

Fiscal Year 2020 (ending March 31, 2021)

Third Quarter Results
(3-month results ended December 31, 2020)

Brother Industries, Ltd.
February 3, 2021

Information on this report, other than historical facts, refers to future prospects and performance, and has been prepared by our Management on the basis of information available at the time of the announcement. This covers various risks, including, but not limited to, economic conditions, customer demand, foreign currency exchange rates, tax rules, regulation and other factors. As a result, actual future performance may differ from any forecasts contained on this report.

Results for FY2020 Q3 (Oct.-Dec.)

✓ Profit increased significantly, mainly backed by strong performance of the P&S and P&H businesses

- **P&S business:**

Profit increased substantially due to the stronger-than-expected recovery of consumables, along with ongoing demand for SOHO products targeting people working from home

- **P&H business:**

Demand for handmade using home sewing machines continued and sales increased mainly in low-end equipment, resulting in substantial increase in both revenue and profit

- **Machinery business (Machine tools):**

Both revenue and profit increased as demand in the automotive and general machinery industries recovered in China

- **N&C business:**

The difficult circumstances continued due to shortened business hours at karaoke locations and declining demand for commercial karaoke machines

- **Domino business:**

In addition to C&M hardware, consumables (C&M/DP) maintained momentum following gradual recovery of demand

Results for the third quarter of FY2020 exceeded the previously announced forecasts, mainly backed by the strong performance of the P&S and P&H businesses, and profit increased significantly year-on-year.

[Third quarter results for FY2020]

- **P&S business:**

Profit increased substantially due to the stronger-than-expected recovery of consumables, along with ongoing demand for SOHO products targeting people working from home.

- **P&H business:**

Demand for handmade using home sewing machines continued and sales increased mainly in low-end equipment, resulting in substantial increase in both revenue and profit.

- **Machinery business (Machine tools):**

Revenue increased substantially as demand in the automotive and general machinery industries recovered in China.

- **N&C business:**

The difficult circumstances continue due to shortened business hours at karaoke locations and declining demand for commercial karaoke machines.

- **Domino business:**

In addition to C&M hardware, both C&M and DP consumables maintained momentum following gradual recovery of demand.

Forecast for FY2020

✓ **The forecast for FY2020 consolidated results was revised upward due mainly to better-than-expected results in Q3 despite expected worsening of the business environment in the N&C business**

• **P&S business:**

Revised upward in light of better-than expected results in Q3, the firm performance of hardware products in the SOHO segment associated with ongoing demand from people working from home, and anticipated recovery of demand for consumables

• **P&H business:**

Revised upward in response to better-than-expected results in Q3 and anticipated continuation of demand for handmade using home sewing machines

• **Machinery business (Machine tools):**

Revised upward in anticipation of continued recovery of demand in the automotive and general machinery industries in China

• **N&C business:**

Revised downward due to impairment charges for karaoke clubs, along with the impact of resurgence of COVID-19

Dividend Forecast for FY2020

- The amount of year-end dividend will be left undecided and will be determined and announced based on the shareholder return policy upon determination of business results

【Forecast for FY2020 results】

We have decided to revise up our consolidated results forecast for FY2020 due mainly to better-than-expected results in the third quarter despite expected worsening of the business environment in the N&C business.

• **P&S business:**

We have made an upward revision in light of better-than-expected results in the third quarter, the firm performance of hardware products in the SOHO segment associated with ongoing demand from people working from home, and anticipated mild recovery of demand for consumables.

• **P&H business:**

We have made an upward revision in response to better-than-expected results in the third quarter and anticipated continuation of demand for handmade using home sewing machines.

• **Machinery business (Machine tools):**

We have made an upward revision in anticipation of recovery of demand in the automotive and general machinery industries in China.

• **N&C business:**

We have made a downward revision due to impairment charges for karaoke clubs, along with the impact of resurgence of COVID-19.

【Dividend forecast for FY2020】

• Although we made upward revisions to our consolidated results forecast for FY2020 in light of recent trends in business performance and other factors, actual results may deviate from the forecast announced this time given the impact of resurgence of COVID-19 in the U.S., Europe, and Japan.

Taking such a situation into consideration, we will leave the year-end dividend forecast for the current fiscal year undecided at this point, and will again determine and announce our year-end dividend based on the shareholder return policy (payout ratio of 35%) when business results for the current fiscal year are determined.

Results for FY2020 Q3 (Oct.-Dec.)

Profit increased significantly as the P&S and P&H businesses mainly performed well

(100 Millions of Yen)

	19Q3	20Q3	Change	Rate of Change (w/o FX)
Sales Revenue	1,664	1,774	110	6.6% (8.2%)
Business Segment Profit	183	314	130	71.1%
Business Segment Profit Ratio	11.0%	17.7%		
Other income/expense	6	-10	-16	
Operating Profit	189	303	114	60.5%
Operating Profit Ratio	11.4%	17.1%		
Income before Tax	193	304	111	57.4%
Net Income	143	228	85	59.8%
USD	108.98	104.45		
EUR	120.65	124.41		

The business performance in the third quarter of FY2020 was far better than initially projected, resulting in increases in both revenue and profit.

Sales revenue was up 11.0 billion yen year-on-year to **177.4** billion yen.

As for profit,

Business segment profit was up 13.0 billion yen to **31.4** billion yen, operating profit was up 11.4 billion yen to **30.3** billion yen, and net income attributable to owners of the parent was up 8.5 billion yen to **22.8** billion yen.

The business segment profit ratio was high at approximately 18%.

Results for FY2020 Q3 by Business Segment



(100 Millions of Yen)

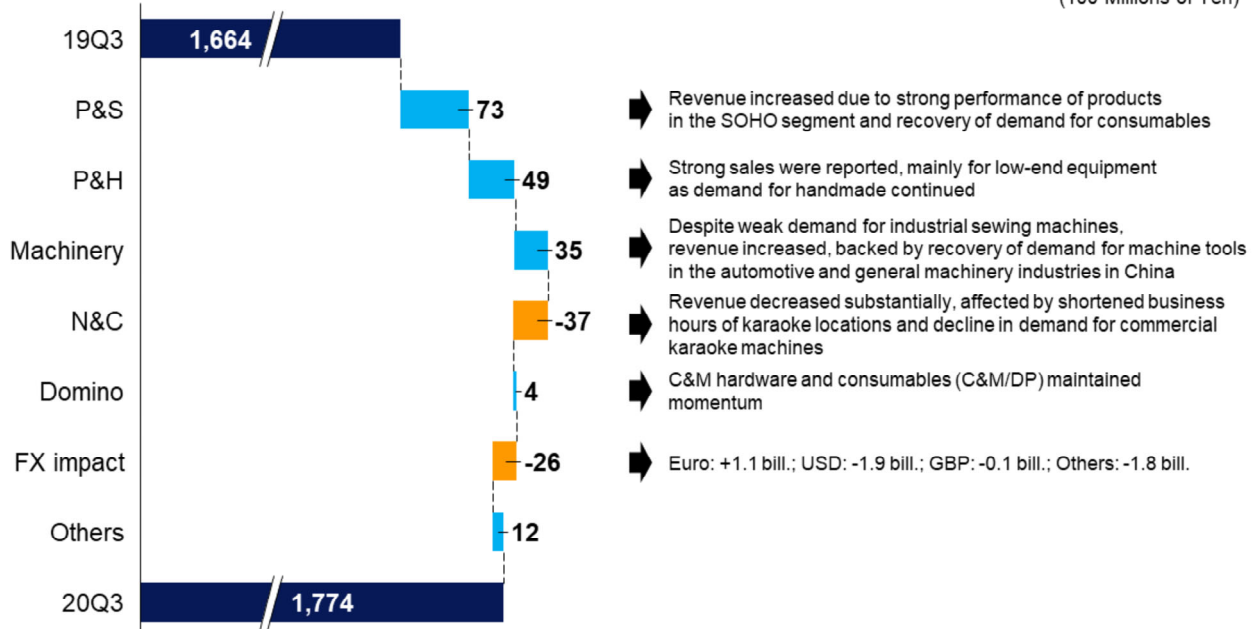
	19Q3	20Q3	change	
Printing & Solutions	Sales Revenue	1,039	1,092	53
	Business Segment Profit	146	243	97
	Operating Profit	151	242	92
Personal & Home	Sales Revenue	116	161	45
	Business Segment Profit	14	41	27
	Operating Profit	16	40	24
Machinery	Sales Revenue	186	221	34
	Business Segment Profit	8	22	14
	Operating Profit	8	13	6
Network & Contents	Sales Revenue	125	88	-37
	Business Segment Profit	8	-6	-15
	Operating Profit	8	-7	-15
Domino business	Sales Revenue	172	176	3
	Business Segment Profit	8	13	5
	Operating Profit	7	10	3
Other	Sales Revenue	25	37	12
	Business Segment Profit	-0	2	2
	Operating Profit	0	4	4
Total	Sales Revenue	1,664	1,774	110
	Business Segment Profit	183	314	130
	Operating Profit	189	303	114

*Not including elimination amount by inter-segment transaction.

This is a list of results by business segment.

Revenue increased as the P&S, P&H, and machinery (machine tools) businesses remained firm

(100 Millions of Yen)



* Amounts of change are on a results basis excluding foreign exchange effects

These are the main factors behind the changes in sales revenue for the third quarter of FY2020.

As you can see, the point is that the P&S, P&H, and machinery businesses became major positive factors while the N&C business became a major negative factor.

•P&S

Revenue increased due to the continued strong performance of products in the SOHO segment and recovery of demand for consumables.

•P&H

Revenue increased substantially as demand for handmade using home sewing machines continued and sales remained strong, especially for low-end equipment.

•Machinery

Despite weak demand for industrial sewing machines, revenue increased, backed by recovery of demand for machine tools in the automotive and general machinery industries in China.

•N&C

Revenue decreased substantially, affected by shortened business hours of karaoke locations and decline in demand for commercial karaoke machines.

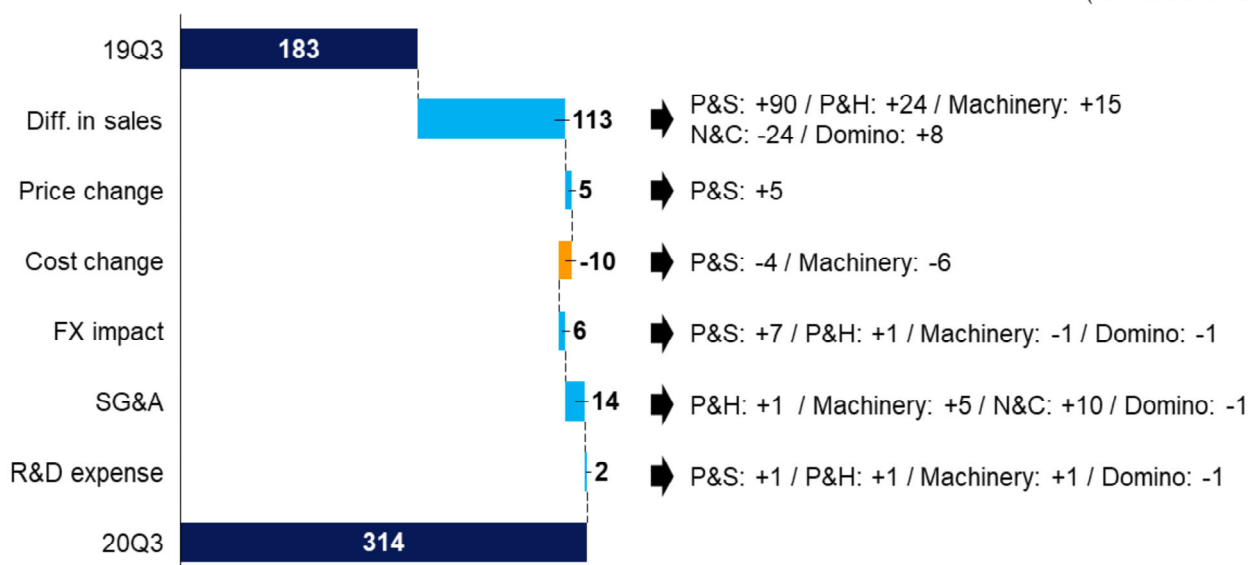
•Domino

C&M hardware and consumables (C&M/DP) maintained momentum, resulting in increase in revenue.

Foreign exchange had a negative impact of 2.6 billion yen across the Group. Overall, sales revenue was up 11.0 billion yen to **177.4** billion yen.

Profit increased substantially due to dampening effects on SG&A expenses, in addition to increase in gross profit mainly in the P&S, P&H, and machinery (machine tools) businesses

(100 Millions of Yen)



These are the main factors behind the changes in business segment profit. We will comment on the main elements of these.

•Difference in sales

The P&S business saw a significant increase due to strong demand.

•Price changes

Price changes are mainly associated with P&S. The average unit price went up partly because we were unable to carry out promotional activities due to an inventory shortage.

•Cost changes

Cost changes are mainly associated with the machinery and P&S businesses.

•Foreign exchange impact

The foreign exchange impact came almost entirely from the P&S business. The main impact of the appreciation of the euro was to favorably affect profit.

•Difference in SG&A expenses

There were expense reduction effects in the N&C and machinery businesses. SG&A expenses for the third quarter in the P&S business were almost on par with the level of the previous year.

As a result of these factors, business segment profit in the third quarter of FY2020 was **31.4** billion yen, a year-on-year increase of 13.0 billion yen.

Results for FY2020 Q3YTD

Cumulative Q3 profit exceeded the previous year's level

(100 Millions of Yen)

	19Q3 YTD	20Q3 YTD	Change	Rate of Change (w/o FX)
Sales Revenue	4,849	4,675	-174	-3.6% (-1.7%)
Business Segment Profit	545	633	88	16.2%
Business Segment Profit Ratio	11.2%	13.5%		
Other income/expense	9	-5	-14	
Operating Profit	554	628	74	13.4%
Operating Profit Ratio	11.4%	13.4%		
Income before Tax	557	630	73	13.2%
Net Income	416	475	60	14.3%
USD	109.10	105.87		
EUR	121.46	122.30		

Cumulative third quarter profit for FY2020 increased as the business performance in the third quarter remained firm.

Sales revenue was down 17.4 billion yen year-on-year to **467.5** billion yen.

Profit was up at all levels,

with business segment profit increasing by 8.8 billion yen to **63.3** billion yen, operating profit increasing by 7.4 billion yen to **62.8** billion yen, and net income attributable to owners of the parent increasing by 6.0 billion yen to **47.5** billion yen.

Results for FY2020 Q3YTD by Business Segment



(100 Millions of Yen)

	19Q3YTD	20Q3YTD	change	
Printing & Solutions	Sales Revenue	2,972	2,871	-100
	Business Segment Profit	458	526	68
	Operating Profit	462	529	68
Personal & Home	Sales Revenue	315	413	99
	Business Segment Profit	24	82	58
	Operating Profit	25	80	56
Machinery	Sales Revenue	579	560	-19
	Business Segment Profit	16	29	12
	Operating Profit	16	19	2
Network & Contents	Sales Revenue	377	238	-139
	Business Segment Profit	19	-33	-53
	Operating Profit	19	-29	-48
Domino business	Sales Revenue	508	502	-5
	Business Segment Profit	27	33	6
	Operating Profit	27	25	-2
Other	Sales Revenue	99	90	-9
	Business Segment Profit	3	-1	-3
	Operating Profit	7	6	-2
Total	Sales Revenue	4,849	4,675	-174
	Business Segment Profit	545	633	88
	Operating Profit	554	628	74

*Not including elimination amount by inter-segment transaction.

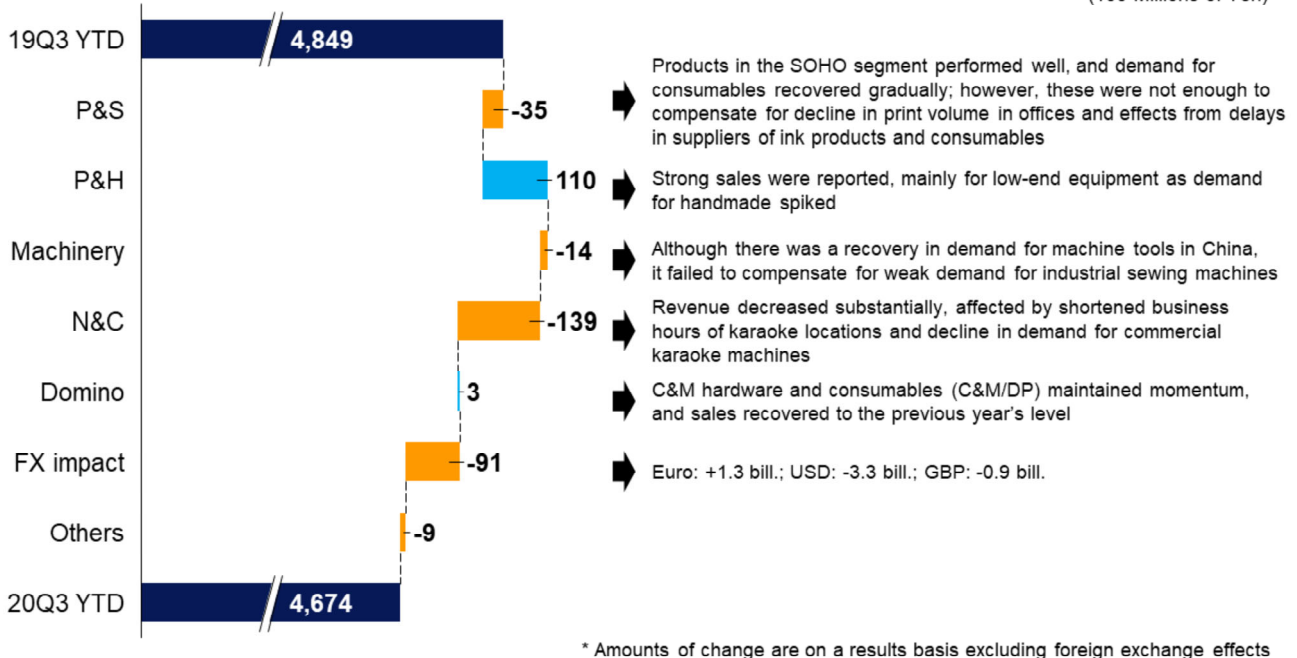
This is a list of results by business segment.

FY2020 Q3YTD

Main Factors for Changes in Sales Revenue

Despite strong P&H performance, revenue decreased as a drop in N&C and negative FX impact could not be absorbed

(100 Millions of Yen)



These are the main factors behind the changes in sales revenue for the third quarter cumulative period of FY2020.

• P&S

Products in the SOHO segment performed well, and demand for consumables recovered gradually. But these were not enough to compensate for the decline in print volume in offices and effects from delays in supplies of ink products and consumables, and consequently revenue decreased.

• P&H

Revenue increased significantly because sales were strong mainly for low-end equipment as a result of a spike in demand for handmade using home sewing machines.

• Machinery

Although there was a recovery in demand for machine tools in China, it failed to compensate for weak demand for industrial sewing machines.

• N&C

Revenue decreased substantially due to the closure and shortened business hours of karaoke locations and decline in demand for commercial karaoke machines.

• Domino

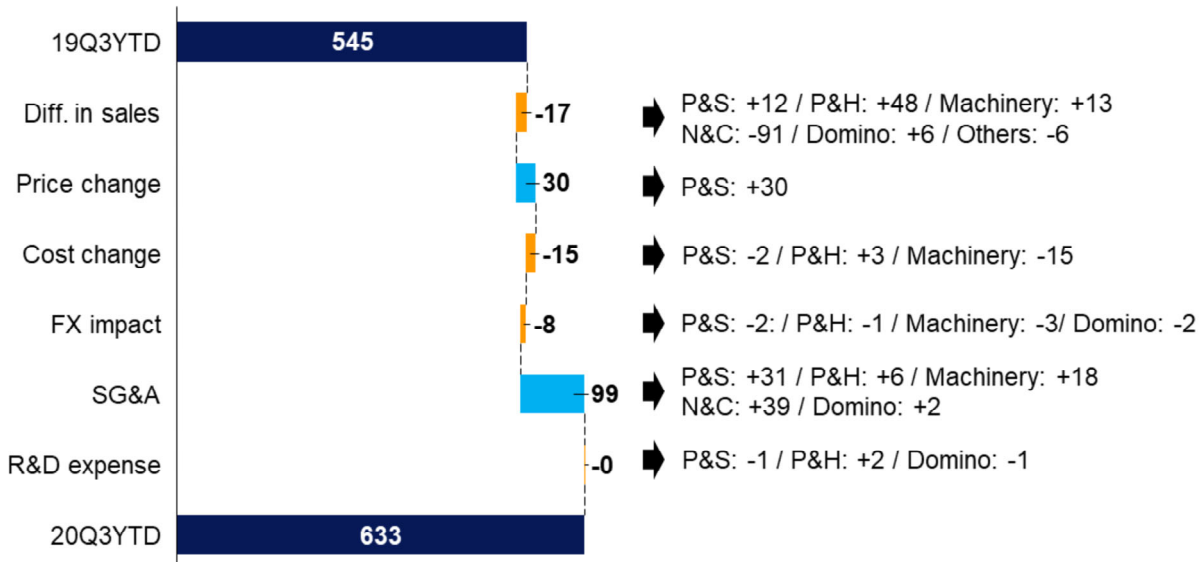
C&M hardware and consumables (C&M/DP) maintained momentum, and sales almost recovered to the previous year's level.

In addition, foreign exchange had a negative impact of 9.1 billion yen across the Group. Overall, sales revenue was down 17.4 billion yen to **467.5** billion yen.

FY2020 Q3YTD Main Factors for Changes in BSP

Profit increased due to dampening effects on SG&A expenses in all businesses in addition to increase in gross profit mainly in the P&H business

(100 Millions of Yen)



These are the main factors behind the changes in business segment profit.

As you can see, profit increased due mainly to the increase in sales in the P&H business, price changes in the P&S business, and dampening effects on SG&A expenses in all businesses.

As a result of these factors, business segment profit for the third-quarter cumulative period of FY2020 was up 8.8 billion yen year-on-year to 63.3 billion yen.

Forecast for FY2020

Forecast for FY2020

The forecast for FY2020 consolidated results was revised upward due to a decrease in SG&A expenses throughout the year and strong performance mainly in Q3 despite expected worsening of the business environment in the N&C business

(100 Millions of Yen)

	Previous Forecast	FY20 Forecast	Change	Rate of Change	FY19	Change	Rate of Change (w/o FX)
Sales Revenue	6,000	6,250	250	4.2%	6,373	-123	-1.9% (-0.1%)
Business Segment Profit	550	720	170	30.9%	669	51	7.6%
Business Segment Profit Ratio	9.2%	11.5%			10.5%		
Other income/expense	-15	-35	-20		4	-39	
Operating Profit	535	685	150	28.0%	673	12	1.7%
Operating Profit Ratio	8.9%	11.0%			10.6%		
Income before Tax	530	680	150	28.3%	670	10	1.4%
Net Income	400	510	110	27.5%	496	14	2.9%
USD	106.35	105.25			109.10		
EUR	121.05	123.07			121.14		

As for our results forecast for FY2020, we have decided to revise the consolidated results forecast announced in November because our results for the second half are now expected to exceed the previously forecast level due mainly to better-than-expected results for the third quarter in the P&S and P&H businesses.

Sales revenue for FY2020 is expected to be **625.0** billion yen, up 25.0 billion yen from the previous projection.

With regard to forecast profit, business segment profit will be **72.0** billion yen, up 17.0 billion yen, operating profit will be **68.5** billion yen, up 15.0 billion yen, and net income attributable to owners of the parent will be **51.0** billion yen, up 11.0 billion yen.

These are significant upward revisions in comparison with the previous projections.

Forecast for FY2020 by Business Segment



(100 Millions of Yen)

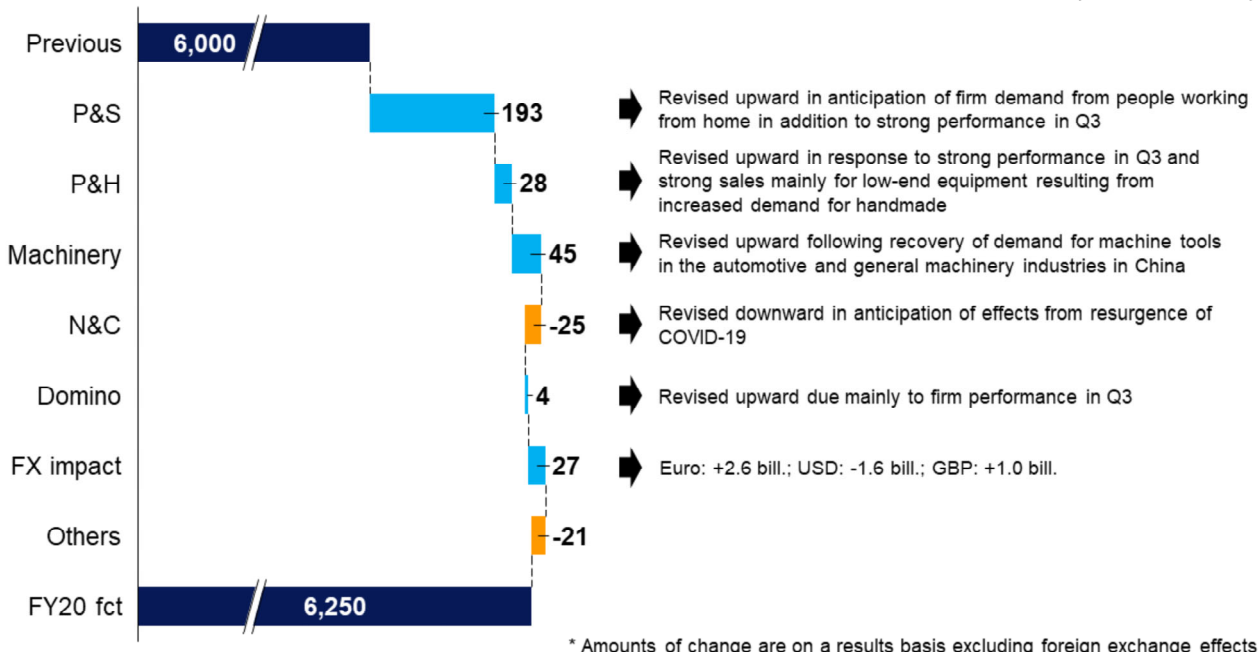
	Previous Fct	FY20 Fct	change	FY19 Act	FY20 Fct	change	
Printing & Solutions	Sales Revenue	3,628	3,837	209	3,907	3,837	-70
	Business Segment Profit	500	625	125	571	625	54
	Operating Profit	512	629	117	571	629	58
Personal & Home	Sales Revenue	500	528	28	409	528	119
	Business Segment Profit	69	93	24	31	93	62
	Operating Profit	69	91	22	32	91	59
Machinery	Sales Revenue	722	768	46	748	768	20
	Business Segment Profit	4	30	26	7	30	23
	Operating Profit	-6	19	25	6	19	13
Network & Contents	Sales Revenue	335	310	-25	491	310	-181
	Business Segment Profit	-48	-59	-11	21	-59	-80
	Operating Profit	-45	-85	-40	19	-85	-104
Domino business	Sales Revenue	659	672	13	675	672	-3
	Business Segment Profit	37	40	3	38	40	2
	Operating Profit	33	31	-2	39	31	-8
Other	Sales Revenue	156	135	-21	142	135	-7
	Business Segment Profit	-12	-9	3	4	-9	-13
	Operating Profit	-28	0	28	9	0	-9
Total	Sales Revenue	6,000	6,250	250	6,373	6,250	-123
	Business Segment Profit	550	720	170	669	720	51
	Operating Profit	535	685	150	673	685	12

*Not including elimination amount by inter-segment transaction.

This is a list of forecast by business segment.

Sales revenue was revised upward in all businesses excluding the N&C business

(100 Millions of Yen)



Next are the factors behind the change to the previous forecast for sales revenue for FY2020.

• **P&S**

We made an upward revision in light of strong performance in the third quarter and expectations for firm demand throughout the year from people working from home.

• **P&H**

We made an upward revision in response to strong performance in the third quarter and strong sales mainly for low-end equipment associated with increased demand for handmade resulting from more people staying at home.

• **Machinery**

We made an upward revision following recovery of demand for machine tools in the automotive and general machinery industries in China, although recovery in demand for industrial sewing machines is expected to take time.

• **N&C**

We made a downward revision in anticipation of a drop in demand resulting from the effects of resurgence of COVID-19.

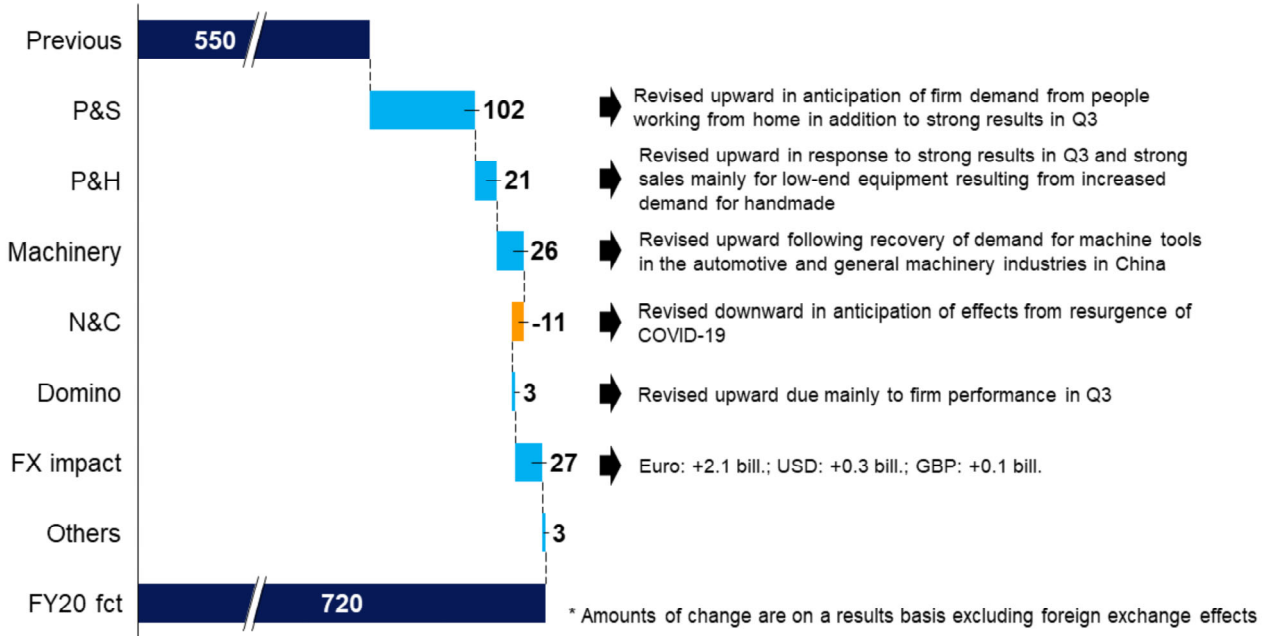
• **Domino**

We made an upward revision due mainly to firm performance in the third quarter.

In addition, foreign exchange is expected to have a positive impact of 2.7 billion yen across the Group. Overall, we forecast sales revenue of **625.0** billion yen, up 25.0 billion yen from the previous projection.

Profit outlook was revised up following strong performance of the P&S business mainly in Q3

(100 Millions of Yen)



These are the main factors behind the changes in business segment profit.

We have revised up our forecast for business segment profit due mainly to strong performance in the P&S business for the third quarter.

As a result of these factors, we forecast a business segment profit of **72.0** billion yen for FY2020, up 17.0 billion yen from the previous projection.

Balance Sheet

(100 Millions of Yen)

	FY19	FY20Q3	Change
Current assets	4,088	4,488	401
Cash&Cash equivalents	1,684	2,054	370
Inventories	1,179	1,198	20
Non-current assets	3,227	3,287	60
Total liabilities	2,863	2,846	-17
Interest-bearing debt	1,070	953	-117
Equity attributable to owners of the parent company	4,285	4,763	478
Total assets	7,315	7,775	461

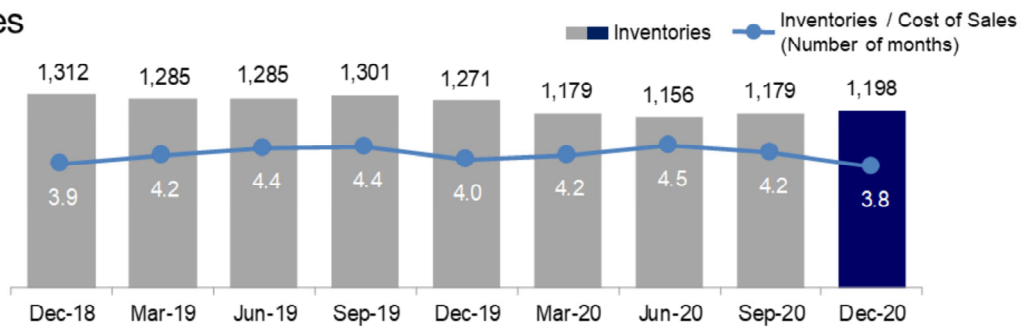
Net Cash

End of FY19 : +¥61.4 billion
End of FY20Q3 : +¥110.0 billion

Shareholders' Equity Ratio

End of FY19 : 58.6%
End of FY20Q3 : 61.3%

Inventories

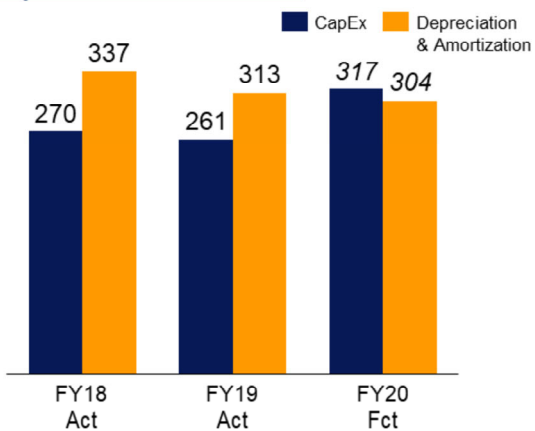


There are no major changes to our financial status.

R&D Expenses / Capital Expenditure/ Depreciation and Amortization



Capital Expenditure / Depreciation & Amortization

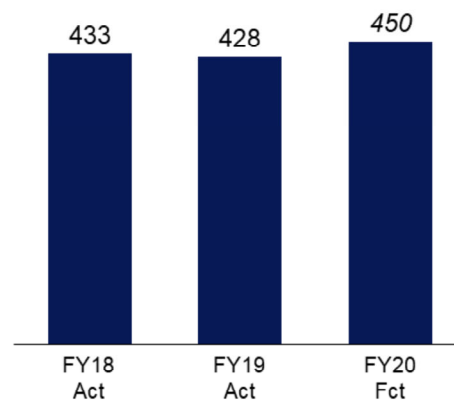


Breakdown by business (CapEx)

	FY18	FY19	FY20
P&S	95	109	155
P&H	9	5	10
Machinery	40	24	37
N&C	52	49	21
Domino	31	21	22
Others	44	52	72
Total	270	261	317

R&D Expenses

(100 Millions of Yen)



Breakdown by business (R&D)

	FY18	FY19	FY20
P&S	290	277	291
P&H	22	22	23
Machinery	50	54	57
N&C	5	9	10
Domino	38	38	40
Others	27	29	29
Total	433	428	450

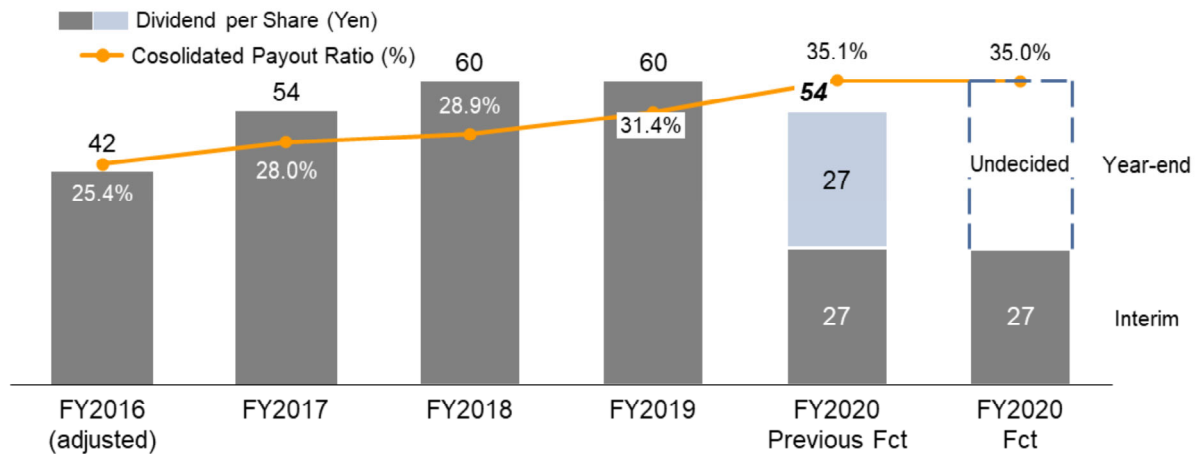
• There are no changes to the previous forecasts for R&D expenses, capital expenditure, and depreciation and amortization.

Dividend Forecast

The amount of year-end dividend will be left undecided and will be determined and announced based on the shareholder return policy upon determination of business results

Although the Company made upward revisions to its consolidated results forecast for the fiscal year ending March 31, 2021 in light of recent trends in business performance and other factors, actual results may deviate from the forecast announced this time given the impact of resurgence of COVID-19 in the U.S., Europe, and Japan.

Taking such a situation into consideration, the Company will leave the year-end dividend forecast for the current fiscal year undecided at this point, and will again determine and announce its year-end dividend based on the shareholder return policy (payout ratio of 35%) when business results for the current fiscal year are determined.



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Business Segment Information

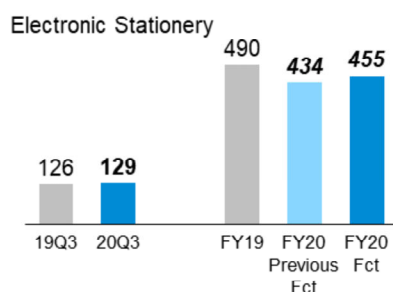
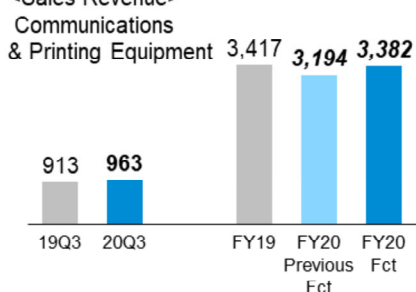
Printing & Solutions Sales Revenue & Profit

brother
at your side

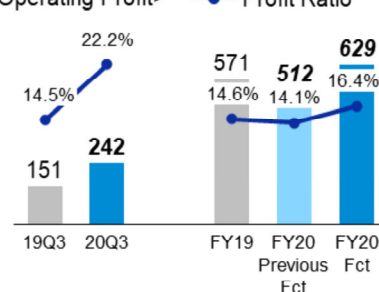
(100 Millions of Yen)

	19Q3	20Q3	Change	Change xFX	FY19	Previous Forecast	FY20	Change v LY	Change xFX
Sales Revenue	1,039	1,092	5.1%	7.0%	3,907	3,628	3,837	-1.8%	0.3%
Communications & Printing equipment	913	963	5.5%	7.4%	3,417	3,194	3,382	-1.0%	1.1%
Americas	334	335	0.2%	6.2%	1,256	1,175	1,215	-3.3%	2.1%
Europe	300	323	7.6%	6.3%	1,133	1,041	1,135	0.2%	-0.6%
Asia & Others	153	177	15.7%	16.8%	591	585	618	4.5%	6.9%
Japan	126	129	1.9%	1.9%	437	394	414	-5.3%	-5.3%
Electronic stationery	126	129	2.1%	4.0%	490	434	455	-7.1%	-5.3%
Americas	58	54	-7.4%	-1.9%	226	187	194	-14.4%	-10.0%
Europe	37	41	10.5%	8.1%	144	131	141	-2.2%	-3.9%
Asia & Others	20	21	5.0%	5.8%	72	66	68	-5.7%	-3.5%
Japan	11	13	18.8%	18.8%	47	50	52	10.2%	10.2%
Business Segment Profit	146	243	66.9%	-	571	500	625	9.4%	-
Operating Profit	151	242	60.8%	-	571	512	629	10.2%	-

<Sales Revenue>



<Operating Profit> Profit Ratio



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Sales revenue in the P&S business in the third quarter was **109.2** billion yen. Revenue increased with a growth rate of 7.0% on a local currency basis.

•Communications & printing equipment:

Sales revenue was **96.3** billion yen. Revenue increased with a growth rate of 7.4% on a local currency basis.

Laser All-in-Ones & printers :

Demand for products in the SOHO segment remained firm in the third quarter due to increasingly more people working and learning from home.

Demand for products in the SMB segment is also on a recovery trend, and sales of these products made up for stock shortages of some SOHO products and somewhat exceeded the forecast level.

Global sales of consumables were strong.

Inkjet multi-function printers:

Sales volume fell significantly although demand grew due to increasingly more people working and learning from home and delays in supplies of inkjet products are recovering. Meanwhile, delays in supplies of ink consumables have almost been resolved as air transportation has continued to be used, and these consumables performed well globally.

•Electronic stationery

Sales revenue was **12.9** billion yen, growing by 4.0% on a local currency basis.

In Japan, labeling and solutions both performed well.

Demand in other regions is also recovering after declining significantly in the first quarter.

Business segment profit was **24.3** billion yen, recording a significant year-on-year increase of 66.9%.

This is largely attributable to the continuation of demand for hardware products in the SOHO segment in the third quarter and the better-than-expected performance of consumables.

Full-year outlook:

We will revise up our full-year outlook in response to strong business results in the third quarter.

For laser printers (LBP), strong demand for printer and All-in-One hardware in the SOHO segment is likely to continue throughout the year as new workstyles, such as working from home, have become common. With regard to consumables, although demand has been on a recovery trend throughout the year, we expect that demand will not recover to the pre-COVID-19 level either in the SOHO and SMB segment due to a decrease in print volume in offices.

As for inkjet printers (IJP), although delays in supplies of ink consumables have almost been resolved, effects from the hardware supply shortage are expected to continue throughout the year.

Sales Revenue Growth Rate / Consumable Ratio / Growth Rate of Hardware



	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	FY2018	FY2019	FY2020 FCT
LBP															
Sales revenue growth rate (JPY)															
Hardware	1%	-3%	-5%	-17%	-9%	-8%	-7%	-2%	6%	19%	18%	-	-6%	-7%	16%
Consumable	1%	1%	-1%	-4%	2%	-6%	-2%	-3%	-18%	1%	0%	-	-1%	-2%	-4%
Sales revenue growth rate (LC)															
Hardware	2%	0%	-1%	-12%	-6%	-4%	-3%	2%	11%	22%	21%	-	-2%	-3%	20%
Consumable	1%	3%	2%	-1%	4%	-1%	3%	0%	-15%	2%	2%	-	1%	1%	-3%
IJP															
Sales revenue growth rate (JPY)															
Hardware	-6%	-6%	2%	-6%	-2%	8%	-7%	-3%	-37%	-49%	-12%	-	-4%	-1%	-26%
Consumable	1%	-1%	-3%	-5%	1%	-2%	-8%	4%	-23%	-1%	9%	-	-2%	-2%	-6%
Sales revenue growth rate (LC)															
Hardware	-3%	-2%	6%	-1%	1%	13%	-4%	0%	-33%	-48%	-9%	-	-1%	2%	-23%
Consumable	1%	1%	0%	-2%	3%	3%	-5%	7%	-20%	-1%	10%	-	0%	2%	-5%
Consumable Ratio															
	58%	58%	57%	61%	60%	58%	57%	59%	55%	57%	55%	-	58%	58%	55%
Growth rate of Hardware															
LBP	-1%	-8%	-7%	-16%	-13%	-4%	-2%	3%	12%	10%	6%	-	-8%	-5%	-
IJP	-1%	-2%	-1%	-4%	0%	13%	1%	7%	-39%	-57%	-24%	-	-2%	5%	-

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This shows the sales growth rates of major products and consumable ratios.

• **Sales growth rate (on a local currency basis):**

For laser printers (LBP), the sales growth rates were 21% for hardware and 2% for consumables.

For inkjet printers (IJP), the sales growth rate was minus 9% for hardware because sales did not recover to the pre-COVID-19 level due to the continued effects from delays in supplies of hardware in the third quarter. The sales growth rate for IJP consumables was 10% due in part to the reaction to a low sales level in the third quarter of 2019. But this is more attributable to strong global sales as the stock shortage was almost resolved through increased production and the use of air transportation.

• **Sales volume growth rate:**

The sales volume growth rate for LBP was 6% as sales of products in the SOHO segment were strong.

IJP sales continued to be affected by delays in supplies of hardware, resulting in a sales volume growth rate of minus 24%.

Personal & Home Sales Revenue & Profit

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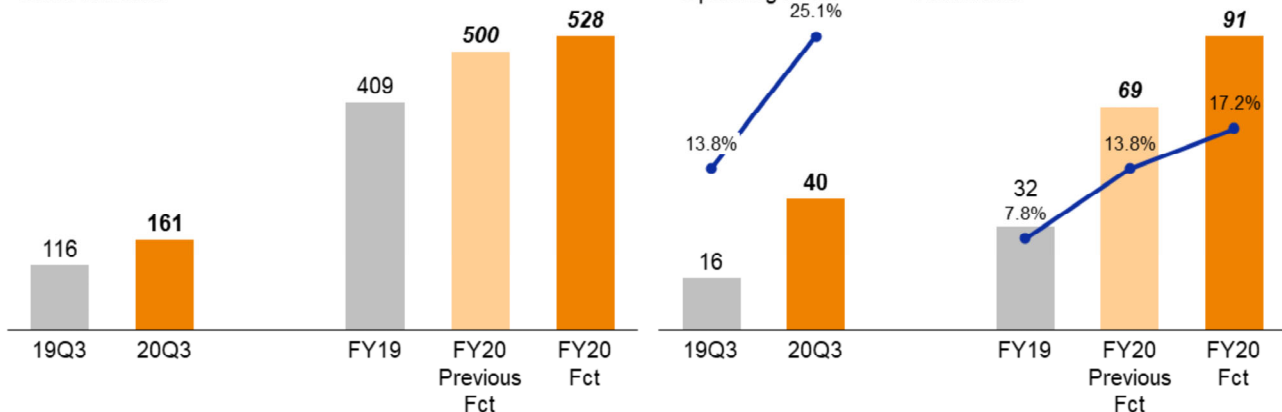
(100 Millions of Yen)

	19Q3	20Q3	Change	Change x FX	FY19	Previous Forecast	FY20	Change v LY	Change x FX
Sales Revenue	116	161	38.7%	42.2%	409	500	528	29.2%	32.9%
Americas	63	84	33.7%	41.9%	223	261	272	21.8%	29.1%
Europe	34	48	39.4%	35.4%	108	138	154	42.4%	39.8%
Asia & Others	13	17	35.3%	37.4%	46	55	54	17.3%	20.2%
Japan	7	12	89.5%	89.5%	32	47	49	54.2%	54.2%

Business Segment Profit	14	41	184.3%	-	31	69	93	197.2%	-
Operating Profit	16	40	151.9%	-	32	69	91	186.7%	-

<Sales Revenue>

<Operating Profit> Profit Ratio



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In the P&H business, sales revenue in the third quarter was **16.1** billion yen. Revenue increased significantly with a growth rate of 42.2% on a local currency basis.

Home sewing machines, especially low-end equipment, sold well in all regions due to the continuation of demand for handmade as time spent at home increased as a result of lockdowns in many countries and more opportunities to work from home due to COVID-19.

Business segment profit significantly increased to **4.1** billion yen, up 2.7 billion yen from the 1.4 billion yen recorded in the same period of the previous year, due mainly to effects from increase in sales.

With regard to the full-year outlook, we have made an upward revision to the previous projection in response to strong performance in the third quarter. Revenue and profit are both expected to increase significantly.

Machinery Sales Revenue & Profit

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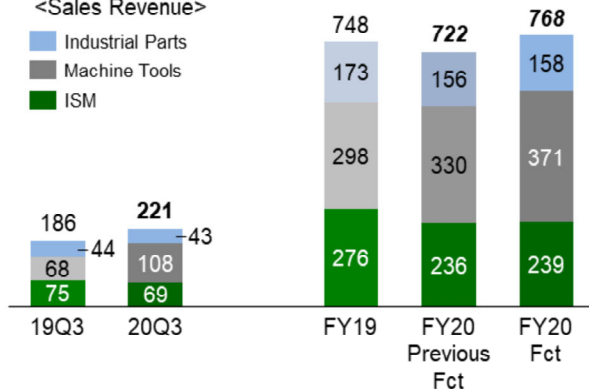
(100 Millions of Yen)

	19Q3	20Q3	Change	Change x FX	FY19	Previous Forecast	FY20	Change v LY	Change x FX
Sales Revenue	186	221	18.5%	18.8%	748	722	768	2.7%	3.5%
Industrial sewing machines	75	69	-7.0%	-5.7%	276	236	239	-13.5%	-12.1%
Machine tools	68	108	58.7%	57.9%	298	330	371	24.5%	24.9%
Industrial Parts	44	43	-0.8%	-0.3%	173	156	158	-9.1%	-8.6%

Business Segment Profit	8	22	179.9%	-	7	4	30	332.0%	-
Operating Profit	8	13	79.5%	-	6	-6	19	210.1%	-

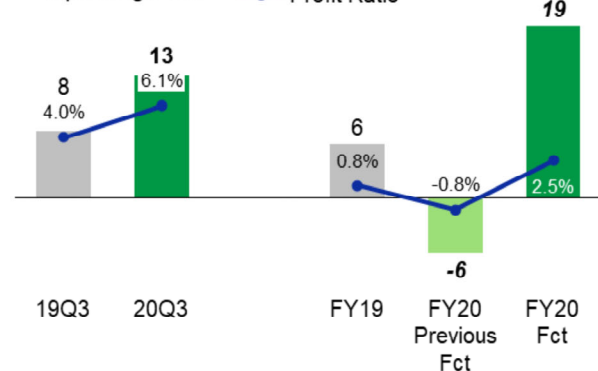
<Sales Revenue>

Industrial Parts
Machine Tools
ISM



<Operating Profit>

Profit Ratio



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26

In the machinery business, sales and profit were both firm in the third quarter.

Sales revenue for the entire machinery business was **22.1** billion yen in the third quarter, growing at 18.8% on a local currency basis.

The breakdown of sales revenue is as follows:

6.9 billion yen for industrial sewing machines, **10.8** billion yen for machine tools, and **4.3** billion yen for industrial parts.

•Industrial sewing machines

The industrial sewing machine segment handles two product categories: the garment printer category and the industrial sewing machine category.

For garment printers, demand continued to grow as there were many inquiries from customers using e-commerce websites. However, with respect to industrial sewing machines, capital investment demand continued to fall, and revenue for the overall business decreased.

•Machine tools

Revenue increased as a result of the recovery of demand in the automotive and general machinery industries, mainly in China.

•Industrial parts

Demand recovered gradually, and results were almost on a par with the previous year's levels.

As for profit, despite an ongoing decline in capital investment demand for industrial sewing machines, business segment profit was **2.2** billion yen, up 1.4 billion yen from 800 million yen in the same period of the previous year, thanks to efforts to reduce SG&A expenses in addition to the effects of increased revenue from machine tools.

Operating profit was **1.3** billion yen, up 600 million yen from 800 million yen in the same period of the previous year. Profit for the business as a whole increased substantially due to the strong performance of garment printers and machine tools despite the occurrence of temporary costs associated with an overhaul of the production system for industrial sewing machines.

With regard to the full-year outlook,

although the recovery of industrial sewing machines is expected to take time, we have revised up our previous forecasts for the overall machinery business in anticipation of the continuation of strong performance of machine tools in the automotive and general machinery industries in China.

Machinery Sales Revenue by Region

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(100 Millions of Yen)

	19Q3	20Q3	Change	Change x FX	FY19	Previous Forecast	FY20	Change v LY	Change x FX
Sales Revenue	186	221	18.5%	18.8%	748	722	768	2.7%	3.5%
Industrial sewing machines	75	69	-7.0%	-5.7%	276	236	239	-13.5%	-12.1%
Americas	21	22	6.3%	11.1%	70	79	85	20.9%	25.0%
Europe	18	17	-8.0%	-10.4%	68	57	57	-15.4%	-17.0%
Asia & Others	33	27	-18.6%	-17.5%	129	90	86	-33.3%	-31.8%
Japan	2	3	50.6%	50.6%	9	10	11	15.5%	15.5%
Machine tools	68	108	58.7%	57.9%	298	330	371	24.5%	24.9%
Americas	3	5	103.5%	-	20	16	19	-6.1%	-
Europe	4	7	65.5%	-	21	18	17	-18.3%	-
Asia & Others	41	80	95.3%	-	168	243	278	66.0%	-
Japan	20	16	-22.2%	-	89	54	57	-36.3%	-
Industrial Parts	44	43	-0.8%	-0.3%	173	156	158	-9.1%	-8.6%
Americas	5	6	12.9%	17.8%	23	19	20	-13.3%	-10.3%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	5	6	30.7%	29.9%	18	18	19	6.0%	7.3%
Japan	33	31	-7.4%	-7.4%	132	119	118	-10.4%	-10.4%

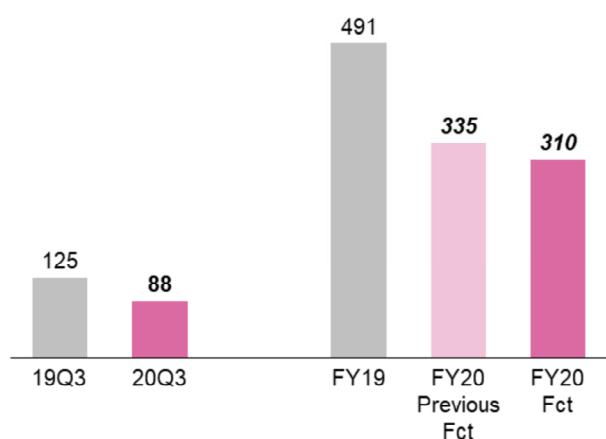
Network & Contents Sales Revenue & Profit

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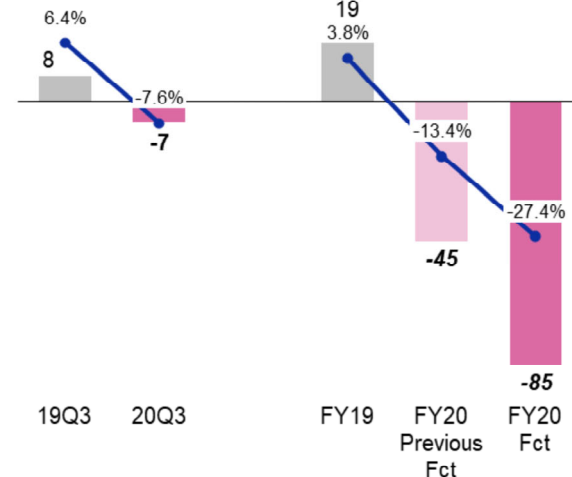
(100 Millions of Yen)

	19Q3	20Q3	Change	FY19	Previous Forecast	FY20	Change v LY
Sales Revenue	125	88	-29.8%	491	335	310	-36.9%
Business Segment Profit	8	-6	—	21	-48	-59	—
Operating Profit	8	-7	—	19	-45	-85	—

<Sales Revenue>



<Operating Profit>



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The business environment in the N&C business has remained extremely adverse due to major changes in the karaoke environment.

Sales revenue for the third quarter was **8.8** billion yen, a substantial decrease of 29.8% year-on-year.

With regard to profit, although we actively reduced SG&A expenses, this was not enough to make up for effects from the shortened business hours of karaoke locations due to the resurgence of COVID-19, as well as the decline in sales resulting from a drop in sales of commercial karaoke machines.

Accordingly, we recorded a business segment loss of **600** million yen and an operating loss of **700** million yen.

As for the full-year outlook, we have revised down our forecasts for the fourth quarter in response to the further worsening of the business environment resulting from the resurgence of COVID-19.

In addition, the recording of impairment losses on fixed assets is anticipated in the fourth quarter in conjunction with the worsened profitability of the karaoke club business. Thus, the operating profit projection has been lowered significantly from the previous forecast.

Domino Sales Revenue & Profit

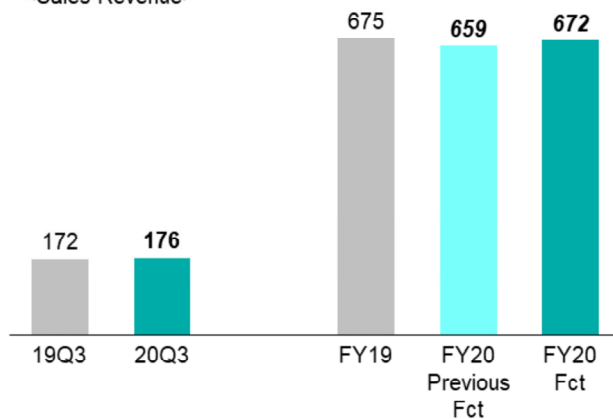
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(100 Millions of Yen)

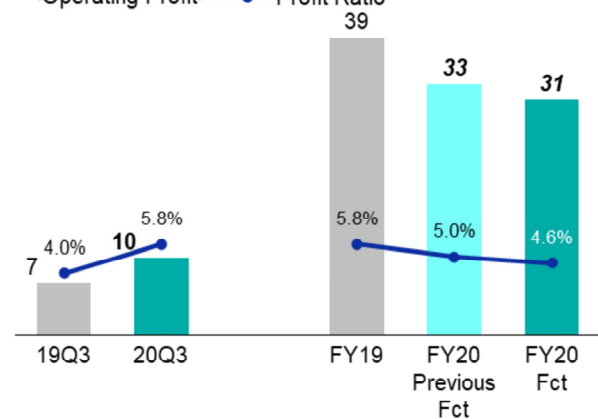
	19Q3	20Q3	Change	Change x FX	FY19	Previous Forecast	FY20	Change v LY	Change x FX
Sales Revenue	172	176	1.9%	2.5%	675	659	672	-0.5%	1.2%
Americas	42	44	4.8%	9.2%	165	166	170	3.4%	7.6%
Europe	82	80	-2.4%	-3.2%	329	305	311	-5.5%	-5.3%
Asia & Others	48	51	6.8%	6.8%	182	188	191	5.1%	7.4%

Business Segment Profit	8	13	68.3%	-	38	37	40	5.6%	-
Operating Profit	7	10	48.6%	-	39	33	31	-20.9%	-

<Sales Revenue>



<Operating Profit> — Profit Ratio



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Sales revenue in the Domino business was **17.6** billion yen in the third quarter. Revenue increased year-on-year with a growth rate of 2.5% on a pound basis.

By region, sales in the U.S. and Asia have been strong. Sales in Europe are also recovering although demand was sluggish, affected by COVID-19.

As for hardware, although demand for DP has been weak, demand for C&M has been firm. Consumables have performed well for both C&M and DP.

Business segment profit was **1.3** billion yen, up 500 million yen from the 800 million yen recorded in the same period of the previous year, due to effects from increased revenue and a decrease in SG&A expenses.

Operating profit was **1.0** billion yen, increasing by 300 million yen from the 700 million yen recorded in the same period of the previous year, despite being affected by foreign exchange losses.

As for the full-year outlook, while we have revised up our forecasts for sales and business segment profit due mainly to firm business results in the third quarter, we have revised down our forecast for operating profit in anticipation of foreign exchange losses.

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