Summary of Questions and Answers at Briefing on Financial Results for 1Q FY2017

August 10, 2017

<FY17 1Q results>
Q: Were there any changes in the business environment during the first quarter?
A: There were no major changes. Markets were slightly positive but not so strong.

Q: What is the business environment in each region?
A: We received fewer orders in the Middle East than last year but we are not concerned. The decrease is because we had received a large upstream order in the same period of the previous year. In addition, we think we will win more orders in the second half. In Europe and China, orders for petrochemicals were robust. Overall, the scale of large project is becoming smaller as oil prices fall.

Q: Why did the income of the control business decrease?
A: The topline decline in 1Q was the result of the booking of sales in overseas operations slipping into 2Q. This delay is not caused by unusual circumstances such as troubles with customers or customers’ lacking funds, but occurs naturally in the process of executing projects. We expect the decreased income to recover in the second quarter and beyond. Another reason is withdrawal from some businesses.

Q: How did the KBC Group perform in the first quarter?
A: Consulting orders are recovering. We believe that the group can achieve its annual targets for orders, sales, and operating income.

<table>
<thead>
<tr>
<th></th>
<th>Orders</th>
<th>Sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16 1Q results</td>
<td>2.3 billion yen</td>
<td>3.5 billion yen</td>
<td>0.4 billion yen</td>
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<tr>
<td>FY16 results</td>
<td>8.2 billion yen</td>
<td>10.3 billion yen</td>
<td>-0.4 billion yen</td>
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<tr>
<td>FY17 1Q results</td>
<td>2.6 billion yen</td>
<td>2.6 billion yen</td>
<td>0.1 billion yen</td>
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<tr>
<td>FY17 results</td>
<td>9 billion yen</td>
<td>10 billion yen</td>
<td>0.9 billion yen</td>
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Q: Why did the gross margin drop?
A: In Japan, we undertook several projects with extremely low profitability, which depressed the gross margin. In overseas markets, the gross margin did not decrease in spite of tough competition. Although customers’ appetite for investment has not recovered strongly, it seems to have bottomed out. We expect our gross margin overseas to remain at its current level.
There are other reasons for the drop in gross margin: the level of inventory assets was relatively low at the end of FY16, and lower income led to increased inventory, causing unrealized income in inventory to increase.

<FY17 forecast>
Q: What is the likelihood of achieving the annual targets?
A: Since there is a substantial backlog of orders, we can achieve the sales target. We also believe that we can achieve the operating income target because both sales and gross margin are growing. The improvement of gross margin is estimated based on the order backlog.

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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