

Summary of Questions and Answers at Briefing on Financial Results for FY2017 3Q

February 7, 2018

<FY2017 3Q results>

Q: What factors are behind the increases in sales and profits over last year?

A: With the backlog steadily growing, we believe that third-quarter sales have recovered as planned after lagging in the first half of the year. Although there is no impression of any significant change in the investment trends of our customers, it appears that there is a general existing trend of improvement therein.

Q: What is the order situation in each region through the next term and going forward?

A: North America is in a period of convergence from a large project standpoint, and although there is recovery in products, we do not have any great expectations that this will make a significant contribution to the company as a whole. In the Middle East, even with crude oil prices recovering to the high 60-dollar range, we do not see customers' investments making an immediate recovery, but rather believe that more time will be needed. Among the regions, we see trends in Japan, Southeast Asia and China as playing a key role. Although the scale of orders in India currently remains small, the government is showing an aggressive attitude toward investment in areas such as oil and petrochemicals, and although it is taking time, projects are beginning to emerge.

<KBC group>

Q: What is the reason for recording the impairment loss?

A: The acquisition of KBC was made during a period of declining oil prices, but customer investment trends lagged this decline and continue to decrease each year. In addition to this change in the business environment, recording an allowance for doubtful accounts resulted in the need to review the business plan of KBC group.

Q: What is the reason for recording the allowance for doubtful accounts?

A: Changes in the business environment such as the decline in crude oil prices caused some receivables in large overseas projects to become unrecoverable.

Q: What effect will recording the impairment loss and allowance for doubtful accounts have on future performance?

A: Excluding the allowance for doubtful accounts, we will not revise KBC group's annual plan for fiscal year 2017 (¥9 billion in orders, ¥10 billion in sales and ¥0.9 billion in operating income) at this time. However, due to the recording of the impairment loss, consolidated depreciation costs of goodwill etc. are expected to decrease by approximately ¥1 billion per year.

<FY2017 forecast>

Q: What are the factors behind the fourth-quarter sales forecast falling as compared to last year?

A: We do not foresee any factors contributing to reduced fourth-quarter sales. Our minimum target is ¥400 billion for both orders and sales, and we hope to exceed that by at least a small amount. In doing so, we hope to securely achieve our operating income forecast, which was revised downward this term.

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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