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

November 5, 2019

<FY19 1H results and FY19 forecast>

Q: What about the outlook for the second half of the fiscal year?
A: We do not think there will be any deterioration in the market during the second half-year period, but we are monitoring the situation closely due to increasing uncertainty in the external environment.

Q: What about the outlook for the increase in SG&A expenses for the full year?
A: The SG&A expenses in the first half was large year on year. The main reason for its increase was the strategic investment expenses on the mid-term business plan. We believe that the second half of the fiscal year will be the same as the previous year. The current situation is within expectations for the annual forecast (4.1 billion yen increase).

Q: What about your view on profitability, including the future?
A: As part of our strategy of the improvement productivity through group-wide optimization, we are continuing our efforts to improve profitability. While the competitive environment with other companies continues to be tough, we are winning cost reduction competition and transforming our business to the solutions business that gets a reward by creating value with customers and contributing to improved profits for customers.

Q: What about Upstream industry's trend including LNG and gas?
A: Orders in Upstream industry, which was slightly down from previous year, was covered by orders in Downstream. Our recognition is that trend of orders has returned to normal growth rather than deteriorating, due to there was a reaction to the solid performance in FY18. We think that have no worries about trend of orders in the future. As for investment trends in natural gas, including LNG, although there is uncertainty over the short-term balance between supply and demand, the demand continues to be high from a long-term perspective, so we expect continued investment.

Q: What about the impact on your company to tough situation of the business environment for large projects?
A: In many cases, our core OPEX business projects, such as improvement of operational efficiency, optimization, and implementation of education, are requested directly by end users. Our business is different from the business model of EPC (Engineering Procurement Construction) and it is not possible to compare simply. But our business are growing while respecting the relationship with EPC.

<Progress of mid-term business plan “TF2020”>

Q: What about the impact of regional trends and profitability for growing need for localization?
A: There is a growing need for localization, particularly in resource-rich and emerging countries
such as Saudi Arabia, the UAE, Russia and other countries, as it creates jobs and contributes to regional economic growth. We have received direct requests from our customers, such as starting up production functions in the field, procuring, and training experts, and their response has an impact on bidding. We are taking advantage of our rich installed base worldwide, including in the Middle East, to ensure that these business opportunities lead to orders. Moreover, in terms of profits, responding to need for localization may involve some investment in the short term, but expanding a business rooted in the local area is leading to future profits in the mid to long term.

Q: What about your profit margin in the Middle East?
A: The CAPEX business relates to the OPEX business such as additional orders and solutions business orders, so in the total, the profit margin will be improved.

Q: What about the current situation in Africa in the 2Q?
A: In Africa, the market remains promising. We are interested in gas related investments including LNG continually. The difference of the results between 1Q and 2Q depended on orders by large projects. There is no major change in the outlook.

Q: What about the OPEX/CAPEX business ratio and each current situation?
A: If maintenance & operations business, solutions business and the product business as OPEX business, and other systems-related projects as CAPEX business are defined, in a broad sense, we think that the CAPEX business is about 40% and the OPEX business is about 60%. There has been no major change in each current situation. In the first half, both OPEX and CAPEX business grew on an amount basis and the ratio remained almost the same as the same period of the previous year.

Q: What about overseas expansion of life innovation?
A: There is little experience in overseas. In other hand, experience and knowledge of food and pharmaceutical industries of our target has been accumulated in Japan. Currently, we effort to strengthen the global development of quality control and production control know-how accumulated in Japan.

Q: What about your view on M&A and alliances?
A: Based on the strategy of the mid-term business plan, M&A and alliances are being considered and implemented to secure the resources necessary to grow and expand businesses other than organic growth. In addition, the securing of human resources, with knowledge of M&A, etc., has been strengthened, including career recruitment.

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.