

Summary of Q&A at the 2020 Q1 Financial Results Briefing

Q) It seems the figures do not show a recovery in printing in the second half of the year, but if economic activity in SOHO can spring back somewhat, is it possible results could be better than current projections for the second half?

A) With office closures during lockdown being lifted, we think that printing demand will also increase for both SOHO and SMB. Demand created by more people working and studying from home will peak in the first quarter, and while we expect that momentum will be sustained throughout the first half, it is expected to run its course during the second half.

The outlook for supply restrictions is that there will be residual impacts for ink consumables until the second quarter and for hardware until the end of the fiscal year. As for laser products, given the strong demand attributable to more people working and studying from home, we have instructed factories to increase production, and we are taking steps to prevent opportunity loss.

Q) Turning to LBP, given the strength of SOHO, Brother had recognized that the impact of teleworking on print volume would be minor. Can you explain the background to the recent decrease in print volume?

A) Profit is adversely affected by the fact that the volume printed on models for the SMB segment is considerably larger than the volume printed on printers targeting the SOHO segment. Unfortunately, growth in SOHO hardware has not been enough to cover the decrease in consumables associated with the fall in print volume of SMB products.

Compared to April, when the business environment was at its worst, print volume is recovering. We think that print volume and demand for consumables will recover to about 90% on a full-year basis. We think business performance will depend on how print volume in the SMB segment progresses.

Q) It seems the Philippines is going into lockdown again. What will be the impact of this? Will you shift production to an alternative site?

A) Yesterday (August 3), the Philippines government announced that it would tighten restrictions. Our Philippines factory is located outside the scope of these restrictions, so operations here will not be directly affected. Given that some of our business partners are located within the area subject to these tougher restrictions, there may be some impact in the future, such as a fall in the operating rate of our business partners.

Regarding alternative plans, some of our ink consumables are produced in Japan and China. Since such a risk could arise in the future, we plan to increase the volume of alternative production for consumables.

Q) Turning to karaoke, the situation was very tough in the first quarter, but the current plan for the second quarter and beyond appears optimistic. What is your view on the assumed risks?

A) The current announced plan incorporates an assumption that there will be a certain degree of recovery. Since the spread of infection is changing every day, we think there is a risk of downturn depending on the spread of infection. We will also work to reduce costs, such as closing unprofitable karaoke clubs based on established standards.