

**Summary of Q&A at the 2019 Q4 Financial Results Briefing**

**Q) You indicated that you have no information regarding the future outlook for each business. Does this imply that results will be poor?**

A) Looking at the current situation, we believe that things could move in an extremely poor direction, but we do not have a sense of the level.

**Q) You explained that most of the increase in business segment profit from effects of COVID-19 was in the P&S business. Was the bulk of this the result of increased inventories? What is the status of inventories?**

A) With respect to the 4.7 billion yen increase in business segment profit resulting from effects of COVID-19, about one-quarter was from consumables, particularly orders for consumables being moved up in Europe. The remaining three-quarters derived from not incurring expenses at the head office, sales companies, and all factories.

Despite tight supplies of products manufactured at the manufacturing facility in the Philippines, which is subject to limited operations due to effects of COVID-19 lockdowns, demand for small printers and all-in-one machines remains strong, and consequently, inventories in distribution are not especially large.

**Q) If the demand arising from working at home continues at the same level, how will this affect profitability? On the other hand, if demand from SMBs remains sluggish, what is the outlook for fiscal 2020?**

A) I will explain by category and region.

In the SOHO segment, one of our strengths, there has been a slight decrease in printing volume, but compared to the SMB segment, the decrease is not particularly large. On the other hand, there have been a positive effect from the increased demand as a result of working from home, home schooling, and so on. When we compare the increase in print volumes (PV) in this segment with the decrease in PV in the SMB segment, unfortunately, the decrease in the SMB segment is considerably larger.

With regard to sell through in the SOHO segment, sales of hardware and consumables have been firm but not enough to cover the decrease in PV in the SMB segment, and there is a large risk that the effects from the drop in operations at the Philippines factory will continue throughout the first half of the fiscal year.

In emerging countries, there are many countries where infrastructure for e-commerce and so on is not well developed, and there have been substantial impacts in countries where stores have

closed. Among emerging countries, China is the only country that has achieved an early recovery, and we expect that the special demand arising from working from home and home schooling will continue somewhat during the first quarter of the fiscal year.

**Q) In the P&S business, if it is assumed that the lost print volume will not be recovered in the future, do you believe that there will be additional reductions in costs?**

A) We are aware with regard to printing that a paperless world will eventually come, and therefore, shifting the focus of our business is an issue for Brother.

We have continuously made efforts to reduce costs including considerable shifting of resources away from the P&S business, mainly to the industrial printing related business, and there are not abundant resources such that substantial reductions can be achieved.

We believe that now, the more important issues are how we can develop appealing products with limited resources and respond to new demand.

In business other than P&S, we will of course implement cost-cutting measures, and because of the effects of COVID-19, we have almost entirely eliminated business travel and sales-related expenses are down considerably. In addition to undertaking measures addressing how we can expand business without incurring these expenses, we believe that instead of focusing solely on how to cut costs, it is important to shift work as a whole to new working styles.

**Q) Were the low profits in the Machinery business in the fourth quarter largely due to industrial sewing machines?**

A) Profits from industrial sewing machines in the fourth quarter deteriorated more than the scope of the decline in sales because of the decrease in factory operating rates in conjunction with sluggish demand as well as effects from the problem associated with the margin rate for unrealized inventory profit.

**Q) What is your view of the Machinery business? There is a viewpoint that the automobile industry will become extremely adverse in the future; are you making preparations in anticipation of the downside risks of COVID-19?**

A) Demand for PCs is up sharply as a result of working from home and there is some demand from the IT sector. We believe that the automobile sector will be extremely adverse in the future, but the adverse conditions will not continue indefinitely.

**Q) Do you project higher sales revenues and profits in the Domino business?**

A) Sales of consumables are relatively solid, but since large-scale exhibitions are being cancelled

or postponed, there are fewer opportunities for sales pitches, and hardware sales will likely struggle.

**Q) Results in the N&C business were not impacted in the fourth quarter, but do you anticipate a drop in sales revenue this fiscal year? If the business environment deteriorates further, will you make rigorous responses?**

A) At this time, we are not considering a reduction of personnel or a sale of business in the N&C business. In the first half, however, as people have been strongly urged to refrain from going to karaoke, we anticipate a harsh result with regard to karaoke. Nonetheless, we believe that it is not good to maintain only a short-term perspective in business. On the contrary, entertainment plays an important role in today's world. We are currently conducting various reviews of this business.

**Q) With regard to your thinking on cash, you borrowed 30 billion yen to increase liquidity at a time when the future outlook is unclear; what are your thoughts on this level?**

A) Regarding cash, we secured an additional 30 billion yen in loans at the end of March. Until now, we have generated adequate cash flows and capital including free cash flows, and we do not anticipate a shortage of cash in the short term. We currently have about 3.2 months' of sales in cash, and the low point of capital will be at the end of June when we pay bonuses, taxes, and so on. There is a possibility that the karaoke club business will require capital, so we are carefully monitoring the status of capital on a daily and monthly basis and considering how we will use the additional 30 billion yen and whether we will need even more capital. At this time, we do not anticipate a need for additional capital.