

Summary of Q&A at the 2019 Q3 Financial Results Briefing

Q) What is the status of orders for machine tools? Have there been any signs of recovery regarding inquiries from IT-related customers?

A) We had expected that machine tools would start to recover in the second half, but recent conditions have remained quite difficult, and we have not sensed any signs of improvement for orders received. At present, there have also been no concrete signs for IT-related orders, including for 5G.

Q) In the P&S business, what was the falloff in domestic sales like following the hike in consumption tax?

A) While there has been about a 10% decrease in sales of Brother products following the increase in consumption tax, since Japan essentially accounts for a small percentage of the P&S business, there has not been much impact on the overall business.

Q) The sales volume growth rate for ink has been positive, but the sales revenue growth rate has been negative. It has been explained that action was taken to lower the prices of ink tank models for some regions, but does this mean that the decrease in ASP is temporary?

A) Although we have taken action to lower the prices of ink tank models for some regions, essentially, there has been no decrease in ASP. It would be fair to view the apparent decline in ASP as a transient factor attributable to the fact that, in fiscal 2019, we stopped releasing high-speed inkjet printers, which had been released until last year, primarily in Japan.

Q) Will you make changes to the forecast for the full year? Shouldn't the full-year profit forecast for the P&S business be stronger?

A) Looking at the results through to Q3, there may be some parts of the P&S business that look conservative, but with the economic slowdown in China suggesting continued sluggish demand, the outlook for the machinery business is tough. There are also a number of uncertain risk factors, such as the trade friction between the U.S. and China and the impacts of coronavirus. For these reasons, no changes will be made to the full-year forecast.

Q) How does the business segment profit for Q3 compare against your internal plan?

A) Compared to our internal plan, total sales are as expected across the company. There has been an upswing in business segment profit of about 2 billion yen across the company. This is mostly attributable to the P&S business.