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

May 11, 2018

<FY17 results and FY18 forecast>

Q: What is about the difference between the forecasts and actual results for FY17?
A: Actual results for FY17 became almost exactly in line with the earnings forecast announced in February. The difference in sales is the result of an upturn in expectations that was not incorporated in the earnings forecast from February.

Q: What is about KBC group’s performance?
A: KBC group’s performance in FY17 is as below. Furthermore, operating profit includes ¥2.1 billion in allowance for doubtful accounts.

<table>
<thead>
<tr>
<th></th>
<th>Orders</th>
<th>Sales</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 results</td>
<td>9 billion yen</td>
<td>9.5 billion yen</td>
<td>-2.2 billion yen</td>
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In FY18 forecasts, there are plans to extend orders by around 10%, but sales are expected to flatten out as orders backlog is reduced. Operating profit is expected to be improvable compared to last year excluding the special causes of allowance for doubtful accounts.

Q: What is about foreign exchange sensitivity?
A: FY17 did not see much change with the yen and dollar. With big swings against the euro and other currencies, however, it seemed off from normal foreign exchange sensitivity trends (¥5-600 million annually). There is no reason to believe that FY18 will veer too heavily from normal standards.

Q: What is about changes in the business environment?
A: In FY17 there was slowdown in the industries with our strength, with CAPEX in particular showing sluggish recovery. Many customers for oil and gas industries desire reform in business structure. Although there is hope that such reform will lead to future orders, there are no plans reliant on such hopes in TF2020. Furthermore, there is no impression that the competitive environment is getting particularly fierce.
Q: What is about the control business results?
A: With domestic control business, in FY17 there was tough ROS situation due to several projects with extremely low profitability causes during Q1, but ROS in FY18 is going recovery. With control business overseas, on the other hand, although impacts are expected from the strong yen, increases in strategic investment costs, and other factors, we plan to continue operations with an aim at 10% or more in ROS.

Q: What is about free cash flow?
A: There is no major change as in past trends. With the strategic investment cap set at ¥70 billion in TF2020, depending on how it is carried out, there may be changes in the actual amount of free cash flow. Besides that, however, the standard is expected to remain the same, and we are generally keeping the standard of net profit for this term as our yardstick.

< New Mid-term Business Plan >
Q: What is the reason for a life innovation business is launched?
A: As we develop further in producing biological products through the manufacture of Pharmaceutical and food industries, we aim to help improve productivity of clients’ entire value chains. Our company has always listened to clients regarding the upstream (research) and downstream (mass production) of value chains, and provide value using existing products as well as technology still under development.

Q: What is about disclosure segment of the life innovation business?
A: The life innovation business includes both the actual results of existing control products as the control segment, and the actual results of existing measurement products as the measurement segment. There are no changes to the disclosure segment at present, but as we aim to deepen discussion with the capital market, the actual results for life innovation business will be shown every time accounts are reported.

Q: What is about the market growth rate for OPEX business?
A: As there is no market report for OPEX business only, we do not have precise figures to show. The growth rate we are aiming for in TF2020, however, is set higher than that for the control markets.
Q: What is about the scale of orders in OPEX business and the chemical and renewable energy industries?

A: In order to respond to TF2020’s new business structure, we are not able to show exact figures at this time, but plan to show actual results in future accounts reports. As a rough estimate, the chemical industry is approx. 15% of our entire control business, with the electric power industry, which includes renewable energy, approx. 5% of our entire control business.

Q: How are strategic investment costs spent, and how will they be distributed over the next three years?

A: In regard to each basic strategy offered in TF2020, we plan to make investments in order to acquire and cultivate human resources and knowledge, strengthen information systems, and accomplish other aims. The amount of money expected to be spent annually is around the same standard as planned for FY2018, but we plan to continue reviews with a strict eye to the effects. We also are going to improve the management efficiency.

Q: What is about the specific standards for shareholders’ dividend on equity ratio (DOE) in regarding to the dividend policy?

A: We are unable to show specific standards, but with goals of 10% or more ROE and 30% or more in dividend payout ratio, we are working to maintain stable dividends while taking into account DOE when business results have soured due to a temporary cause.

Q: What is the reason for the absolute amounts for sales and operating profit are not published, in regard to management indicators?

A: As profit and loss are impacted by changes in the outside environment, we hope to work in dialogue with the capital market, having an essential discussion on where to aim without showing the absolute amounts three years from now.

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.