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

November 8, 2017

<FY2017 1H results>
Q: What is the progress of orders and sales for annual plan?
A: In this fiscal year, our orders target concentrates in 2H. The progress of orders is within our expectation. In Southeast Asia and Europe, the sales recognitions of some projects are slipping into the following quarters, but we expect to recover in 2H.

Q: What is the business environment in Middle East?
A: At a glance, we received fewer orders than last year. This decrease is because we had a large order in the first quarter of the previous year. More orders are expected in the second half, and we will work hard to win orders for projects that are materializing. However, the business situation in this region is highly uncertain: oil-producing countries are facing increasingly tight financial conditions due to the decline in oil prices, and some countries are poised to take national measures to overcome these difficulties. The business environment in the region is changing very quickly.

Q: What is the trend of large scale project and small scale project by region?
A: Regarding large scale project, we received very large amount orders in Australia, Middle East, and Russia in recent years. On the other hand small scale project, there is not much difference among regions. In China and North America, as proportion of product business is relatively high, the quantity of small scale project is higher than other region.

<Control business>
Q: What is your strategy for establishing a competitive advantage with the new concept of Synaptic Business Automation?
A: Yokogawa is no longer a mere supplier of control and measuring instruments. We will improve the productivity of plants and the whole supply chain of customers, focusing on process automation business. We will expand the scale of our business by taking various measures including M&A.
Q: By how much will Synaptic Business Automation boost business results?
A: It is difficult to estimate it accurately. Previously, we dealt with customers wishing to make investments. Now we are starting by listening to customers in order to identify their needs and problems. We may also need to tailor our solutions for each customer. This new approach will take time to generate revenues.

Q: What impact do you expect from oil prices over 60 dollars?
A: Oil prices exceeding 60 dollars will favor our upstream customers, but this alone will not prompt them to make investments. There are other factors that suppress oil demand. For example, the spread of electric vehicles and an energy shift from oil to natural gas.

<FY2017 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 will achieve the operating income target because both sales and gross margin are growing. While manufacturing and other costs are being reduced steadily and gross margin is improving, the reduction in sales and administrative costs is not enough. Therefore we will implement necessary measures.