

Summary of Questions and Answers at Briefing on Financial Results for FY2018 3Q

February 8, 2019

<FY18 3Q results>

Q: What about the status of orders for control segment, by region, industry, etc.?

A: In China, orders have been strong for products such as flowmeters and transmitters to accommodate environmental regulations, primarily from customers in petrochemicals. In India, replace, service, maintenance, etc. of existing facilities are strong, primarily downstream. In the Middle East, large orders are coming in downstream. In North America, we are working to receive orders in 4Q, including medium and large orders.

Q: What about the details of orders, such as the ratio of large to small orders in control segment?

A: Looking at just 3Q, large orders have tended to be strong, including orders for large projects in the Middle East. As to the trend this fiscal year, we have seen a situation in which, following an increase in small orders, larger orders were gradually being received. However, there has been no major change in the composition ratio of large to small orders over the past few years.

Q: What about the profitability of control segment, including domestic and overseas profit levels?

A: Compared to trend until 2Q, there has been no major change. For 3Q, we recognize improvement due to factors such as an increase of income in control segment overseas and a decrease of allowances for doubtful accounts. Domestically, too, there was a concentration of low-profit jobs last year; rebounding from that temporary worsening, the trend is improving.

Q: What about the analysis of operating income (page 5 of the explanatory materials), especially progress in strategic investments and cost structure reforms?

A: We are making strategic investments aimed at future growth while carefully considering projects, with no change in our intention to use 3 billion yen this fiscal year. There is no change in our basic thinking of creating strategic investment expenses by

reducing cost. Although organic SG&A are increasing somewhat, as examples, we have activities that contribute to efficiency in both procurement and logistics as improvements to gross margin and we believe that we can generally achieve our annual targets, including the steady progress we are making in enhancing engineering efficiency.

Q: What about risk factors such as crude oil prices and trade friction between the US and China, along with customers' investment trends?

A: Although there was some concern over a decline in crude oil prices over the end of the year, prices are stable at present and there is no major change in customers' mindsets on investment. Regarding China, the general worry is over deterioration in the business climate, but we do not feel that there is a major change in our business. Concerns such as rising labor costs in North America have also been reported, but there has been no impact on our company at the moment. Accordingly, although we do not recognize that market conditions will rapidly deteriorate in the next fiscal year, this does not mean that there is no risk, and so we will continue to monitor conditions.

<FY18 forecast >

Q: What are the reasons of business outlook conservative? Are the company assuming anything of deterioration in 4Q?

A: Although progress in 3Q is strong, we are making slightly conservative assumptions amid ongoing severe competition. We are not assuming anything of deterioration; rather, an operating profit of 36 billion yen is a figure for which we have a level of confidence in achieving.

Q: What about the outlook for orders in control segment, by region?

A: We do not have excessive worries about the outlook, which we revised in light of progress in regions and exchange rate effects, such as currencies in emerging countries. As figures for control segment overall, we have some degree of confidence that we can achieve those figures.

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.