

# **Financial Results for Fiscal Year 2019**

(ended March 31, 2020)

**Brother Industries, Ltd.**  
**May 11, 2020**

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 FY2019

## FY2019 Results

### ✓ **Sales revenue and income were down mainly due to slumping demand for industrial equipment**

- Sales of communications and printing equipment consumables were firm globally. Profit increased as effects of COVID-19 infections pushed up demand due to increased working from home and restrained SG&A expenses.
- Demand for industrial sewing machines was sluggish, mainly in China and other parts of Asia.
- Demand for industrial equipment to the automotive, general and IT industries was also sluggish.
- In the N&C business, sales of new online karaoke machine models were firm, but demand in the Karaoke Club Business was down sharply due to effects from COVID-19 infections.
- In the Domino business, global sales of consumables were firm.

Before I explain the numerical results, please review this summary of the highlights of results for FY2019.

This fiscal year, the business environment was quite challenging.

In the P&S business, results substantially achieved the same levels as the previous year, and sales of low CCP models, such as large-capacity ink cartridge models, achieved plan levels, and I believe that this is worthy of a certain degree of recognition.

Profit was supported by effects from COVID-19 and increased from the previous year.

In the Domino business, firms sales of consumables despite effects from economic sluggishness contributed to profit. I believe the fact that the annual profit plan was achieved is positive.

On the other hand, it was an extremely severe year for the Machinery business.

Moreover, in the N&C business, even though sales of new models were strong and were on pace to exceed the plan, it is extremely unfortunate that the business experienced a sudden slowdown due to effects from COVID-19.

# Consolidated Results for FY2019



Under a harsh business environment, sales revenue and profit for FY2019 were down.  
In the Q4, profit was up due to temporary factors caused by effects from COVID-19.

(100 Millions of Yen)

	FY18	FY19	Change	Rate of Change (w/o FX)	18Q4	19Q4	Change	Rate of Change (w/o FX)
Sales Revenue	6,840	<b>6,373</b>	-467	-6.8% (-3.7%)	1,622	<b>1,524</b>	-98	-6.0% (-3.5%)
BSP*	720	<b>669</b>	-50	-7.0%	116	<b>124</b>	9	7.7%
BSP Ratio	10.5%	<b>10.5%</b>			7.1%	<b>8.2%</b>		
Other income/expense	0	<b>4</b>	4		-13	<b>-5</b>	8	
Operating Profit	719	<b>673</b>	-46	-6.4%	103	<b>119</b>	17	16.1%
OP Ratio	10.5%	<b>10.6%</b>			6.3%	<b>7.8%</b>		
Income before Tax	723	<b>670</b>	-52	-7.2%	102	<b>114</b>	11	11.2%
Net Income	539	<b>496</b>	-43	-8.0%	74	<b>80</b>	6	8.2%
USD	110.69	<b>109.10</b>			110.46	<b>109.22</b>		
EUR	128.43	<b>121.14</b>			125.70	<b>120.68</b>		

\*BSP : Business Segment Profit

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I will now discuss the consolidated results for FY2019.

In FY2019, sales revenue was 627.3 billion yen, down 46.7 billion yen from the previous year.

As for profit,

Business segment profit was 66.9 billion yen, a year-on-year decrease of 5.0 billion yen, Operating profit was 67.3 billion yen, a decrease of 4.6 billion yen, and Net income attributable to owners of the parent was 49.6 billion yen, a decrease of 4.3 billion yen.

All measures of profit were down, but the business segment profit ratio and the operating profit ratio were maintained at above 10 percent.

In the fourth quarter of FY2019, sales revenue was 152.4 billion yen, a year-on-year decrease of 9.8 billion yen.

With regard to profit in the fourth quarter,

Business segment profit was 12.4 billion yen, a year-on-year increase of 0.9 billion yen, Operating profit was 11.9 billion yen, an increase of 1.7 billion yen, and Net income attributable to owners of the parent was 8.0 billion yen, an increase of 0.6 billion yen.

Thus, effects from COVID-19 were a temporary factor that pushed profit higher.

# Results for FY2019 by Business Segment



(100 Millions of Yen)

		FY18	FY19	change	18Q4	19Q4	change
<b>Printing &amp; Solutions</b>	Sales Revenue	4,030	3,907	-123	957	935	-22
	Business Segment Profit	522	571	49	88	113	25
	Operating Profit	529	571	42	90	109	19
<b>Personal &amp; Home</b>	Sales Revenue	454	409	-46	100	94	-6
	Business Segment Profit	40	31	-9	7	8	1
	Operating Profit	40	32	-8	7	7	0
<b>Machinery</b>	Sales Revenue	1,041	748	-293	224	169	-55
	Business Segment Profit	98	7	-91	10	-9	-19
	Operating Profit	99	6	-93	10	-10	-20
<b>Network &amp; Contents</b>	Sales Revenue	479	491	12	123	114	-8
	Business Segment Profit	18	21	3	5	1	-4
	Operating Profit	16	19	3	4	-1	-5
<b>Domino business</b>	Sales Revenue	712	675	-37	187	168	-19
	Business Segment Profit	39	38	-2	9	11	2
	Operating Profit	29	39	11	-5	13	18
<b>Other</b>	Sales Revenue	122	142	20	32	44	11
	Business Segment Profit	4	4	0	-3	1	4
	Operating Profit	8	9	2	-1	2	3
<b>Total</b>	Sales Revenue	6,840	6,373	-467	1,622	1,524	-98
	Business Segment Profit	720	669	-50	116	124	9
	Operating Profit	719	673	-46	103	119	17

\*Not including elimination amount by inter-segment transaction.

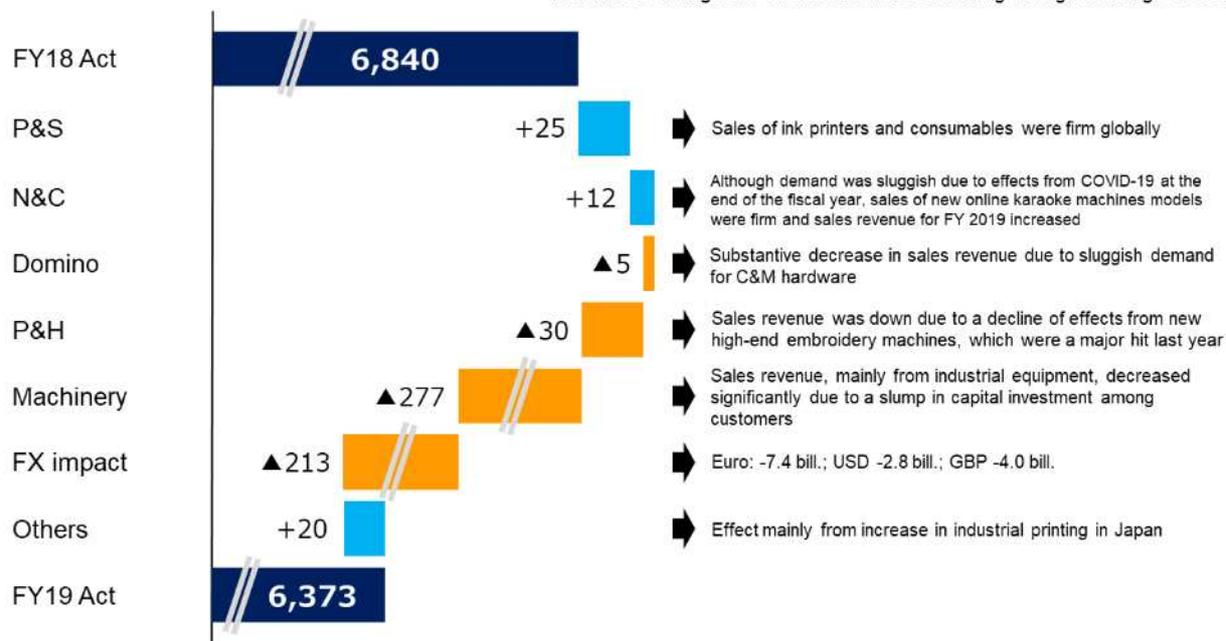
## Main Factors for Changes in Sales Revenue FY19

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(100 Millions of Yen)

Sales revenue was down due to sluggish sales in the machinery business, particularly industrial equipment, and negative foreign exchange effects

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



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These are the main factors behind the changes in sales revenues in each business segment during FY2019.

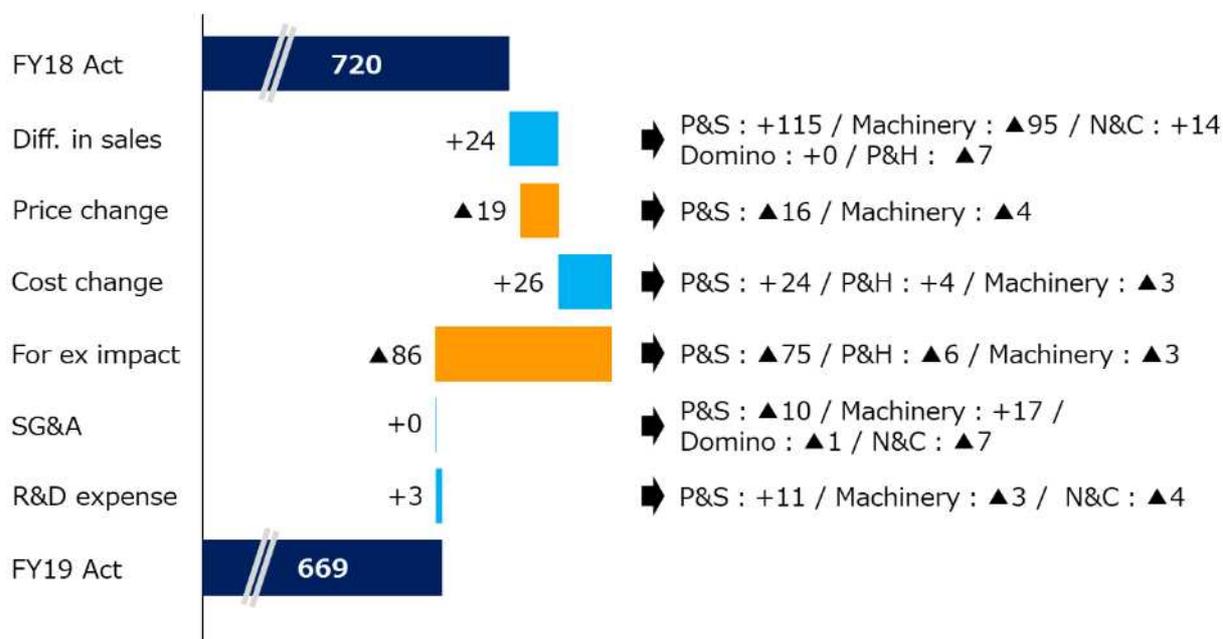
- In the P&S business, sales of ink jet printers and consumables were firm globally, resulting in a substantive 2.5 billion yen increase.
- In the N&C business, effects from COVID-19 at the end of the fiscal year caused demand to slump, but sales of the new online karaoke models launched in June were firm, resulting in a 1.2 billion yen increase.
- In the Domino business, sales of consumables were firm globally, but demand for coding and marking hardware was sluggish in China, causing a substantive decrease of 0.5 billion yen.
- In the P&H business, the new product effects from high-end embroidery machines, which were a hit in the previous fiscal year, declined, and demand in the craft business was sluggish, particularly in Europe and the Americas, and as a result, sales revenue was effectively down 3.0 billion yen.
- In the Machinery business, sale revenue, mainly from industrial equipment, was down sharply, falling 27.7 billion yen in effect, as a result of a slump in capital investment by customers.

In addition, company-wide foreign exchange effects were minus 21.3 billion yen. The overall result was sales revenue of 637.3 billion yen, a year-on-year decrease of 46.7 billion yen.

# Main Factors for Changes in BSP FY19

(100 Millions of Yen)

Profitability continued to improve in the P&S business, but profit was down due to sluggish sales in the machinery business and negative foreign exchange effects



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

The difference in sales was affected by sales revenue mainly for industrial equipment, but due to an improved product lineup in the P&S business, higher sales of consumables, and effects from the introduction of new online karaoke machine models in the N&C business, the difference was an increase of 2.4 billion yen.

Price changes resulted in a decrease of 1.9 billion yen due to the effects of lower prices in some countries for ink tank models and color laser printers in the P&S business and other factors.

Cost changes resulted in an increase of 2.6 billion yen. The main factor was lower prices for parts and materials in the P&S business.

The foreign exchange impact was a decrease of 8.6 billion yen, largely due to changes in euro exchange rates. Most of the impact was in the P&S business.

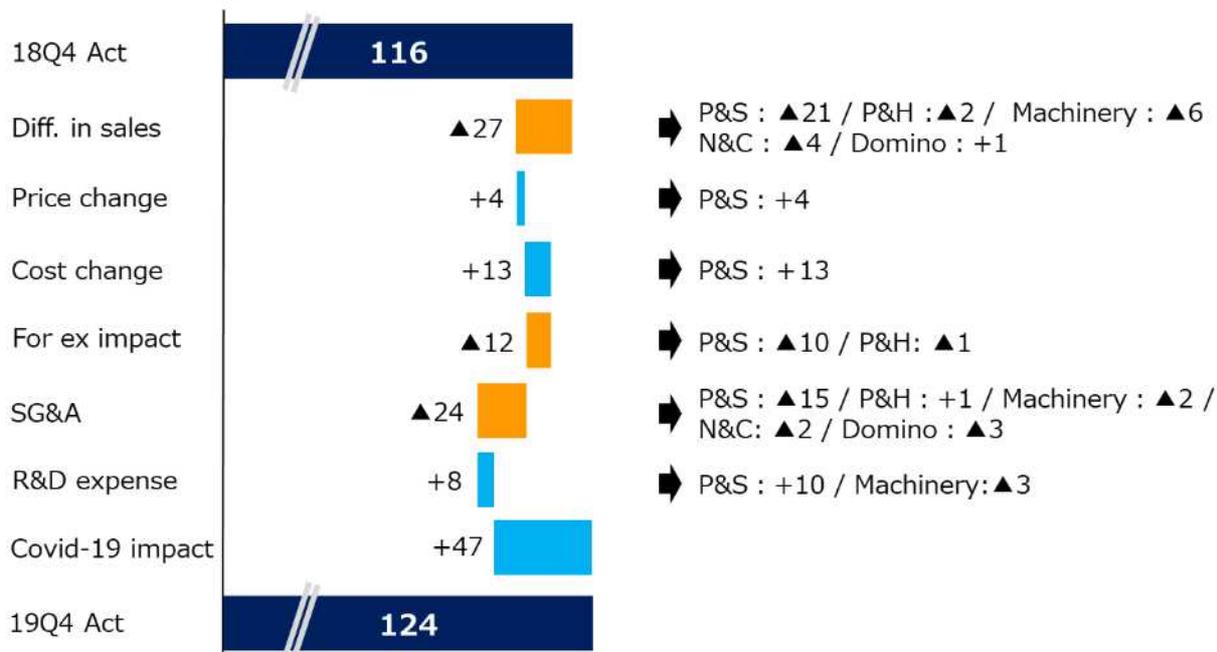
SG&A expenses were flat.

Cost controls in the Machinery business, which is facing a harsh business environment, are proceeding well.

R&D expense resulted in an increase of 0.3 billion yen. The main factor was lower development expenses in the P&S business.

As a result of these factors, business segment profit in FY2019 was 66.9 billion yen, a year-on-year decrease of 5.0 billion yen.

Q4 business segment profit was up 4.7 billion, mainly in the P&S business, due to effects from COVID-19 (effects of increases in channel inventories and lower fixed costs)



This slide uses factors affecting business segment profit in the fourth quarter to show the effects of COVID-19.

The impact of COVID-19 on profit and loss is necessarily estimated, but it is our understanding the profit was pushed up by 4.7 billion yen. The bulk of the increase was in the P&S business.

The factors behind the increase were as follows:

- Inventories increased in sales channels due to concerns about supplies of printing consumables, primarily in Europe (resulting in a temporary increase in orders),
- Higher sales of home printing products in response to increased demand from working from home and home schooling.
- Lower expenses in conjunction with decreases in production and sales activities.

In the N&C business, which conducts the karaoke business, the business environment suddenly deteriorated starting in March due to the high risk of spreading COVID-19, but the effects were covered by the lower expenses and other factors, and consequently, there was no substantial impact in FY2019.

There was no significant impact on other businesses.

✓ **Forecast for the fiscal year: Undetermined**

There is no projection for when COVID-19 will be contained, making it difficult to make a reasonable calculation of the impact on results at this stage.

✓ **Dividend Forecast: Undetermined**

Since the forecast of results for the fiscal year is undetermined, the dividend forecast is also undetermined.

With regard to the forecast of financial results for FY2020,

It is not yet possible to forecast when COVID-19 will be brought under control, and it is extremely difficult to make a reasonable calculation of the impact on results at this stage. Going forward, we will carefully examine the impact on results and make a prompt announcement of our forecast at such time when a reasonable calculation is possible.

As for the FY2020 dividend forecast,

Since the forecast of results for the fiscal year is undetermined, the dividend forecast is also undetermined.

We will promptly announce the dividend forecast when it becomes possible to forecast the impact on results.

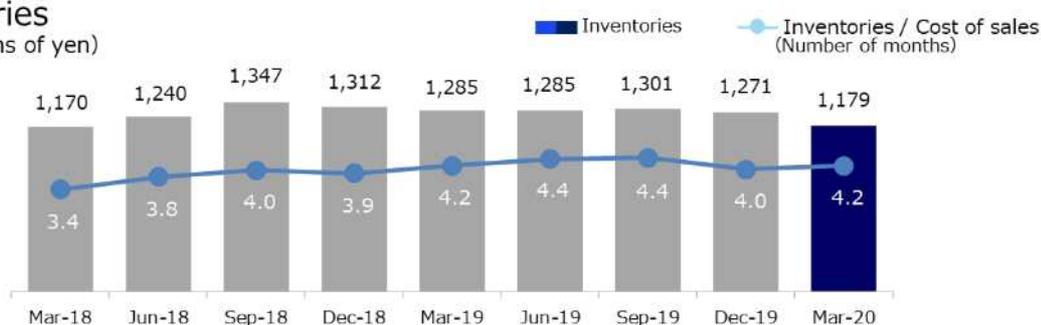
# Balance Sheet

(100 Millions of yen)

	FY18	FY19	Change	
Current assets	3,849	<b>4,088</b>	239	<b>Net Cash</b>
Cash&Cash equivalents	1,312	<b>1,684</b>	373	End of FY18 : +¥34.3 billion
Inventories	1,285	<b>1,179</b>	-107	End of FY19 : +¥61.4 billion
Non-current assets	3,237	<b>3,227</b>	-10	<b>Changes in Debt</b>
Total liabilities	2,670	<b>2,863</b>	193	Long-term debt : ▲18.9 billion
Interest-bearing debt	968	<b>1,070</b>	<b>102</b>	Short-term debt : +30.0 billion
Equity attributable to owners of the parent company	4,248	<b>4,285</b>	38	<b>Shareholders' Equity Ratio</b>
Total assets	7,086	<b>7,315</b>	229	End of FY18 : 59.9%
				End of FY19 : 58.6%

## Inventories

(100 Millions of yen)



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This is an explanation of our financial standing.

Cash and cash equivalents at the end of the fiscal year were 168.4 billion yen, a year-on-year increase of 37.3 billion yen.

However, this is largely the result of a 30 billion yen bank loan obtained at the end of March to prepare for unforeseeable circumstances resulting from effects of COVID-19; when this amount is excluded, there was no significant change.

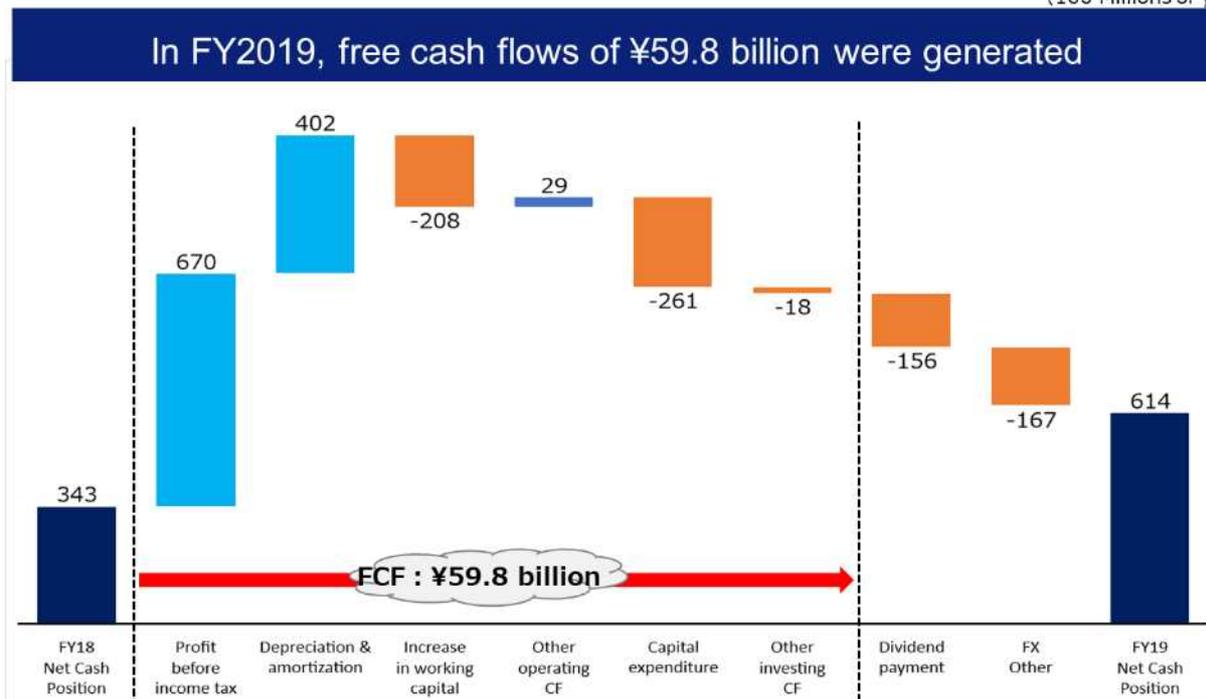
Inventories decreased 10.7 billion yen.

The main factor was moving forward sell in of P&S products to sales channels in each country in response to effects from COVID-19.

As a result of these solid results,

Net cash improved by 27.1 billion yen to 61.4 billion yen, and

The shareholders' equity ratio was 58.6%, a level that does not pose any problems in terms of financial soundness.



- Net capital balance: Cash and cash equivalents minus balance of interest-bearing debt
- Change in working capital: Change in operating receivables and other receivables + Change in inventory assets + Change in operating liabilities and other liabilities

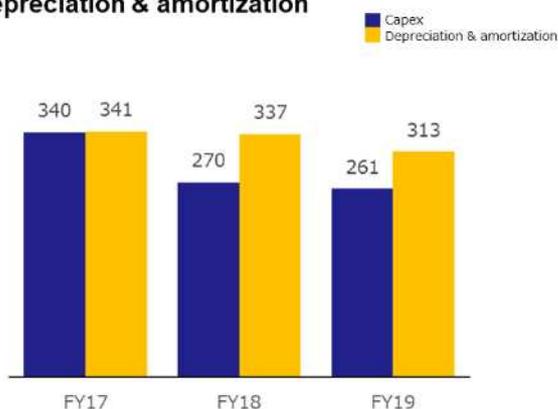
This shows cash flows from the perspective of changes in net cash. Net cash increased by 27.1 billion yen from 34.3 billion yen to 61.4 billion yen.

Financial results were firm, and capital expenditures were low at 26.1 billion yen, resulting in free cash flows of 59.8 billion yen.

It should be noted that this 59.8 billion yen includes 8.9 billion yen in depreciation for right-of-use assets that are now reported on the balance sheet pursuant to IFRS 16 (Leases), which came into effect during the fiscal year under review.

(100 Millions of Yen)

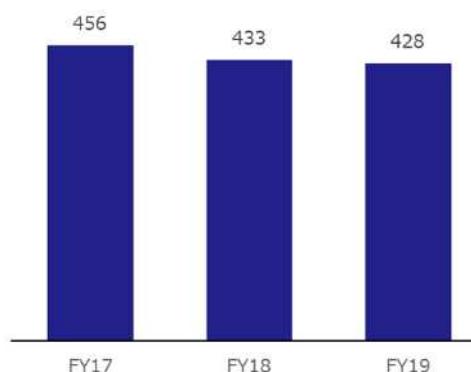
**Capital expenditure /  
Depreciation & amortization**



**Breakdown by business(Capex)**

	FY17	FY18	FY19
P&S	152	95	109
P&H	9	9	5
Machinery	36	40	24
N&C	65	52	49
Domino	46	31	21
Others	33	44	52
<b>Total</b>	<b>340</b>	<b>270</b>	<b>261</b>

**R&D expenses**



**Breakdown by business(R&D)**

	FY17	FY18	FY19
P&S	315	290	277
P&H	29	22	22
Machinery	48	50	54
N&C	9	5	9
Domino	35	38	38
Others	21	27	29
<b>Total</b>	<b>456</b>	<b>433</b>	<b>428</b>

Capital expenditure in the Machinery business was curtailed, and company-wide capital expenditure in FY2019 was 26.1 billion yen.

R&D expenses in FY2019 were 42.8 billion yen, a year-on-year decrease of 0.5 billion yen, due to a low level of R&D expenses in the P&S business in the fourth quarter as a result of effects from COVID-19.

## Business Segment Information

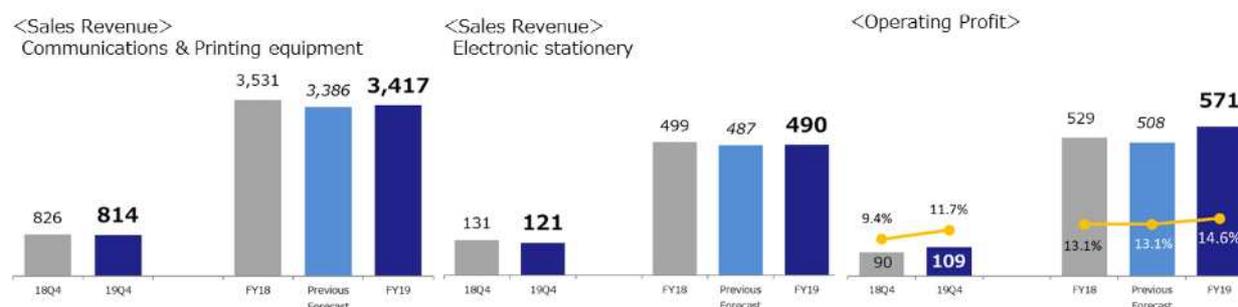
# Printing & Solutions Sales Revenue & Profit

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(100 Millions of Yen)

	18Q4	19Q4	Change	Change x FX	FY18	Previous Forecast	FY19	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>957</b>	<b>935</b>	-2.3%	0.9%	<b>4,030</b>	<b>3,873</b>	<b>3,907</b>	-3.1%	0.6%
<b>Communications &amp; Printing equipment</b>	<b>826</b>	<b>814</b>	-1.4%	1.8%	<b>3,531</b>	<b>3,386</b>	<b>3,417</b>	-3.2%	0.5%
Americas	316	296	-6.3%	-3.3%	1,300	1,252	1,256	-3.4%	-0.2%
Europe	281	303	8.1%	12.1%	1,162	1,101	1,133	-2.6%	2.9%
Asia & Others	130	123	-5.2%	-0.7%	620	599	591	-4.7%	-0.4%
Japan*	99	92	-7.7%	-7.7%	448	433	437	-2.5%	-2.5%
<b>Electronic stationery</b>	<b>131</b>	<b>121</b>	-7.6%	-5.1%	<b>499</b>	<b>487</b>	<b>490</b>	-1.9%	1.7%
Americas	55	54	-1.9%	0.4%	225	223	226	0.5%	3.3%
Europe	39	39	-1.4%	2.2%	145	143	144	-0.3%	5.2%
Asia & Others	17	13	-22.2%	-18.3%	79	74	72	-9.2%	-4.6%
Japan	20	15	-22.9%	-22.9%	50	48	47	-5.5%	-5.5%
<b>Business Segment Profit</b>	<b>88</b>	<b>113</b>	28.3%	-	<b>522</b>	<b>504</b>	<b>571</b>	9.4%	-
<b>Operating Profit</b>	<b>90</b>	<b>109</b>	21.6%	-	<b>529</b>	<b>508</b>	<b>571</b>	7.9%	-

\*The decline in sales revenue in Japan resulted from decrease in OEM



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The leftmost column of the table shows a comparison with the fourth quarter of the previous year. Fourth quarter sales revenue in the P&S business was 93.5 billion yen. On a local currency basis, sales revenue was nearly flat, up 0.9% year-on-year.

The breakdown is as follows:

Sales revenue for communications and printing equipment was 81.4 billion yen. On a local currency basis, it increased slightly, up 1.8% year-on-year.

Looking to individual regions, the growth rate in Europe was 12.1%, largely the result of orders that were moved forward by sales channels.

The growth rate in Japan was minus 7.7%, due primarily to lower OEM sales.

With regard to Japan, the product makeup differs from that for overseas sales, and there was an increase in models that sold out. In addition to sell-in during the fourth quarter, risks regarding future supplies are rising.

Next, sales revenue for electronic stationery was 12.1 billion yen. On a local currency basis, this is a decrease of 5.1% year-on-year, a somewhat sluggish result.

The large decline in Japan was the result of a counter-reaction to the large-scale project for mobile printers in the previous year. The large decline in Asia was due to a sharp fall in sales, mainly in China, as a result of effects from COVID-19.

Business segment profit was 11.3 billion yen, an year-on-year increase of 28.3%. As indicated earlier, however, almost all of the 4.7 billion yen increase from effects of COVID-19 was in the P&S business, and without that, business segment profit might have declined.

## Sales Revenue Growth Rate / Consumable Ratio / Growth Rate of hardware

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	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	FY2017	FY2018	FY2019
<b>LBP</b>															
<b>Sales revenue growth rate (JPY)</b>															
Hardware	13%	24%	23%	11%	1%	-3%	-5%	-17%	-9%	-8%	-7%	-2%	17%	-6%	-7%
Consumable	-1%	2%	9%	1%	1%	1%	-1%	-4%	2%	-6%	-2%	-3%	3%	-1%	-2%
<b>Sales revenue growth rate (LC)</b>															
Hardware	12%	15%	15%	10%	2%	0%	-1%	-12%	-6%	-4%	-3%	2%	13%	-2%	-3%
Consumable	-2%	-8%	2%	-1%	1%	3%	2%	-1%	4%	-1%	3%	0%	-2%	1%	1%
<b>IJP</b>															
<b>Sales revenue growth rate (JPY)</b>															
Hardware	3%	15%	3%	-1%	-6%	-6%	2%	-6%	-2%	8%	-7%	-3%	4%	-4%	-1%
Consumable	4%	3%	13%	3%	1%	-1%	-3%	-5%	1%	-2%	-8%	4%	6%	-2%	-2%
<b>Sales revenue growth rate (LC)</b>															
Hardware	3%	6%	-3%	-2%	-3%	-2%	6%	-1%	1%	13%	-4%	0%	1%	-1%	2%
Consumable	4%	-5%	6%	1%	1%	1%	0%	-2%	3%	3%	-5%	7%	1%	0%	2%
<b>Cosumable Ratio</b>															
	57%	57%	56%	58%	58%	58%	57%	61%	60%	58%	57%	59%	57%	58%	58%
<b>Growth rate of Hardware</b>															
LBP	13%	9%	10%	3%	-1%	-8%	-7%	-16%	-13%	-4%	-2%	3%	9%	-8%	-5%
IJP	-7%	-5%	-9%	3%	-1%	-2%	-1%	-4%	0%	13%	1%	7%	-5%	-2%	5%

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This shows the growth rates in the fourth quarter for each product category.

For laser printers, the growth rates (on a local currency basis) were 2% for hardware and flat for consumables.

Sales of laser printer hardware increased for the first time in a considerable period. This was the result of higher sales of black-and-white and color laser printers in Europe. The increase includes orders that were moved up in response to effects from COVID-19.

Sales of inkjet printer hardware (on a local currency basis) was flat, but consumables were up 7%.

With regard to ink jet printers, in addition to orders that were moved forward in Europe, it is believed that there was also demand generated by working from home and home-schooling. Sales revenue was flat, but the hardware sale volume increased 7%, a relatively high amount, due to the increased sales volume of low-price models for household use.

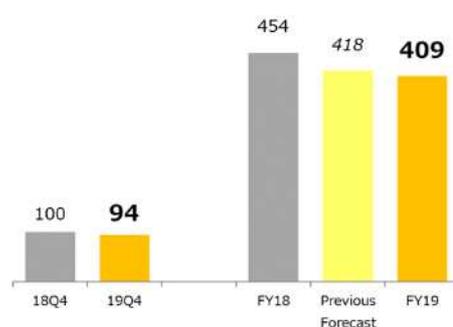
## Personal & Home Sales Revenue & Profit

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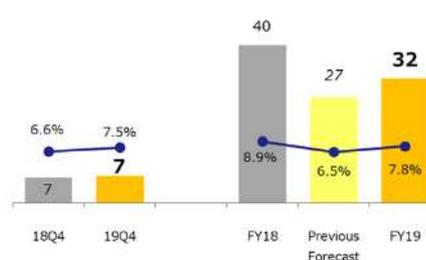
(100 Millions of Yen)

	18Q4	19Q4	Change	Change x FX	FY18	Previous Forecast	FY19	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>100</b>	<b>94</b>	-5.8%	-2.9%	<b>454</b>	<b>418</b>	<b>409</b>	-10.1%	-6.6%
Americas	52	45	-13.1%	-10.4%	258	234	223	-13.6%	-10.8%
Europe	24	27	12.4%	17.1%	111	101	108	-3.0%	3.0%
Asia & Others	11	11	-1.3%	2.5%	50	49	46	-6.5%	-2.7%
Japan	12	11	-14.3%	-14.3%	36	33	32	-11.4%	-11.4%
<b>Business Segment Profit</b>	<b>7</b>	<b>8</b>	11.4%	-	<b>40</b>	<b>27</b>	<b>31</b>	-22.5%	-
<b>Operating Profit</b>	<b>7</b>	<b>7</b>	7.0%	-	<b>40</b>	<b>27</b>	<b>32</b>	-21.2%	-

<Sales Revenue>



<Operating Profit>



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Next is the P&H business.

Sales revenue in the fourth quarter was 9.4 billion yen. On a local-currency basis, this represents a growth rate of minus 2.9%.

There was special demand for household sewing machines, particularly in Japan to make face masks, and the sales volume of low-end machines increased substantially, but overall, a large impact on business could not be confirmed.

Business segment profit was 0.8 billion yen, an increase of 0.1 billion yen from the previous year, and it is believed that there was not a significant impact from COVID-19.

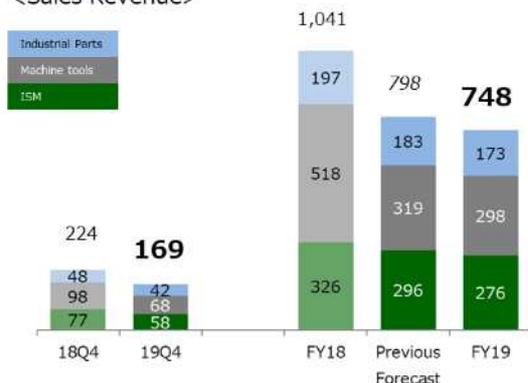
# Machinery Business Sales Revenue & Profit

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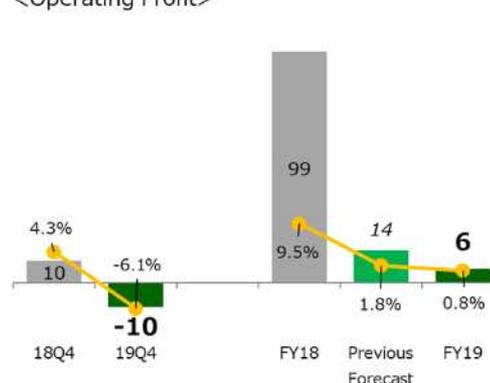
(100 Millions of Yen)

	18Q4	19Q4	Change	Change x FX	FY18	Previous Forecast	FY19	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>224</b>	<b>169</b>	<b>-24.4%</b>	<b>-23.1%</b>	<b>1,041</b>	<b>798</b>	<b>748</b>	<b>-28.2%</b>	<b>-26.6%</b>
Industrial sewing machines	77	58	-24.2%	-22.3%	326	296	276	-15.3%	-12.3%
Machine tools	98	68	-30.5%	-29.3%	518	319	298	-42.4%	-41.5%
Industrial Parts	48	42	-12.6%	-12.0%	197	183	173	-12.1%	-11.3%
<b>Business Segment Profit</b>	<b>10</b>	<b>-9</b>	-	-	<b>98</b>	<b>15</b>	<b>7</b>	<b>-92.9%</b>	-
<b>Operating Profit</b>	<b>10</b>	<b>-10</b>	-	-	<b>99</b>	<b>14</b>	<b>6</b>	<b>-93.8%</b>	-

<Sales Revenue>



<Operating Profit>



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17

Next is the Machinery business.

Sales revenue in the fourth quarter for the Machinery business as a whole was 16.9 billion yen, a year-on-year decrease of 23.1% on a local currency basis. The decrease was even larger than in the third quarter.

The breakdown of sales revenue was as follows: 5.8 billion yen for industrial sewing machines, 6.8 billion yen for industrial equipment, and 4.2 billion yen for industrial parts. Business segment profit was minus 0.9 billion yen overall, the first quarterly loss since the fourth quarter of 2012.

Looking at industrial sewing machines, global demand for garment printers continued to grow, particularly in Europe and the U.S., but demand for industrial sewing machines overall was sluggish as a result of cautious attitudes regarding investment, primarily in China and other parts of Asia, and overall sales revenue was down.

With regard to industrial equipment, demand was sluggish in the automotive and general machinery industries, particularly in China and other parts of Asia, and there were almost no sales to the IT industry, resulting in a substantial decline in overall sales revenue.

As for industrial parts, in Japan, manufacturing activities by manufacturing industries as a whole slowed and curbs on capital investment increased, while demand was sluggish overseas, mainly in Asia, resulting in lower sales revenue.

It may be believed that COVID-19 had an impact on the Machinery business, but the business environment has been sluggish since the first half, and it does not appear that the business environment deteriorated further from effects of COVID-19.

However, to the extent that control of the COVID-19 epidemic is not foreseeable, we cannot expect a recovery of the business environment, and consequently, the outlook for the future remains unclear.

# Machinery Business Sales Revenue by Region

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at your side

(100 Millions of Yen)

	18Q4	19Q4	Change	Change x FX	FY18	Previous Forecast	FY19	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>224</b>	<b>169</b>	<b>-24.4%</b>	<b>-23.1%</b>	<b>1,041</b>	<b>798</b>	<b>748</b>	<b>-28.2%</b>	<b>-26.6%</b>
<b>Industrial sewing machines</b>	<b>77</b>	<b>58</b>	<b>-24.2%</b>	<b>-22.3%</b>	<b>326</b>	<b>296</b>	<b>276</b>	<b>-15.3%</b>	<b>-12.3%</b>
Americas	13	14	5.3%	6.6%	65	73	70	7.9%	10.3%
Europe	18	17	-5.0%	-1.0%	71	71	68	-5.4%	0.3%
Asia & Others	44	26	-41.7%	-40.3%	181	143	129	-28.8%	-26.6%
Japan	2	2	2.2%	2.2%	8	9	9	13.1%	13.1%
<b>Machine tools</b>	<b>98</b>	<b>68</b>	<b>-30.5%</b>	<b>-29.3%</b>	<b>518</b>	<b>319</b>	<b>298</b>	<b>-42.4%</b>	<b>-41.5%</b>
Americas	5	6	22.2%	-	33	21	20	-38.0%	-
Europe	6	4	-31.8%	-	30	24	21	-28.8%	-
Asia & Others	61	40	-34.1%	-	341	178	168	-50.9%	-
Japan	26	18	-32.3%	-	114	95	89	-21.8%	-
<b>Industrial Parts</b>	<b>48</b>	<b>42</b>	<b>-12.6%</b>	<b>-12.0%</b>	<b>197</b>	<b>183</b>	<b>173</b>	<b>-12.1%</b>	<b>-11.3%</b>
Americas	6	5	-10.9%	-10.0%	25	24	23	-5.4%	-3.8%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	5	4	-26.4%	-21.2%	22	20	18	-18.9%	-13.2%
Japan	37	33	-10.9%	-10.9%	150	139	132	-12.2%	-12.2%

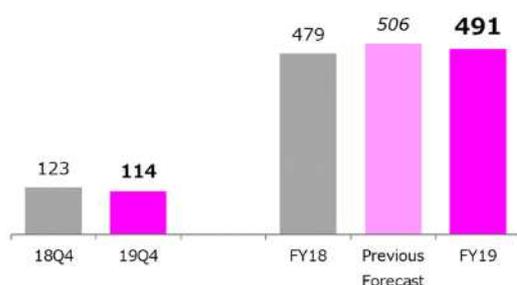
## Network & Contents Sales Revenue & Profit

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at your side

(100 Millions of Yen)

	18Q4	19Q4	Change	FY18	Previous Forecast	FY19	Change v LY
<b>Sales Revenue</b>	<b>123</b>	<b>114</b>	<b>-6.6%</b>	<b>479</b>	<b>506</b>	<b>491</b>	<b>2.5%</b>
<b>Business Segment Profit</b>	<b>5</b>	<b>1</b>	<b>-72.0%</b>	<b>18</b>	<b>19</b>	<b>21</b>	<b>17.4%</b>
<b>Operating Profit</b>	<b>4</b>	<b>-1</b>	<b>-</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>17.0%</b>

<Sales Revenue>



<Operating Profit>



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Next is the Network and Contents business.

Sales revenue in the fourth quarter was 11.4 billion yen, a year-on-year decrease of 0.9 billion yen.

The trend of avoiding karaoke increased in response to reports concerning the spread of COVID-19 and other factors, and the business environment has been extremely adverse since the second half of February.

Even in April, all karaoke locations remained closed as a result of the state of emergency declaration, and the night market as a whole maintained voluntary restrictions and closures. The outlook for the N&C business is extremely severe with the timing and level of recovery unforeseeable as the night market as a whole, including karaoke locations operated by other companies, maintain voluntary restrictions and closures.

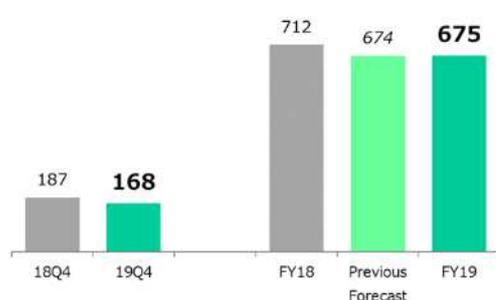
# Domino Business Sales Revenue & Profit

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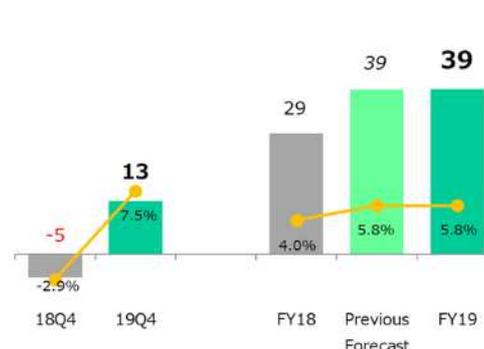
(100 Millions of Yen)

	18Q4	19Q4	Change	Change x FX	FY18	Previous Forecast	FY19	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>187</b>	<b>168</b>	-10.1%	-7.4%	<b>712</b>	<b>674</b>	<b>675</b>	-5.2%	-0.6%
Americas	42	41	-1.3%	0.2%	159	158	165	3.3%	5.6%
Europe	92	86	-6.1%	-6.5%	358	336	329	-8.2%	-2.9%
Asia & Others	45	40	-9.9%	-15.6%	195	180	182	-6.6%	-1.7%
<b>Business Segment Profit</b>	<b>9</b>	<b>11</b>	27.4%	-	<b>39</b>	<b>37</b>	<b>38</b>	-4.1%	-
<b>Operating Profit</b>	<b>-5</b>	<b>13</b>	-	-	<b>29</b>	<b>39</b>	<b>39</b>	36.8%	-

<Sales Revenue>



<Operating Profit>



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Next is the Domino business.

Sales revenue in the fourth quarter was 16.8 billion yen. The year-on-year growth rate on a pound basis was minus 7.4%. The main factor was sluggish demand, primarily in China, due in part to effects from COVID-19.

With regard to profit, although prior investment including research and development expenses increased, profit was generally in line with internal plans. Operating profit increased due to the absence of the loss on retirement of development assets that was posted in the previous fiscal year.

The majority of products in the Domino business are products sold to customers that manufacture daily necessities including foods, beverages, and pharmaceuticals, and supplies of consumables in particular have not been significantly affected by COVID-19.

Sales of hardware have been affected by the inability to install and inspect hardware, since visits to customer plants are not possible, but we expect demand to recover as stay-at-home orders and voluntary restrictions are lifted in each country.

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**Brother Group  
Medium-Term Business Strategy Update**



**CS B2021**  
**TOWARDS  
THE NEXT LEVEL**

**May 11, 2020**  
**Ichiro Sasaki**  
**Representative Director &**  
**President**  
**Brother Industries, Ltd.**

## **Impact of the COVID-19 Novel Coronavirus**

Dividend Policy

CS B2021 Update

- Plants in China have been restored
- Operations at the plant in the Philippines are suspended. Operations have been resumed for only some products such as consumables. (Effects from delays in product supplies have started to appear)

**Main Manufacturing Sites**

\* As of May 7, 2020

Country	Location	Main Products	Status & Measures
China	Shenzhen	• Printers & all-in-one machines (hardware & consumables)	• Operating (operations resumed in Shenzhen on 2/12 and in Xian on 2/17; production has returned to normal levels)
	Xian	• Industrial sewing machines • Machine tools	
Philippines	Batangas	• Printers & all-in-one machines (hardware & consumables) • Electronic stationary (hardware & consumables)	• Operations suspended on 3/6. Operations for some products, such as consumables, resumed on 4/6. Operations are being conducted with the highest priority on ensuring safety. (The office of the President of the Philippines announced that the restrictions on going out and the restrictions on movement will be extended to 5/15 on Luzon Island).
Vietnam	Hai Duong Province	• Printers & all-in-one machines (hardware & consumables)	• Safety measures were implemented and the plant is operating

This shows the status of main Brother Group manufacturing sites since the fourth quarter to the present.

The first sites to be affected by COVID-19 were plants in China.

Operations were suspended from immediately after the Chinese New Year until about mid-February, but currently, procurement and production have returned to normal levels.

Of concern is the Philippines. Restrictions on leaving home and travel have been imposed, and operations have been suspended since March 16. Production of printing consumables and some other products resumed in April 6.

Because of the drop in plant operation rates, delays in supplies of hardware and consumables have occurred in Japan and some other countries.

In Vietnam, plant operations have continued after implementing safety measures including ensuring safe distances between employees of 2 meters.

We are maintaining operations at manufacturing sites by implementing a variety of measures with the highest priority on preventing employee infection and ensuring safety.

Our main warehouses in the U.S., Europe, China and other regions are also currently maintaining operations.

- Personnel at Brother Industries and domestic and overseas Group sites are in principle working from home. The timing of re-opening offices will be carefully examined based on the government policies and the relaxation of restrictions in each country.
- All XING locations are closed in accordance with a government request

## Brother Industries and Brother Group Sales Sites

\* As of May 7, 2020

Region		Status & Measures
Japan	Brother Industries	<ul style="list-style-type: none"> <li>• In principle, employees are working from home (extended to May 31 * May be extended again) The status of attending work is being managed companywide</li> <li>- For work that requires reporting to work such as production, work is continuing with safety measures implemented including commuting by car and social distancing while at work</li> <li>- Wearing a mask has been made mandatory</li> <li>- Travel between plants is limited to reduce the risks of spreading infections</li> </ul>
	Brother Sales	<ul style="list-style-type: none"> <li>• In principle, employees are working from home</li> <li>• Sales activities are conducted from home or by going home directly from customer sites</li> <li>• Measures such as dividing call centers into separate rooms and transferring calls to mobile phones are being implemented</li> </ul>
	XING Group	<ul style="list-style-type: none"> <li>• All locations closed.</li> <li>• Visiting customers is in principle prohibited (allowed only to collect money and for urgent maintenance)</li> <li>* In response to the closure of locations in accordance with a government request, content such as “100 popular songs” that can be sung by families and “exercising to music” for eliminating the lack of physical movement have been made available free of charge</li> </ul>
	BIPJ (Brother Industrial Printing Japan)	<ul style="list-style-type: none"> <li>• In principle, employees are working from home nationwide</li> <li>• Transportation for sales and service is by car and visits are made with customer approval</li> <li>• The number of people working in offices is restricted. When attending work, employees must report to an officer in advance.</li> </ul>
Americas Europe	Sales companies in each country	<ul style="list-style-type: none"> <li>• In principle, employees are working from home. Business travel is in principle prohibited. (It is expected that restrictions will start to be eased in some countries in the future, and preparations for reopening offices have been stated according to governmental actions.)</li> </ul>

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This shows the current status of the Brother Group’s main sales facilities.

Employees at all Brother Group companies both in Japan and overseas are in principle working from home.

With the exception of production and other work that requires being on-site, fundamentally, all employees are working from home. This is of course a first-time experience for each company, but existing methods of performing work have been thoroughly re-examined, active communications are being conducted through tele-conferencing and other means, and individual employees are implementing innovations in their own working styles to ensure that work can proceed. We are putting the highest priority on the safety of customers and employees, and employees are visiting customers for sales activities after obtaining their agreement and are traveling by car and returning directly home after making sales calls.

With regard to employees engaged in production and other work that requires them to be on-site, we have reduced the number of employees, made the use of face masks mandatory, are allowing employees to commute by private car, providing safe physical distances between employees, staggering use of cafeterias, and taking other measures in consideration of safety.

In response to the government’s state-of-emergency declaration, all XING Group karaoke locations in Japan are closed. During the period when the public is required to stay at home throughout Japan, measures that XING can take include making available popular and standard songs for singing at home as well as exercise programming that can be performed with music in order to eliminate the lack of exercise.

We will make judicious determinations regarding the re-opening of offices based on the policies of each government and the lifting of restrictions.

## Changes in the Environment of Each Business Due to COVID-19

Changes in the environment of each business have occurred due to the effects of COVID-19.

P&S business: Increased SOHO demand, decrease in SMB PV, supply risks from suspension of plant operations

N&C business: All locations closed in response to government request

Business	Changes in Environment
<b>P&amp;S</b>	<ul style="list-style-type: none"> <li>• <b>SOHO:</b> Increased demand from working at home and schooling at home</li> <li>• <b>SMB:</b> Decrease in printing volume from fewer printing opportunities due to closure of offices and shops, suspension of projects</li> <li>• <b>Consumables:</b> Channel end-users are purchasing consumables due to concerns about product supplies (temporary advance demand)</li> <li>• Product and consumable inventories are tight due to declining operating rates at the Philippines plant</li> <li>• Foreign exchange rates have deteriorated in emerging countries</li> </ul>
<b>P&amp;H</b>	<ul style="list-style-type: none"> <li>• Sales of mid- and high-end machines have fallen due to the suspension of operations by dealers</li> <li>• Demand for low-end models has increased in retail markets in Europe, the Americas, and Japan due to special demand for masks and the increase in time spent at home.</li> </ul>
<b>Machinery</b>	<ul style="list-style-type: none"> <li>• The slump in orders has become protracted due to the global fall in demand for machine tools</li> </ul>
<b>N&amp;C</b>	<ul style="list-style-type: none"> <li>• All karaoke locations are closed in response to the request to voluntarily suspend operations</li> <li>• Sales of and demand for online karaoke machines are sluggish</li> <li>• Credit risks are increasing</li> </ul>
<b>Domino</b>	<ul style="list-style-type: none"> <li>• Demand for consumables is increasing due to higher production of pharmaceuticals, beverages, foods, and other products</li> <li>• Opportunities for announcement of new products have been lost due to suspension and postponement of large-scale exhibitions</li> </ul>

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As I explained earlier, it is not possible to make reasonable calculations at this time, and accordingly, forecasts for the current fiscal year are currently undetermined.

We are unable to reasonably measure the supply risks resulting from the suspension of plant operations and the status of operations by suppliers of parts and other items as well as the scale of the decline in demand that will result from the global economic slowdown, but I will explain that changes that are currently occurring in each business as a result of effects from COVID-19.

First, in the P&S business, demand is increasing for low-end SOHO products with wireless LAN functions, mainly ink jet products, for use in working from home and home schooling. In contrast, there has been an impact on SMB products as printing opportunities decline and printing volumes fall due to the closure of offices and stores, and there have been few opportunities to submit bids.

With regard to consumables, due to concerns about supplies arising from the suspension of plant operations, there has been a tendency to accumulate inventories, mainly by sales channels. As I explained earlier, some plant operations in the Philippines have been shut down, and inventories of both hardware and consumables are becoming tight.

In the P&H business, sales of high-end machines are falling due to the suspension of sales by dealers, but demand for low-end machines is increasing as a result of special demand for making masks as well as the increased time people are spending at home.

In the Machinery business, we expect the slump in orders to become protracted.

In the N&C business, karaoke locations in Japan are closed in response to the state-of-emergency declaration, and demand for karaoke machines is sluggish. There are also concerns about credit risks.

In the Domino business, demand for consumables is increasing as a result of higher production of pharmaceutical, beverage, and food packaging, but large-scale exhibitions are being cancelled or postponed, and we are losing opportunities to announce new products and contact new customers.

We have not made a forecast of results, but we anticipate that the environment for each business will be extremely adverse for at least the first half of the fiscal year.

## Impact of the COVID-19 Novel Coronavirus

### **Dividend Policy**

## CS B2021 Update

## ◆ CS B2021 Medium-Term Business Strategy Policy:

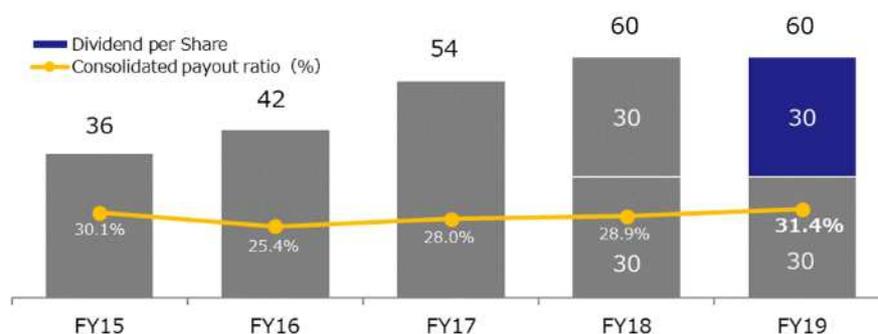
The consolidated dividend payout ratio target is 35% and stable shareholder returns will be provided. With the exception of terms in which performance deteriorates severely due to extreme changes in the management environment, the minimum annual dividend has been set at 60 yen per share.

### ◆ FY2019 Annual dividend: 60 yen, the minimum annual dividend level (same as FY2018)

As announced, the year-end dividend will be 30 yen per share, and in combination with the mid-term dividend, the annual dividend of 60 yen per share will be maintained.

### ◆ FY2020 Dividend Forecast: Undetermined

The effects of the spread of COVID-19 cannot reasonably be calculated at this time, and in conjunction with the postponement of the forecast for the year, the dividend forecast is undetermined.



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The dividend policy in the medium-term business strategy is a dividend payout ratio target of 35%, and with the exception of terms in which results are extremely poor, the minimum dividend is set at 60 yen.

With regard to the dividend for the fiscal year ended March 2020, we will pay a year-end dividend of 30 yen per share as announced, and in combination with the mid-term dividend of 30 yen per share that was already paid, the total dividend for the fiscal year will be maintained at 60 yen per share.

As for the dividend for the next fiscal year, we are unable at this stage to make reasonable calculations of the impact on the Group's financial results from the spread of COVID-19, and accordingly, the forecast of consolidated results has been put off and the dividend forecast is undetermined.

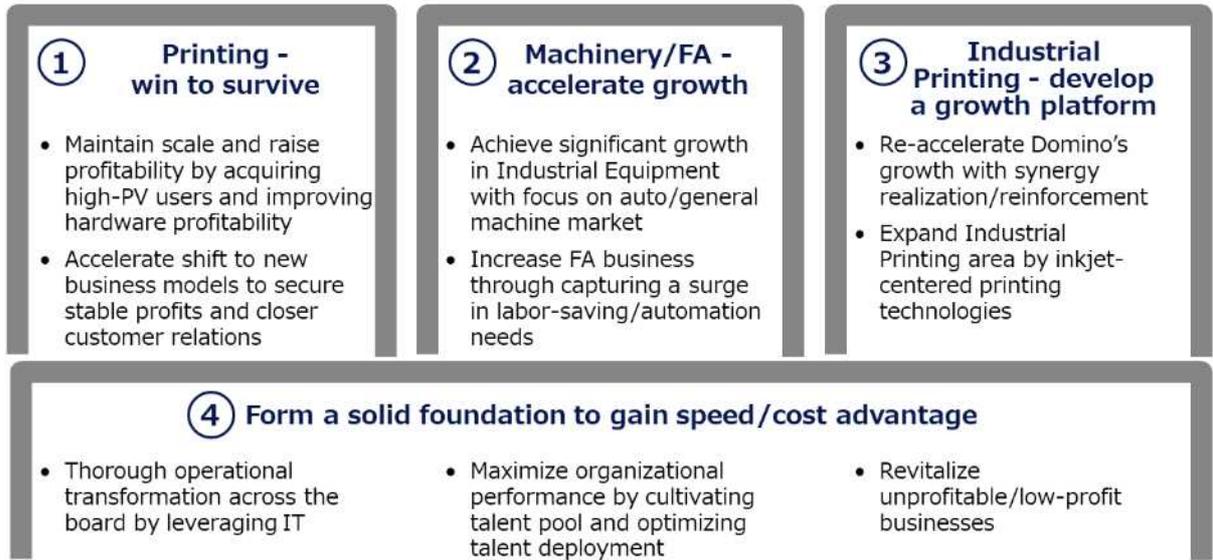
When the outlook for containment of COVID-19 becomes more clear and it becomes possible to forecast the impact on financial results, we will promptly make an announcement.

Impact of the COVID-19 Novel  
Coronavirus

Dividend Policy

**CS B2021 Update**

**CS B2021 "TOWARDS THE NEXT LEVEL"**  
 ~ Establish a firm foothold for the future~



PV=Print Volume

This is the outline of our medium-term business strategy.

I will explain the review of FY2019 and the measures that we plan for FY2020 for each item of the four main points.

We are unable to predict the timing of when the global spread of COVID-19 will be controlled, and the targets shown here do not incorporate the impacts of that, but there have been no changes to the fundamental policies of the CS B2021 medium-term business strategy.

The measures for FY2020 that I am about to explain do not take into account the effects of COVID-19. The timing and scale of measures may be reviewed and modified according to rapid changes in the management environment in the future, but we believe that under these circumstances, it will be necessary to thoroughly undertake the measures that are fundamentally needed.

Reinforce competitiveness by launching inkjet and laser products and expand new business models (hardware profit reinforcement model, contract business)

### Review of FY2019

Reinforced profits in existing hardware sales and consumables businesses	<p><b>Although sales of consumables were firm, black-and-white printer sales volume fell due to lower OEM sales, economic slowdown in China, and other factors</b></p> <ul style="list-style-type: none"> <li>Sales volume of black-and-white laser printers (low end) fell due to lower OEM sales and economic slowdown in China.</li> <li>A catchup plan for color laser printers (low end) was implemented in the second half, but the plan for the year was not achieved.</li> <li>Although there was an impact on consumables from being out of season, sales of both inkjet and laser consumables were firm globally.</li> <li>Labeling: Hardware sales were firm, but consumable sales were down.</li> </ul>
Shifted to new business models	<p><b>Hardware profit</b></p> <p><b>Sales plan was achieved (developed countries: Large-capacity ink cartridge models; emerging nations: ink tank models)</b></p>
	<p><b>Contract</b></p> <p><b>The number of MPS contract units reached the plan value</b></p>

### Main Management Issues and FY2020 Measures

Reinforce profits in existing hardware sales and consumables businesses	<p><b>Stabilize profits by launching new products in existing series</b></p> <ul style="list-style-type: none"> <li>Maintain and expand market share to solidify market presence</li> <li>Capture high PV users by reinforcing proposals for high-end models</li> <li>Reinforce cost competitiveness by improving hardware profitability</li> </ul>
Reinforce & expand priority areas	<p><b>Accelerate the shift to new business models (hardware profit, contract, automatic supply of consumables, etc.)</b></p> <ul style="list-style-type: none"> <li>Expand sales under the hardware profit reinforcement model (large-capacity toner, large-capacity ink, etc.)</li> <li>Expand automatic supply of MPS and consumables</li> <li>Accelerate introduction of the subscription business</li> </ul>
	<p><b>Expand commercial label printers (electronic stationary area) (reinforce product lineup for specific commercial applications)</b></p>

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This concerns the P&S business.

In the P&S business, we seek to reinforce competitiveness by introducing new inkjet and laser products and expand new business models including profit generated from hardware and contract business.

First is a review of FY2019.

Sales of both inkjet and laser consumables were solid globally, but volume was down due to lower OEM sales of black-and-white hardware and economic slowdown in China.

We achieved the sales plans for large-capacity ink cartridge models for developed countries, which are products that generate profit from hardware, and ink tank models for emerging nations, and the number of MPS contracts also achieved the plan. These are referred to as new business models.

Measures for FY2020 include stabilizing profits by launching new products in existing series and accelerating the shift to new business models including products that generate profits from hardware, MPS and other contract business, and automatic orders for consumables.

With regard to labeling, we will reinforce the lineup of commercial label printers for specific industries.

Expand the customer base in stable markets (automobiles, general) and expand the product lineup to build a strong foundation that can increase sales when markets recover

### Review of FY2019

Reinforced the product lineup

#### Reinforced the product lineup

New products launched (FY2019)

- Speedio R450X2/R650X2 with high-speed pallet changer
- Speedio M200X3/M300X3 compact multi-tasking machines
- BV7-870 loading system



BV7-870 Loading System

Reinforced sales and service structures

#### Expanded sales and service sites

Sales offices opened: Hiroshima (August 2019); Nanjing, China (October 2019); Chongqing Technical Center expanded and relocated (November 2019)

### Main Management Issues and FY2020 Measures

Expand the customer base in stable markets (automobiles, general machinery)

#### Make preparations to expand sales when markets recover

- Enter undeveloped regions
- Reinforce functions of sales, service, and manufacturing sites
- Develop new customers (develop new major Tier 1 users)
- Expand sales of loading systems, rebuild future business development

Reinforce the existing lineup and create new business

- Promote development to enhance product strengths
- Investigate entry into machine tool markets other than existing areas by conducting M&A and establishing alliances

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Next is an update on the Machinery business and industrial equipment.

The slump in orders for industrial equipment has become protracted, and adverse conditions are ongoing due to effects on the automobile industry including plant shutdowns from the spread of COVID-19.

Under these circumstances, we are reinforcing foundations so that we can increase sales when the market recovers. These measures including expanding the customer base in stable markets and reinforcing the product lineup in anticipation of a recovery of stable markets over the medium to long term.

The review of FY2019 is as follows: We reinforced the product lineup and started launching new products including a product with a high-speed pallet changer, a compact multi-tasking machine, and a loading system that can automatically feed and supply parts for processing.

To reinforce sales and service sites, we opened sales offices in Hiroshima and Nanjing, China, expanded and relocated the Chongqing Technical Center, and took other measures.

In FY2020, we will enter new regions, acquire new customers, expand sales of loading systems, and take other measures in preparation for increased sales when the market recovers.

Reinforce competitive advantage in C&M (coding and marking) while launching new products and seeking to expand sales to achieve growth in DP (digital printing)

### Review of FY2019

Caught up in development of new products

#### Invested Brother development resources to accelerate development of new Domino products

New products launched (FY2019)

- Gx series (Thermal Inkjets)
- D310 (CO2 laser marker)
- Vx3-A (Industrial Thermal Printer)



Reinforced domestic sales

#### Brother Industrial Printing reinforced sales in Japan

Domestic Domino product sales business transferred from Cornes Technologies to reinforce sales of Domino brand products in Japan. Brother Industrial Printing commenced sales in April 2019)

### Main Management Issues and FY2020 Measures

Reinforce competitive advantage in C&M

- **Seek to carry out C&M new product development in accordance with plans**

Expand the DP business

- **Seek to launch new digital printers**

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With regard to the Domino business, we aim to launch new products to reinforce our competitive advantage in coding and marking while expanding sales to achieve growth in digital printing.

In FY2019, we invested Brother development resources, successfully accelerating lagging product development.

In FY2019, we also launched thermal inkjets, a CO2 laser marker, and an industrial thermal printer.

In order to reinforce sales in Japan, Brother Industrial Printing commenced sales in April 2019.

In FY2020, we will seek to reinforce our competitive advantage in C&M and expand the DP business, and just as in FY2019, we will accelerate development and launch new C&M products in accordance with plans. The main exhibitions for digital printers have been cancelled or postponed across the board due to effects from the spread of COVID-19, making it difficult to engage in sales pitches, but we will accelerate development with the aim of launching new products in FY2020.

Continue process and communications reforms, use of IT, human resource development, and other measures in FY2020 while accelerating cross-division measures

## Progress to Date

Progress is being made as planned towards achieving the target of a 10% increase in operational efficiency through Brother Industries. Measures in each division are progressing, and a reduction of 410,000 hours was achieved.

## Review of FY2019

- Progress was made in process and communication reforms and human resource development measures were implemented
- Operational reforms through working at home were accelerated



## Operational Transformation Project

Through operational transformation across the Board by leveraging IT



<b>Process and Communications Reforms</b>	<p><b>■ Process Reforms</b></p> <ul style="list-style-type: none"> <li>✓ Simplification &amp; standardization</li> <li>✓ Consolidation &amp; transfer of work</li> <li>✓ Measures to prevent reworking implemented</li> </ul>		<b>Use of IT</b>	<ul style="list-style-type: none"> <li>✓ Reduced working hours through automation of standard tasks by using IT such as RPA and AI</li> </ul>
	<p><b>■ Communication reforms</b></p> <ul style="list-style-type: none"> <li>✓ Meeting reforms</li> <li>✓ Raised email efficiency, encouraged the use of Teams</li> </ul>			<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Human resource development</b></p> <ul style="list-style-type: none"> <li>✓ Self-learning</li> <li>✓ Basic &amp; applied workshops</li> <li>✓ Individual development support</li> </ul>

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The Operational Reform Project is proceeding according to plan. We have achieved a reduction of 410,000 hours, compared to the target of 700,000 hours in the medium-term strategy.

Because of effects from COVID-19, Brother Group employees are in principle working from home, and work reforms have been accelerated even further. Active communications are being conducted through tele-conferencing, online chat, and other means, and individual employees are implementing innovations in their own working styles.

This fiscal year, we will continue to reform communications including work processes and meetings and will actively use IT, develop human resources, and take other measures.

We will also review internal rules, seek to standardize work that is shared among divisions, and take other measures to accelerates activities intended to raise efficiency and increase the pace of operations across organizations so that we can work even more efficiently.

Reforms are being implemented on the sub-business level to achieve operating profit ratio of at least 6% or achieve profitability.

### Progress to Date

- Reinforced profit/loss management on the sub-business level. Progress is reported to and deliberated on by the Board of Directors.
- The decision has been made to withdraw from business with regard to some products for which there is no prospect of improving performance.

### ◇ Withdrawal from two businesses with no prospect of profitability

#### P&S business: Omnijoin (Webconferencing system)



#### P&S business: AiRScouter (head-mounted display)



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With regard to shoring up unprofitable and low profit businesses,

We are implementing measures to re-establish businesses so they can achieve an operating profit ratio of 6% or achieve profitability within three years on a level that is finer than the business segment, what we refer to as the sub-business level.

Progress to date including reinforcing profit and loss management on the sub-business level that has been concealed by businesses that generate profits. Results are reported to the Board of Directors every half for confirmation.

We have decided to withdraw from businesses for which there is no prospect of improved results or achieving profitability. As explained during the medium-term strategy progress briefing in November of last year, this fiscal year we have decided to withdraw Omnijoin, a web-conferencing system, and AIRScouter, a head-mounted display, both in the P&S business, as there is no prospect of them becoming profitable.

We are also taking measures to turn around other businesses as well. Progress of such measures varies among businesses, but due in part to impacts from trade friction and COVID-19, it is difficult to make progress, particularly in industrial fields.

Under these circumstances, we will take measures to turn around unprofitable and low-profit businesses within specific time periods, and if profitability still cannot be achieved, we will make the decision to withdraw from those businesses.

**brother**  
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