<FY18 results and FY19 forecast>

Q: What is about the status of control segment orders, by region in the FY18 4Q, and future sustainability?
A: Overall, in particular in the Middle East, Africa, and North America, orders was firm. Resulted in the accumulation of orders in the FY18 4Q was due to the fact that small orders were strong and that they were also acquired large orders. We expect to continue to be firm for small orders in the FY19.

Q: What is the reason for the lower gross margin ratio in analysis of operating income in the FY18 4Q?
A: The costs of approx. ¥1.7 billion was incurred in the FY18 4Q temporarily. About half of this was due to the settlement of past tariffs. Others include a provision for losses on construction contracts overseas and a portion of pension-related expenses. There is no impact in the FY19.

Q: What is about progress of cost-reduction measures, etc. to improve productivity in analysis of operating income in the FY18?
A: The gross profit margin is declining, but it includes the effects of more efficient engineering and more efficient procurement and logistics. Although the considerable amount accumulated on a project activity basis, it is difficult to calculate the amount of operating income on the PL. We analyzed that the cost reduction effect on the cost side was approx. ¥1 billion. On the SG&A side, we amid a slight delay in progress, has been tackling these issues continuously since the previous mid-term business plan, and we believe that the effects will be gradually realized from the FY19 to the FY20.

Q: What is about balance of "the FY19 forecast" between the 1H and the 2H?
A: We do not anticipate getting large PJTs in the FY19 and think that the 1H and the 2H will be balanced as usual. Sales are expected to be weighted toward the 2H based on the order backlog.
Q: What is the reason for lower orders of the FY19 forecast year on year?
A: Orders are expected to decline year on year due to the impact of the transfer of shares of Yokogawa Denshikiki, though we expect orders for the Control Segment to be positive. The growth rate in the FY19 is lower due to get some PJTs orders in the FY18 which was expected to get in the FY19, but there are no particular risks and capacity issues.

Q: What is about the thinking on the cost side and the SG&A side regarding the factors accounting for increase/decrease in the FY19 operating income?
A: The effect of gross margin on the cost side is included in the increase in gross profit from higher sales, and is less impactful compared to the FY18. However, we expects the gross profit margin to improve slightly including positive factors such as a decline in one-time factors that occurred in the FY18 4Q and cost reductions, and negative factors such as intensified competition, etc..

SG&A expenses in the FY18 were presented with a breakdown for strategic investments. But both strategic expenses and recurring expenses are intrinsically linked within the implementation of TF2020, so we present them collectively in the FY19. Increase in SG&A expenses, as 4.1 billion yen, includes upfront investments in new businesses such as the Life Innovation Business and the IIoT Business including the amnimo brand, and other expenses for digital transformation which is expected to improve profitability.

Q: What is the reason for increasing the capital expenditures in the FY19 forecast from the current fiscal year's results?
A: We don't plan to make any large investment in the FY19. The figures are slightly larger based on our annual results.

Q: What is about the concept of risk management in overseas businesses? While EPCs has suffered large losses.
A: Basically, because the business models are different from those of EPC, the scope of risks is quite different. Our sales staffs check the contents of PJTs with various perspectives when receive orders for PJTs. Risks are hedged by conducting thorough examinations and carrying out jobs while continually managing progress even after orders are received.

In addition, we believe it is important to accurately grasp customer conditions by
utilizing our extensive experience to date and our network of service centers in 80 countries overseas.

<Progress of Mid-term Business Plan “TF2020”>

Q: What are about the size of the OPEX/CAPEX.?
A: If maintenance & operations business, solutions business and the product business as OPEX, and other systems-related projects as CAPEX are defined, in a broad sense, we think that the OPEX is over 200 billion yen and the CAPEX is approx. 130 to 140 billion yen at the beginning of TF2020.

Q: What are about the backgrounds and circumstances for the growth of the OPEX businesses?
A: We are investing resources into the steady service business, which will lead to stable earnings, with the maintenance and operations business and services business growing mainly in Southeast Asia, Europe, and India. In order to further accelerate solutions businesses and consulting businesses, it is essential overseas to expand their knowledge & expertise in Japan, in addition to KBC consulting. In the FY19, we will surely connect them to PJTs. In addition, our position to handle on-site data is a major advantage, and we will take on the challenge of how to optimize customer management by utilizing the data obtained from a wealth of installation bases.

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.