

## Summary of Questions and Answers at Briefing on Financial Results for 1Q FY2019

August 9, 2019

<FY19 1Q results>

Q: What about order trends in control segments by industry and region, including geopolitical risk factors?

A: Despite concerns of an economic slowdown, orders in Japan and the Middle East have been strong. In Asia, although orders declined year-on-year, the situation has not been changed significantly. By industry, the downstream order and the chemical order in Japan were strong. In addition, there are also good signs in “oil to chemical” activities (i.e. the conversion of crude oil to chemicals) in the Middle East despite existing geopolitical risk factors. So, we expect to see growth in upstream order as well as downstream order.

Q: What about the ratio of LNG to orders in control segment and investment trends?

A: Though it is difficult to show the ratio as LNG, since many upstream orders are involved in LNG, we would like to see a large proportion of upstream orders as related to LNG in some way. There have been no major changes in investment trends, and we continue to expect investment for natural gas, including LNG.

Q: What about the impact of deterioration in the external environment, such as trade disputes between the United States and China?

A: Though there has been no significant change in the impact of trade disputes between the United States and China, the external environment is increasingly uncertain. So, we will continue to monitor the situation closely.

Q: What about the status of gross profit?

A: Although gross margin has increased compared to the same period of the previous year, it is difficult to make a judgment just in the first three months because it depends on the situation of the projects that recorded sales during this period. We would like you to see the situation throughout the year.

Q: How should we evaluate the situation of SG&A expenses in 1Q have increased by 1.4 billion yen year-on-year?

A: The increase of 1.4 billion yen year-on-year in 1Q, we evaluate to have started slightly low compared with the annual forecast (4.1 billion yen increase).

Q: What about the extraordinary expenses of 3 billion yen as the provision for reinforcing measures against soft error?

A: With the increase of cosmic ray neutrons, the occurrence frequency of soft error, which is considered to be caused by that influence, has been slightly higher. In some of our systems

and products, there were events that appeared to be the occurrence of the soft error. Therefore, in order to further enhance countermeasures and support for customers who highly value the reliability of our systems and products, we have decided to provide accurate information to the customers who use our systems and products that may be affected with very low probability by soft error. And we have also decided to suggest the customers to replace to the part of the systems and products which have done with countermeasures. We booked the extraordinary expenses of about 3 billion yen as an expense expected to incur in proceeding with this.

Q: What about the impact of the exchange rate, including its sensitivity?

A: We recognize that there is no significant change in exchange rate sensitivity. As for fluctuations in foreign exchange rates, we have the impression that the rate of appreciation of the yen is increasing, particularly in emerging economies. Our Company will continue to closely monitor the impact of currency fluctuations on its earnings.

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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