investments, we now think it is possible to increase orders by allocating more resources to comparatively robust markets such as the Middle East and Russia.

Q Disregarding the impact of your recent acquisitions, can you explain why profits are not expected to rise much despite an anticipated increase in sales?

A Regarding the control segment, our forecast was a little conservative because of intensifying price competition. As for the measurement and aviation and other segments, despite the current challenging business environment we have set somewhat demanding profit targets. We will surely achieve the target figures for the company as a whole.

Q What impact will the exchange rate have on FY17 sales?

A Excluding the impact of the exchange rate, we expect to see an 8.6 billion yen year on year increase in sales. In real terms, we anticipate a 3.5 billion yen increase.

*At the financial results briefing on May 11, we stated that the exchange rate would have a 4.9 billion yen impact, but the correct figure is 5.1 billion yen. We apologize for this mistake. For your reference, the figures for the anticipated impact of the exchange rate on orders, sales, and operating income for all three segments and the control segment are given below.

- Impact of exchange rate -

	Orders	Sales	Operating income
Total	5.3 billion yen	5.1 billion yen	0.9 billion yen
Control	5.2 billion yen	5.0 billion yen	0.7 billion yen

<KBC group>

Q How is the business environment changing and what results do you forecast?

A The economic downturn has affected orders for the consulting business. We will realize synergies as soon as possible by means such as taking advantage of the differences between KBC and Yokogawa's customer bases and utilizing new cloud-based products. We will then create new business by developing new customers and entering new business fields.

- Financial forecast -

	Orders	Sales	Operating income
FY16 results	8.2 billion yen	10.3 billion yen	-0.4 billion yen
FY17 forecast	9.0 billion yen	10.0 billion yen	0.9 billion yen

Q What is the reason for the anticipated recovery of income in FY17?

A The shifting of the recognition of sales from the second half of FY16 to FY17 is the biggest factor. In addition, we are making gradual progress in establishing a sales organization that allows Yokogawa and KBC to jointly work with each other's customers, and customers have begun to show satisfaction with the results. Based on the above, we believe it is realistic to anticipate a recovery in our results.

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.