

## Summary of Q&A at FY2016 1H Financial Results Briefing

November 7, 2016

### <FY16 1H results>

Q What are the current market conditions, and do you anticipate any changes?

A Market conditions remain challenging due to the protracted low crude oil prices, the continued economic slowdown in emerging markets, and the strong yen. As companies in the Middle East and elsewhere cut back on operating expenses, market conditions remain uncertain for the time being. We expect that balance between supply and demand will be restored in the next few years; but as it is difficult to project exactly when this will occur, we have factored this risk into the revised FY16 forecast.

Q What do you expect will drive your top-line growth?

A In the short term, we will see top-line growth as the result of replacement orders, investments to rationalize operations and improve efficiency, and maintenance repair orders (MROs), as opposed to new projects.

### <FY16 forecast>

Q Do you expect to see increased sales and achieve gross profits of 3.4 billion yen in 2H?

A Yes. After taking into consideration our order backlog and the progress that is being achieved with projects, we expect to see a recovery in our gross profits.

Q You already achieved your FY16 2.0 billion yen gross profit improvement target in 1H. Why don't you revise your target for the full year?

A We haven't changed this target because of uncertainty in the market outlook; there is a risk that the gross margin could deteriorate.

### <Mid-term plan>

Q Will you be able to achieve the 10 billion yen cost reduction target for FY17?

A We must do this. Having said that, however, we must acknowledge there is a risk that weak sales could cause us to miss this target. This is because certain cost reduction measures are dependent on the success achieved in increasing sales and handling a greater volume of products.

### <Japan control business>

Q As originally stated in your TF2017 mid-term business plan, do you expect to see an increase in orders and sales for the Japan control business? Are you on track to achieving that?

A Japan sales are expected to increase slightly in FY17. We will expand orders not only in Japan but also in other markets, through means such as overseas projects undertaken by our Japan customers. We are on track to exceed our top-line target.

Q What percentage of the sales for your Japan control business comes from solution services?

A About 40% for hardware, 45% for services and engineering, and about 15% for the information business. Amidst challenging market conditions in Japan, this percentage has been going up for the service and information businesses, while for hardware this has slightly declined.

Q What have been the key factors for improving profits for the Japan control business?

A The achievement of stable sales results as well as the integration of our primary sales, engineering, and service business functions and the optimization of our project feasibility study process have helped to improve profitability.

Q Regarding your value chain success case, how big is this business?

A Consulting sales revenue amounts to several hundred million yen, which is rather small, but we expect to achieve a ten-fold increase when we begin offering this service as part of our project activities.

Q Your Japan control business has a good gross margin. Do you think this will continue?

A Yes. We have a high market share and a large installed base in Japan. Under such circumstances, we will manage the risk for each industry and capitalize on these strengths by expanding our business in a variety of industries.

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.