

Summary of Q&A at the 2020 Q2 Financial Results Briefing

Q) What is your thinking on SG&A and promotion expenses for the P&S business in the second half?

A) Our basic policy is to keep our overall SG&A expenses low, although it depends on the competition situation.

In particular, we will reduce SG&A and promotion expenses at sales companies throughout the second half in general, due in part to low levels of inventories.

On the other hand, expenses at factories are likely to increase as production increases. With regard to fixed costs at Brother Industries, costs for preparing new products and air transportation expenses are expected to increase.

Q) What are your assumptions about LBP and IJP consumables in the P&S business in the second half?

A) For LBP, the print volume has recovered to approximately 90% in the SOHO segment and 85% in the SMB segment year-on-year. We project that each segment will have an improvement of no more than five points in the second half, so it is unlikely that we will achieve growth on a full-year basis.

There were also effects from the buying up of consumables in some European channels in Q2, but we do not anticipate this in the second half.

Q) Machine tools achieved rapid recovery in China in Q2. Please explain the details of the recovery and its continuity. Please also explain the details of upward revisions made to the full-year forecasts.

A) In general, demand is recovering, especially in China.

In particular, in Q2, demand for general machinery and auto parts showed signs of recovery, in addition to spot demand for IT, such as notebook PCs and tablets for people working from home.

Demand for general machinery and automobiles is likely to continue to grow going forward, especially in China.

Q) Toward next year, what initiatives do you plan to work on in the karaoke business?

A) In the karaoke business, we need to proceed with our initiatives on the premise that the COVID-19 problem will not be easily resolved.

For example, we will close unprofitable directly managed karaoke clubs and reduce SG&A and other expenses.

We will also continue to implement various innovations, such as changing the uses of karaoke rooms.

**Q) Were there any special factors for the business profit from the Domino business in Q2?
Why do you expect a lower profit in the second half?**

- A) There were no special factors in Q2. The business profit resulted from the economic recovery. In light of concerns about the situation of COVID-19 infections in Europe in the second half, we need to maintain a careful stance to some extent, although we do not anticipate a severe economic downturn, such as the one seen in Q1.