Yokogawa Electric Corporation

Q3 Financial Results Briefing for the Fiscal Year Ending March 2026

February 3, 2026

Event Summary

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[Time]	18:00 – 18:58 (Total: 58 minutes, Presentation: 13 minutes, Q&A: 45 minutes)
[Venue]	Webcast
[Number of Speakers]	1 Michiko Nakajima — Director, Vice President & Executive Officer, Head of Accounting & Treasury Headquarters

Presentation

Key Points

- **FY25 3Q results: Sales and profit increased**

- **Summary:**
  - Orders, Sales and operating income increased, despite the negative impact of the appreciation of the yen.

- **Segments:**
  Control: Sales and operating income increased year on year.
  Measuring instruments: Sales increased, and operating income remained steady year-on-year performance.
  New businesses and others: Steady year-on-year performance

- **FY25 earnings forecasts: <Revised>**
  - Upward revision

- **FY25 dividend forecasts: <Revised>**
  - Dividend increase revision

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I am Nakajima, Head of Accounting & Treasury Headquarters.

Please refer to page 4 of the presentation materials, where we have summarized the key points. I will explain the details on the following pages.

Summary of FY25 1Q-3Q Results (YoY Comparison)

- Orders increased, due to the receipt of large-scale projects (Control segment) and increasing AI-related investments (Measuring instruments segment). (excluding the impact of exchange rates: +¥12.6 billion, +2.9%)
- Sales increased, supported by a strong backlog of orders. (excluding the impact of exchange rates: +¥28.7 billion, +7.0%)
- Operating income increased mainly as a result of higher gross profit driven by sales growth. (excluding the impact of exchange rates: +¥4.1 billion, +7.1%)

(Billion ¥)

		FY24 1Q-3Q	FY25 1Q-3Q	Difference	Growth rate	Impact of exchange rate
Orders		441.2	**450.2**	+9.0	+2.0%	(3.6)
Sales		408.9	**434.3**	+25.4	+6.2%	(3.3)
Operating income		58.4	**60.4**	+2.0	+3.5%	(2.1)
ROS(%)		14.3	**13.9**	(0.4)pt	–	–
Ordinary income		60.8	**62.0**	+1.2	+2.0%	(2.2)
Profit attributable to owners of parent		38.7	**44.8**	+6.1	+15.9%	(2.1)
Exchange rate	US$1=	¥153.00	**¥149.41**	(3.59)	–	–

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Page 5 shows the financial summary.

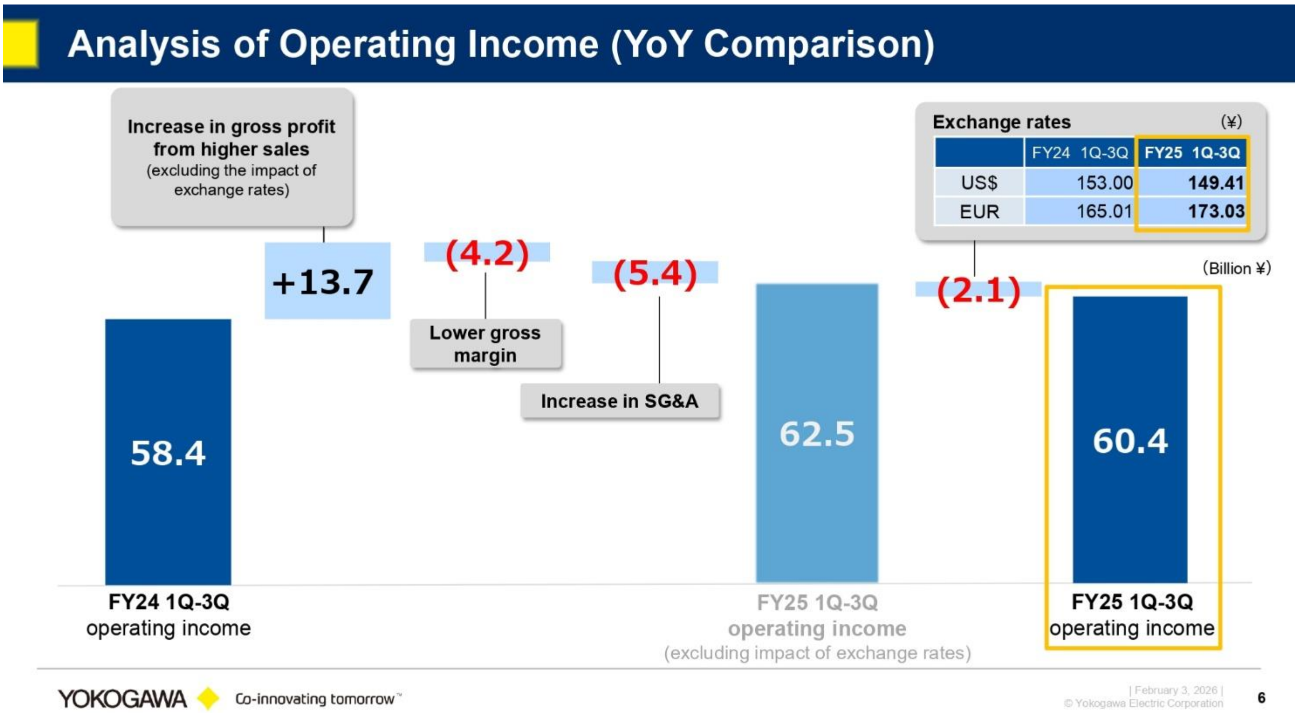
Orders totaled JPY450.2 billion. Excluding FX, this represents a year-on-year increase of JPY12.6 billion, or 2.9%.

Seles increased to JPY 434.3 billion, up JPY 28.7 billion and 7.0% on an FX-neutral basis.

Operating income was JPY60.4 billion, up JPY2.0 billion year-on-year. Excluding FX, the increase was JPY4.1 billion, or 7.1%.

During the third quarter, the yen appreciated by approximately JPY3.6 against the U.S. dollar compared with the same period last year. However, thanks to the steady conversion of our robust order backlog into sales and continued strong order intake, we were able to absorb the foreign exchange impact and achieve solid growth in orders, sales, and operating income.

Below operating income, although there was a reactionary decline due to the gain on sale of fixed assets recorded last year, a reduction in corporate tax adjustments contributed to a JPY6.1 billion increase in net income year-on-year.



Next, on page 6, I will explain the analysis of changes in operating income.

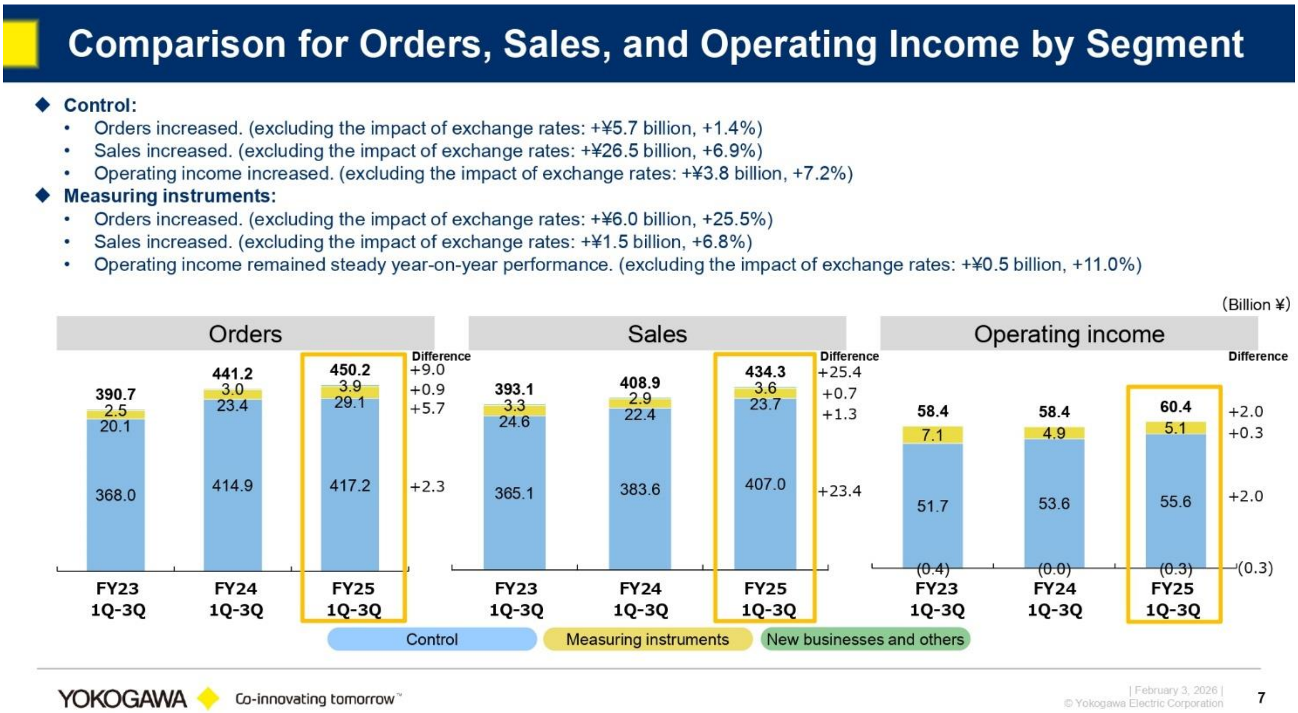
Operating income increased by JPY2.0 billion from JPY58.4 billion in the same period last year, excluding FX.

Gross profit increased by JPY13.7 billion due to higher sales. Gross profit margin had a negative impact of JPY4.2 billion.

The impact of the change in business composition, which was assumed at the beginning of the year, has nominally expanded due to steady sales growth in the project business.

In the control product business, this includes the impact of strategic price discounting in China and other countries as well as strategic project orders involving construction losses, reflecting up-front investments.

And for SG&A expenses, the impact was negative for JPY5.4 billion. This increase in SG&A expenses includes base costs such as higher personnel expenses due to inflation, as well as up-front investment costs such as the amortization of goodwill from companies acquired through M&A and other expenses recognized as period costs.



Page 7 shows orders, sales, and operating income by segment.

Let me begin with the Control Business segment, shown in blue. Starting with orders on the left side: orders increased by JPY2.3 billion year-on-year, representing a 1.4% growth when excluding FX. Sales rose by23.4 billion year-on-year, or 6.9% excluding FX. Operating income increased by JPY2.0 billion, year-on-year, or by JPY3.8 billion when excluding FX.

Next is the Measuring Instruments Business, shown in yellow. Orders increased by JPY5.7 billion year-on-year, or 25.5% excluding FX. This was mainly driven by solid demand related to AI data centers from the beginning of the year, with several relatively large orders recorded in the third quarter.

Sales increased by JPY1.3 billion year-on-year, or 6.8% excluding FX. Operating income increased by JPY0.3 billion year-on-year, and by JPY 0.5 billion when excluding FX.

Lastly, the New Businesses and Others segment, shown in green, saw no significant changes from the previous year.

Orders and Sales by Region in Control Segment

◆ Despite the reactionary decline following last year's large-scale orders in the Middle East, overall order intake increased, driven primarily by large-scale project wins secured in Japan.

(Billion ¥)

Orders	FY24 1Q-3Q (A)	FY25 1Q-3Q (B)	Difference (B-A)
Japan	**99.1**	**109.7**	**+10.6**
Asia	126.0	124.6	(1.5)
(Southeast Asia, Far East)	59.7	61.4	+1.6
(China)	44.5	42.0	(2.5)
(India)	21.9	21.2	(0.6)
Europe and CIS	41.2	42.9	+1.7
Middle East and Africa	104.0	91.4	(12.6)
North America	32.5	33.3	+0.9
Central and South America	12.0	15.2	+3.2
Outside Japan	**315.7**	**307.5**	**(8.3)**
Consolidated	**414.9**	**417.2**	**+2.3**
Exchange rate USD1$＝	¥153.00	¥149.41	(3.59)

Sales	FY24 1Q-3Q (A)	FY25 1Q-3Q (B)	Difference (B-A)
Japan	**96.3**	**105.4**	**+9.0**
Asia	132.2	120.5	(11.8)
(Southeast Asia, Far East)	61.4	58.0	(3.3)
(China)	51.2	43.8	(7.4)
(India)	19.6	18.6	(1.0)
Europe and CIS	38.1	47.3	+9.1
Middle East and Africa	64.9	82.6	+17.7
North America	37.4	37.4	(0.1)
Central and South America	14.5	13.9	(0.7)
Outside Japan	**287.3**	**301.6**	**+14.3**
Consolidated	**383.6**	**407.0**	**+23.4**
Exchange rate USD1$＝	¥153.00	¥149.41	(3.59)

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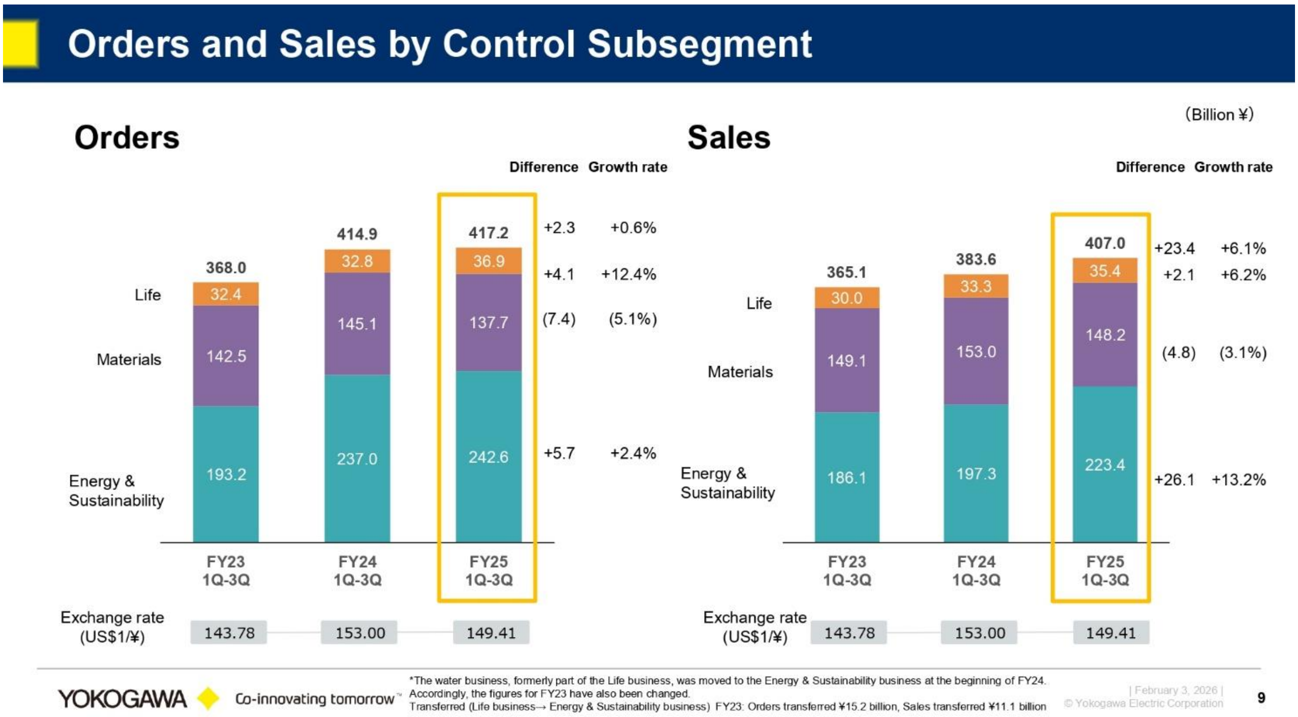
Page 8 shows orders and sales by region for the control segment.

The Control segment saw a reactionary decline in the Middle East due to the concentration of large-scale projects last year, which we had anticipated. This was offset by the acquisition of large-scale projects in Japan and other regions, resulting in overall order growth of 1.4% year-on-year excluding FX.

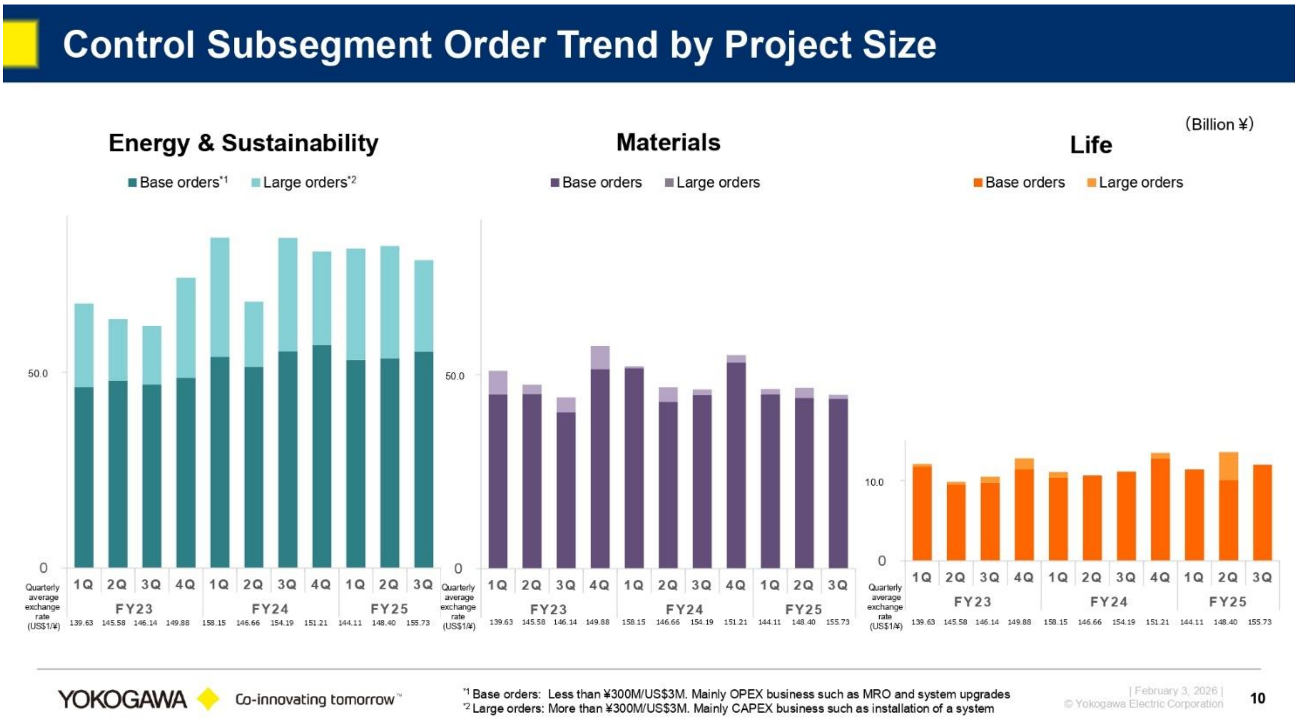


Page 9 shows orders and sales by industry for the control segment.

First, at the bottom, we have Energy & Sustainability. Orders increased by JPY5.7 billion year-on-year, or by JPY8.1 billion when excluding FX, representing growth of 3.4%. While large-scale orders for Saudi Arabia, were concentrated in the same period last year and resulted in a reactionary decline this quarter, this was offset by the acquisition of multiple large-scale projects in other parts of the Middle East, such as the UAE. In addition, large-scale orders increased across a wide range of regions, including Japan, ASEAN, and the United States. Base orders also remained solid.

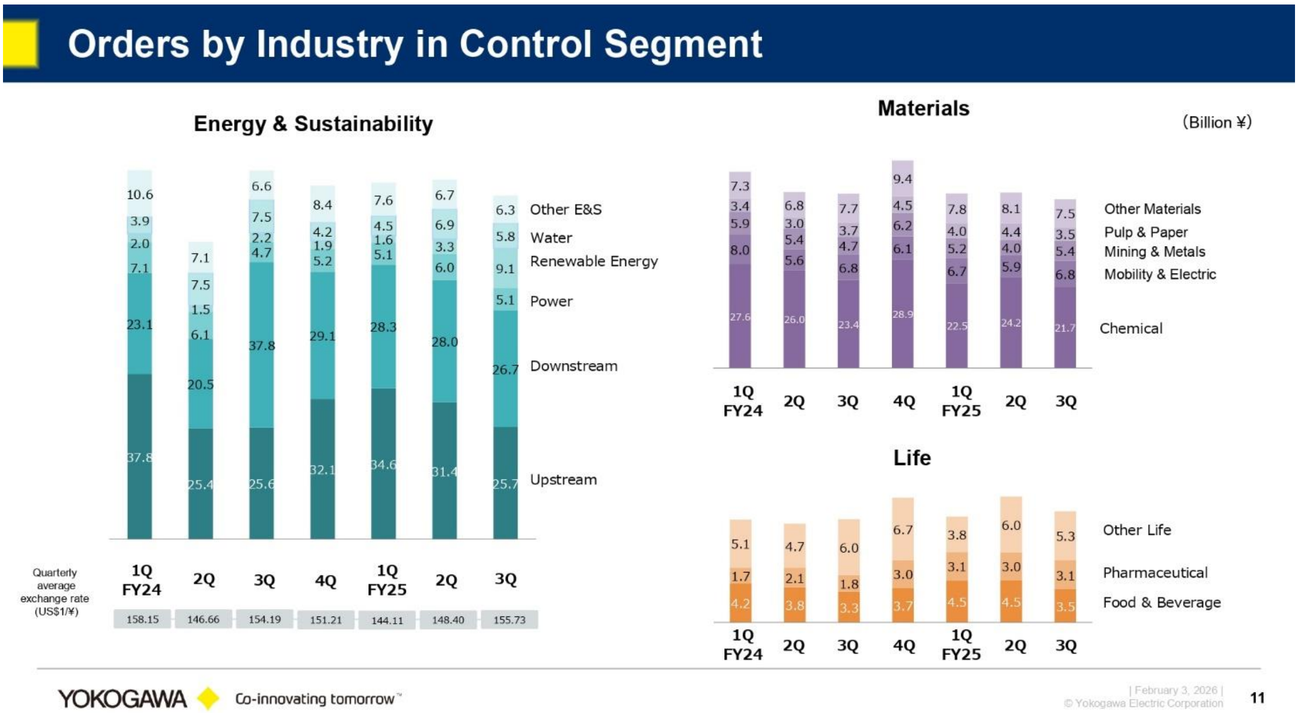
Next, in purple, is the Materials segment. Orders declined by JPY7.4 billion year-on-year, or JPY6.5 billion excluding FX, representing a decrease of 4.5%. This segment was significantly affected by the economic slowdown in China, where the Materials business has a relatively high exposure. In addition, investment in the chemicals sector weakened across a wide range of regions, including Japan, South Korea, ASEAN, and Europe. In the long term, we expect the investment trend in areas such as specialty chemicals to remain positive. However, for this fiscal year, as mentioned earlier, the spread of the economic slowdown has led to a decline in basic demand, impacting overall results.

Lastly, in orange, is the Life segment. Orders increased by JPY4.1 billion year-on-year, and the same amount excluding FX, representing strong growth of 12.6%. This performance included the impact of a large-scale urban greening project in the Middle East, as mentioned in the previous quarter; however, even excluding this factor, demand remained broadly steady across the segment. Demand in domestic food and pharmaceutical markets continued to be solid, and life science-related products also performed well, particularly in Europe, supported by strong client evaluations.



Page 10 shows quarterly trends in orders by industry segment, broken down into large and base orders.

Regarding Energy & Sustainability, while large orders fluctuate depending on the timing of major projects, base orders have been increasing steadily.



This slide presents a further breakdown of each industry segment into its respective sub-industries.

We will not go into the details of each category here.

FY25 Forecast (revised from November 4, 2025)

◆Revision to exchange rate (US$1: ¥145 → ¥150)
◆Revised based on 3Q results and forward outlook

(Billion ¥)		FY24 (A)	FY25 forecast 11/4 (B)	FY25 forecast 2/3 (C)	Forecast difference (C-B)	Difference (C-A)	Growth rate (C/A-1)
Orders		598.6	597.0	**615.0**	+18.0	+16.4	+2.7%
Sales		562.4	577.0	**595.0**	+18.0	+32.6	+5.8%
Operating income		83.5	83.0	**87.0**	+4.0	+3.5	+4.2%
ROS(%)		14.9	14.4	**14.6**	+0.2pt	(0.2pt)	-
Ordinary income		85.4	83.0	**87.0**	+4.0	+1.6	+1.9%
Profit before income taxes		78.5	81.0	**85.0**	+4.0	+6.5	+8.2%
Tax, etc.		26.4	26.5	**25.5**	(1.0)	(0.9)	(3.4%)
Profit attributable to owners of parent		52.1	54.5	**59.5**	+5.0	+7.4	+14.2%
EPS(¥)		200.41	213.56	**233.15**	+19.59	+32.74	–
Exchange rate	US$1=	¥152.55	¥145.00	**¥150.00**	+5.00	(2.55)	–

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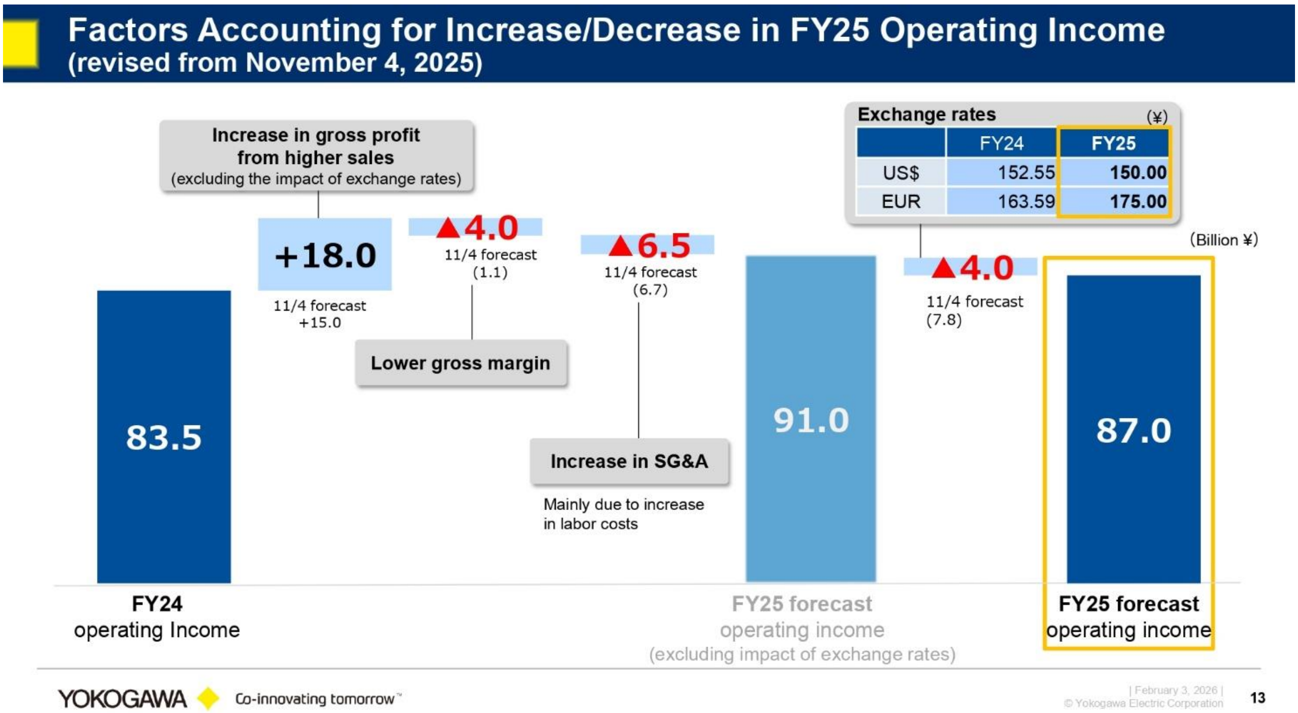
From this page onward, the slides focus on our full-year performance forecast.

We have revised the assumed foreign exchange rate for the forecast from an annual average of JPY 145 to JPY 150 per USD. If the exchange rate were to remain at around JPY155 going forward, the full-year average would be approximately JPY150.7, which means our assumption is broadly in line with the prevailing market rate.

For figures from orders to through operating income, the revisions reflect only the change in the exchange rate assumption. In addition, based on actual performance, we have made a substantive upward revision of JPY5 billion each to both orders and sales. For non-operating items and corporate taxes, we have made slight adjustments reflecting both the revised exchange rate assumption and actual results.

In addition to the revision of foreign exchange assumptions, we have made substantive revisions based on actual performance. These include an increase of JPY1.0 billion in orders and sales. With regards to profit, reflecting a revision to corporate taxes, we have incorporated an increase of JPY1.0 billion in net income attributable to owners of the parent. The total amount of the revision, including foreign exchange effects, is shown on this page as a comparison with the previous forecast.



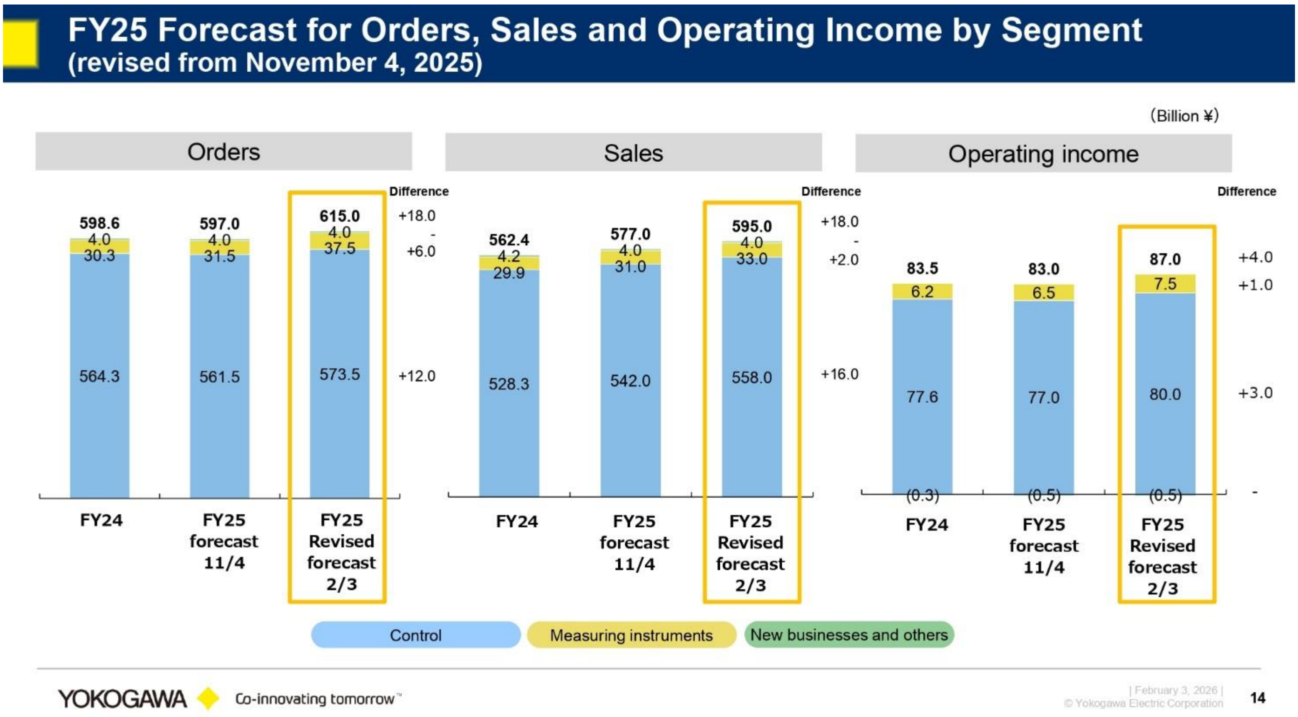
Page 13 shows a year-on-year change in operating income.

Excluding foreign exchange effects, the revision reflects the previously mentioned upward revision of sales. Accordingly, the increase in the gross profit resulting from higher sales has been revised upward by JPY3.0 billion, from JPY15.0 billion to JPY18.0 billion.

On the other hand, reflecting the results through the third quarter and the forecast for the fourth quarter, we have also factored in a deterioration in the gross profit margin in the same amount.

As for SG&A expenses, only minor rounding adjustments have been made, with no real revisions.

Considering these increases and decreases, together with the positive impact from the revision of foreign exchange assumptions, we forecast operating income for the current fiscal year to be JPY87.0 billion.



Then, page 14 shows the forecast by segment.

In real terms, excluding foreign exchange rate effects, we revised orders upward by JPY 5.0 billion in the Measuring Instruments segment, incorporating the strong AI data center–related orders that have continued since the beginning of the year.

As for sales, in the Control segment, we have factored in an increase in JPY4.0 billion, mainly reflecting steady progress in project-related sales. In the Measuring Instruments segment, we have incorporated an increase of JPY1.0 billion.

As explained earlier, there is no substantive revision to operating income on a real basis.

FY25 Forecast for Control Orders and Sales by Region (revised from November 4, 2025)

◆Order intake revised based on 3Q results and forward outlook

(Billion ¥)

Orders	FY24 (A)	FY25 (B)	Difference (B-A)
Japan	**138.8**	**151.0**	**+12.2**
Asia	165.7	164.5	(1.2)
(Southeast Asia, Far East)	79.2	80.0	+0.8
(China)	57.1	54.0	(3.1)
(India)	29.4	30.5	+1.1
Europe and CIS	60.6	63.5	+2.9
Middle East and Africa	131.3	122.0	(9.3)
North America	49.7	50.5	+0.8
Central and South America	18.2	22.0	+3.8
Outside Japan	**425.5**	**422.5**	**(3.0)**
Consolidated	**564.3**	**573.5**	**+9.2**
Exchange rate US$1 =	¥152.55	¥150.00	(2.55)

Sales	FY24 (A)	FY25 (B)	Difference (B-A)
Japan	**135.5**	**146.5**	**+11.0**
Asia	173.5	159.0	(14.5)
(Southeast Asia, Far East)	81.0	77.5	(3.5)
(China)	64.0	54.0	(10.0)
(India)	28.4	27.5	(0.9)
Europe and CIS	52.6	63.0	+10.4
Middle East and Africa	96.8	120.5	+23.7
North America	50.4	50.5	+0.1
Central and South America	19.4	18.5	(0.9)
Outside Japan	**392.8**	**411.5**	**+18.7**
Consolidated	**528.3**	**558.0**	**+29.7**
Exchange rate US$1 =	¥152.55	¥150.00	(2.55)

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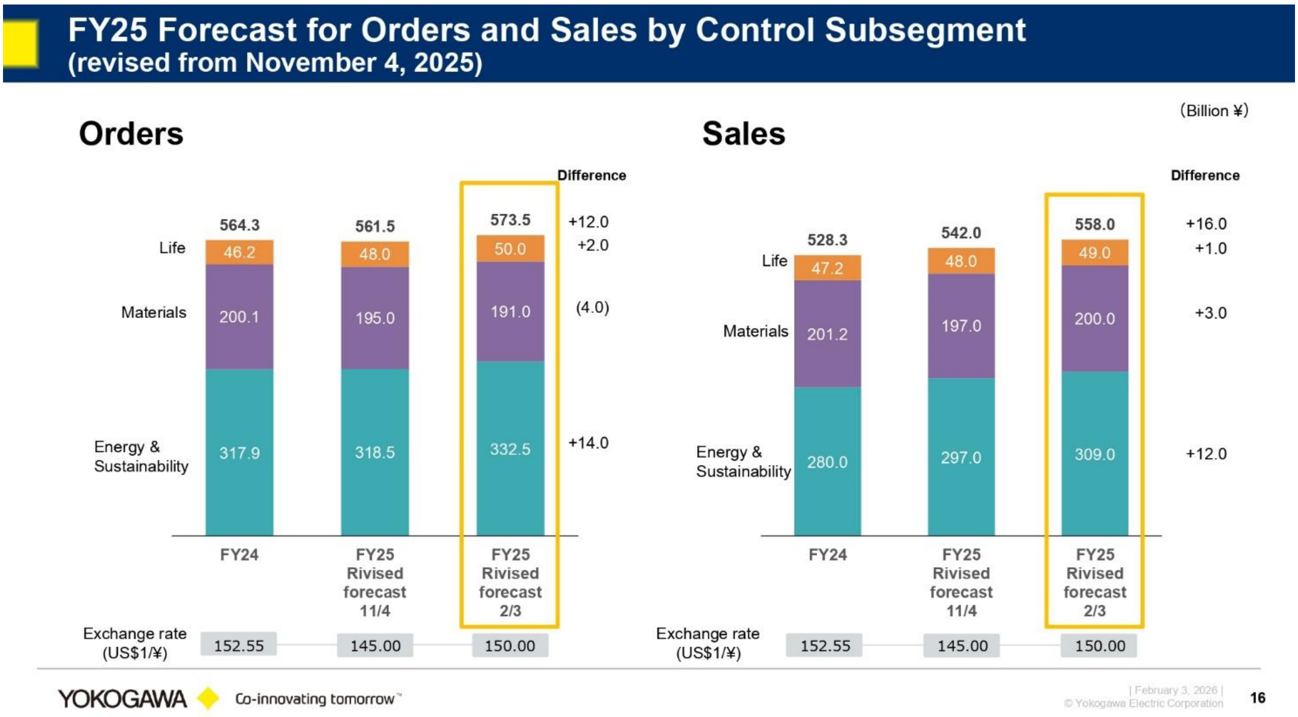
Page 15 presents the full year forecast for orders and sales by region within the Control segment.

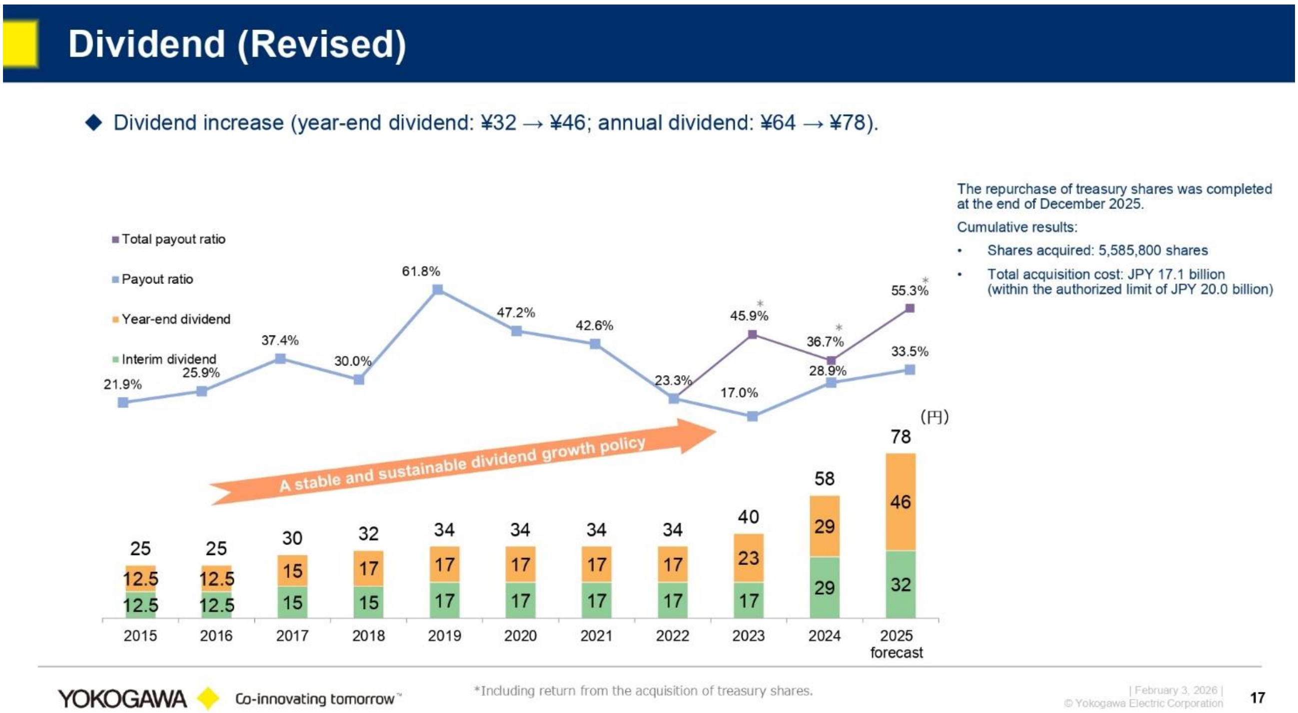
In addition to revision of the foreign exchange assumptions, we have made further revisions reflecting the actual results through the third quarter.



Page 16 presents the full-year forecast by industry in the Control segment.

In addition to the foreign exchange adjustment, we have made substantive revisions on a real basis.

In Energy and Sustainability, orders have been revised upward by JPY7.0 billion and sales by JPY5.0 billion. In Materials, orders have been revised downward by JPY8.0 billion and sales downward by JPY1.0 billion. In Life, orders have been revised upward by JPY1.0 billion.



Finally, page 17 covers shareholder returns.

Based on our earnings outlook and financial position, we have revised the year-end dividend upward by JPY14 per share. As a result, the annual dividend is expected to be JPY78 per share.

The payout ratio will be 33.5%, and the total shareholder return ratio, including share repurchases, will be 55.3%.

That concludes my presentation. Thank you very much.

Question & Answer

[Q]: Regarding the deterioration in gross profit margin among the factors affecting the change in operating income, there was a negative impact of around JPY3.1 billion in the three months of 3Q, and the full-year forecast has also been revised downward by roughly JPY3 billion. You explained that the factors include an increase in project-related sales, strategic product discounting in China, and provisions for construction losses. Could you tell us the approximate impact of each of these factors? Also, please share your outlook for the next fiscal year—do you expect improvement, or will it remain at a similar level?

Nakajima [A]: The impact from changes in the business mix was about a negative JPY2 billion through 3Q. For the full year, we expect a negative impact of around JPY2.5 billion. The reason the deterioration narrows somewhat in 4Q is that project sales increased in 4Q of the previous fiscal year, so we do not expect changes in the business mix to have a significant impact for the remainder of the year. Compared with our previous forecast, this item represents a negative factor of roughly JPY1 billion.

As for product discounting, this was a downward factor of a little over JPY1.5 billion through 3Q. For the full year, we expect a negative impact of JPY2 billion. This factor was not anticipated at the beginning of the year, so it represents about a JPY2 billion negative impact compared to our earlier forecast. However, the intention behind the discounting is to secure order volume, and we are proceeding while carefully evaluating the results.

The impact of U.S. tariffs was a negative JPY0.7 billion through 3Q. For the full year, we expect the negative impact to be about JPY1 billion, rounded. At the beginning of the year, we expected around a JPY1.5 billion negative impact, so this represents an improvement of roughly JPY0.5 billion.

With respect to strategic project orders that include construction losses, this was a downward factor of slightly over JPY0.5 billion through 3Q. For the full year, we expect at least about a JPY1 billion negative impact. However, since these projects have an investment element, we intend to continue proactively pursuing additional opportunities where the returns are deemed sufficient. For now, we are assuming a negative impact of around JPY1 billion, which is also a JPY1 billion negative factor compared with the start of the year.

Other factors provide a slight positive contribution, and overall, we have incorporated a decrease of roughly JPY3 billion.

[Q]: It appears that the decline in gross profit due to the deterioration in gross profit margin was particularly large in the three months of 3Q. Does this mean that discounting and construction losses were concentrated in 3Q? Also, regarding the background of the discounting, is it due to intensifying competition, or is it a comprehensive decision based on factors such as operating rates—meaning that the competitive environment itself has not suddenly changed?

Nakajima [A]: First, regarding product discounting, we had already seen an impact of slightly less than JPY1 billion in the first half. Therefore, this was not something that occurred suddenly in 3Q; it has been continuing since the first half.

As for whether deteriorating market conditions led to the discounting, as mentioned in regard to the economic environment in China, overall demand has been shrinking, and customers have become more cautious with their investments. Competitors have responded by lowering prices to capture market share. In turn, considering the operating status of our factories, we are also adjusting prices strategically where production can be handled without additional investment, in order to avoid losing share.

In addition, the discounting is not applied uniformly across the entire market. We make strategic decisions after carefully assessing competitiveness by country, by product type, and even by model within each product type. At the beginning of the year, we did not anticipate an impact of this scale. Moreover, several large product deals were concentrated in 3Q, and the resulting volume discounts also contributed to the impact of discounting.

Regarding construction losses associated with strategic projects, the timing of when each project is recognized affects when gross profit deteriorates. In the first half, this factor contributed positively year-on-year, but in 3Q, as we were able to secure projects, this factor had a negative impact. Furthermore, certain losses associated with strategic orders are already expected to be recognized in 4Q as well.

[Q]: Please tell us about your thoughts for orders, revenue, and profit for the next fiscal year to the extent possible.

Nakajima [A]: At this point, it is difficult to provide quantitative forecasts. However, for orders, we have a solid pipeline, mainly in Energy & Sustainability, and expect a certain level of accumulation. In Materials, there is some uncertainty about when basic demand will recover, but in markets such as India—where economic growth continues and additional investment is needed—we intend to remain fully engaged.

For sales, since our order backlog has been steadily building, we believe that fully delivering on these orders will allow us to achieve sufficient growth. The order pipeline remains solid, and small-scale orders are also stable, so we do not anticipate major changes.

As for profit, we consider this fiscal year to be the period in which product discounting and changes in the business mix had the biggest impact. We do not currently expect further significant fluctuations from here. Regarding U.S. tariff impacts, price passthrough has progressed since the second half, and the negative impact has almost disappeared. Therefore, the deterioration seen in the first half of this fiscal year is expected to become a positive factor next fiscal year. As for construction losses from strategic projects, it is not the stage to comment on increases or decreases, but we remain committed to proactively securing key projects that are strategically important.

[Q]: Regarding the revisions made to orders and revenue in the forecast, including foreign exchange effects, could you break down the figures and explain how they were revised?

Nakajima [A]: For orders, we incorporated a +JPY5 billion upward revision on a real-term basis for the Measuring Instruments business. The rest of the changes are due to foreign exchange effects: +JPY12 billion for the Control business and +JPY1 billion for the Measuring Instruments business, resulting in a total company-wide increase of +JPY13 billion.

Within the Control business, the real-term revisions by industry are: Energy & Sustainability: +JPY7 billion, Materials: –JPY8 billion, Life: +JPY1 billion

Foreign exchange effects by industry are: Energy & Sustainability: +JPY7 billion, Materials: +JPY4 billion, Life: +JPY1 billion

For revenue, the real-term revisions are +JPY4 billion for the Control business and +JPY1 billion for the Measuring Instruments business. Foreign exchange effects are +JPY12 billion for the Control business and +JPY1 billion for the Measuring Instruments business.

Within the Control business, real-term revisions by industry are: Energy & Sustainability: +JPY5 billion, Materials: –JPY1 billion, Life: no change

Foreign exchange effects are the same as for orders. We will omit the breakdown by region.

[Q]: You announced a dividend increase this time. Could you explain the background for deciding to raise the dividend even though the plan—excluding foreign exchange effects—was maintained? Also, amid recent governance discussions, such as the revision of the Corporate Governance Code, which focus on the appropriateness of corporate cash holdings, could you tell us what kind of discussions took place internally, to the extent you can share?

Nakajima [A]: Dividend decisions are made after considering all factors comprehensively. While operating income was maintained, profit was revised upward in both 2Q and 3Q earnings announcements due to foreign exchange effects. Given that profits increased to this extent in yen terms, we determined that a dividend increase was appropriate from the perspective of payout ratio as well.

Cash on hand has also increased due to foreign exchange-driven uplift. However, for us, the top priority is to allocate funds to strategic investments such as M&A. With that as the foundation, we return value to shareholders by balancing share buybacks and dividends in line with profit levels.

[Q]: Compared with three months ago, what changes have you seen in the demand environment—particularly for the Control business?

Nakajima [A]: Our fundamental view of the business environment has not changed significantly since 2Q. However, in the short term, conditions in China and the Materials business have become more challenging. This is within the range of what we had anticipated, but we recognize that uncertainties such as Japan–China relations and U.S.–China tariffs have begun to have an impact. On the other hand, the energy-related market continues to be solid, and our order intake in this area remains strong.

[Q]: Please provide an update on inquiries and the project pipeline for LNG-related projects.

Nakajima [A]: Investor appetite for LNG-related investments remains strong. While we cannot comment on individual projects, we recognize that overall demand continues to be robust.

[Q]: Regarding the gross profit margin factors that affect changes in operating income, what is your outlook for next fiscal year? While tariff passthrough is a positive factor, how do you expect the overall impact to look when considering product discounting and changes in the business mix?

Nakajima [A]: Although product sales continue to face a tough environment, project business remains strong. At this point, we believe the business mix may not change significantly. However, because product sales have a short lead time from order to revenue, it is difficult to state a clear direction for next fiscal year at this stage. Our intention is to grow both product and project businesses and maintain a balanced business mix without drastic changes from this fiscal year.

As for discounting, its impact was limited in 1Q of this fiscal year, so that portion is expected to become a negative factor next fiscal year. That said, we adjust discounting carefully by market, product line, and even by model, and our approach is to optimize pricing so that the overall return to the company is maximized depending on market conditions.

[Q]: Based on the revised forecast, orders for the three months of 4Q appear to be around JPY165 billion. Both the Control business and Measuring Instruments business are expected to increase significantly. For the Control business, how reliable is this number?

Nakajima [A]: Order recognition depends on when all the required documentation for booking is completed, which determines whether the order is recorded within this fiscal year or carried over into the next. As a result, when several large projects overlap, the figures can fluctuate to some extent. While there is a certain range of variability—both upward and downward—we have set our forecast at the midpoint of that range.

[Q]: At this point, with only three months remaining in the fiscal year, is it fair to assume that the midpoint of the range has a fairly high degree of certainty?

Nakajima [A]: For project orders, the timing of order recognition can still fluctuate depending on when customers complete their internal processes and required documentation. Therefore, there remains the possibility of both upward and downward variation.

[Q]: From a trend or momentum perspective, is it correct to view orders as moving upward?

Nakajima [A]: While the timing of large project orders—such as major Energy & Sustainability projects—can fluctuate from quarter to quarter, the overall trend is solid. In addition, from 3Q to 4Q, some of the increase is due to the timing of order recognition.

[Q]: Orders in the Measuring Instruments business are also expected to increase significantly in 4Q and show substantial growth for the full year. Within this, what proportion is related to AI data centers? And do you expect this level to continue next fiscal year?

Nakajima [A]: We understand that roughly 10–20% of the order forecast this time relates to AI data centers. However, if we include indirect orders, it becomes difficult to draw a clear boundary. As for next year's level, it is difficult to predict at this point. Investments related to AI tend to fluctuate significantly, so we would like to observe the situation a bit further.

[Q]: How did 3Q orders, sales, and profit compare with your internal expectations?

Nakajima [A]: The revisions in our latest forecast reflect the changes that became apparent in 3Q relative to the previous outlook. For sales, we had already expected some upside as of 2Q, and performance progressed in line with that expectation.

At the same time, backed by strong business conditions, we have also strengthened efforts to strategically pursue projects even if it means incurring losses. So, we are seeing both the upside factors and the deliberate investment elements playing out simultaneously.

[Q]: In the Control business, sales progress seemed to exceed expectations since 2Q, and this time you revised it upward by +JPY4 billion on a real-term basis. Was this driven more by project progress or product progress?

Nakajima [A]: Overall, product progress was a negative factor, while project progress was very solid. In addition to strong orders in 1Q, the order backlog at the beginning of the fiscal year has been converted to revenue as planned, making projects the main driver of the upward revision.

[Q]: Regarding the factors behind the deterioration in gross profit margin, should we assume that the impact from product discounting and the impact from project-related discounts are roughly the same?

Nakajima [A]: The impact amounts differ. Product discounting had a negative impact of slightly over JPY1.5 billion through 3Q and around JPY2 billion for the full year. For project-related construction losses, the impact was slightly over JPY0.5 billion through 3Q and about JPY1 billion for the full year. However, if there are attractive opportunities, we are willing to pursue them even if it results in a greater negative impact.

[Q]: Regarding the volume discounts for large projects, were these related to projects in China? Previously, you mentioned that the company was working on export projects with Chinese EPCs—are these discounts connected to that?

Nakajima [A]: Regarding product volume discounts, they are not specific to China. They occur, for example, in the Middle East, Europe, and ASEAN. There are also OEM-related cases. However, the monetary impact of these discounts is not particularly large.

[Q]: Regarding SG&A, you mentioned wanting to accelerate investment in talent acquisition. Could you share your current progress and policy for next fiscal year?

Nakajima [A]: Ideally, we believe we should be investing even more—even at the cost of higher expenses—to accelerate talent acquisition. We are making progress in hiring SMEs, but not to the level we aim for. For talent categories other than SMEs, we recognize the need to steadily strengthen talent required to drive our business forward. We plan to continue strengthening talent acquisition next fiscal year as well.

[Q]: Regarding the gross profit margin deterioration in the operating income forecast, could you confirm the breakdown of the –JPY4 billion impact? Product discounting –JPY2 billion, construction loss provisions –JPY1 billion, tariffs –JPY1 billion, and business mix changes –JPY2.5 billion. What positive factors offset these negatives?

Nakajima [A]: There is no single large factor. Overall business volume is increasing, which has improved efficiency and utilization rates. In addition, there is a rebound effect from the previous year's 4Q, when lower-margin projects were recognized as revenue. Taking these into account, we expect an improvement of slightly over +JPY2 billion for the full year.

[Q]: Regarding the full-year plan, is it correct to understand that the roughly +JPY2 billion positive factor was originally expected, and that the newly emerging items this time are the impacts from discounting and construction loss provisions?

Nakajima [A]: That is correct. The newly arising negative factors are discounting and construction loss provisions. Tariffs, on the other hand, are a slight positive factor. In addition, the business mix has shifted earlier than expected, and compared with the previous forecast, we have incorporated around a JPY1 billion negative impact from this.

[Q]: Did the newly incurred construction loss provisions occur in China?

Nakajima [A]: In China, we had some strategically targeted projects in the Materials business. There are also a few cases in other regions, but the larger construction loss provision expected in 4Q relates to the Middle East. These are projects where CAPEX is incurred over multiple years, followed by long-term OPEX business opportunities. Securing the initial phase is extremely important, and we are pursuing these opportunities strategically. For reference, the construction loss provisions recorded up to 3Q were not large on a per-project basis.

[Q]: Regarding the Middle East project for which a construction loss provision is expected in 4Q, is it gas-related? Or is it related to the large project in Saudi Arabia that you mentioned previously?

Nakajima [A]: I cannot comment on details, as doing so would risk identifying the specific project.

[Q]: Regarding SMRs (small modular reactors), you recently announced a collaboration with Rolls-Royce SMR. How large is your company's nuclear business?

Nakajima [A]: We have long been engaged primarily in the product domain in Japan, but the scale of our nuclear business is not large. Within that context, being recognized and selected as a partner by Rolls-Royce SMR is highly meaningful. We see this as the stage where we begin building the business in earnest.

[Q]: Regarding the Control business in the Middle East, what is your outlook for next fiscal year and beyond? In particular, do you expect to continue seeing strong order intake in Saudi Arabia and the UAE? Also, in the Life business, you secured a large Green Riyadh project in 2Q—can similar-scale projects be expected in the coming years?

Nakajima [A]: It is difficult to discuss with numerical precision at this point, but we expect to see many projects in the pipeline, and based on that assumption, we will build our regional outlook for next fiscal year.

As for projects on the scale of Green Riyadh, we do not currently see anything comparable. Our priority is to successfully deliver this project first, and then leverage that track record to expand into related opportunities.

[Q]: In the Measuring Instruments business, orders and sales have increased due to AI data center–related demand. Which specific products are driving this growth? Also, competitors are growing as well—how is the competitive environment?

Nakajima [A]: For AI data center–related business, our optical spectrum analyzers for optical transceivers are performing well. In addition, since AI data centers consume enormous amounts of power and power efficiency is crucial, our power analyzers used in power supply systems are also seeing strong demand.

Regarding competition, companies with broad product lineups are active in the same market, but segmentation by product field and specification has progressed, and each company is capturing business in its areas of strength. We are also steadily securing orders in the fields where we are competitive.

[Q]: On strategic discounting for order acquisition, were the discounts mainly aimed at securing new large customers? Or were they also used to retain existing customers? Additionally, were the discounts primarily in response to Western competitors, and how large were they compared with typical discount levels?

Nakajima [A]: All of the patterns you mentioned apply. In some cases, we offer discounts to long-standing customers to prevent competitors from entering. In other cases, where competitors have already secured a strong position, we discount strategically to open a path and regain share.

For newly developed areas, competitors are certain to pursue those opportunities. So, in large developments with multiple phases, we may offer aggressive pricing to secure the initial phase.

As for competitors, they are the global players you would expect. The reasons for discounting vary by project, but in every case, we carefully assess whether sufficient future returns can be secured before making a decision.

[END]

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