

The summary of Q&A at the FY2016Q4 Financial Results Briefing

Q1. Is there any change in the market conditions and competitive climate in the printing market?

A1. There has not been any change to the fact that the printing market is shrinking at the rate of 5% every year.

Under such circumstances, Brother's strategy to obtain high market share for our competitive products, such as laser all-in-ones and printers, will not change in the future. As for the competitive climate in the printing market, we do not think that there has been any major change in the situation.

Q2. Can you tell us about future profitability of the inkjet business?

A2. The inkjet business contributed largely to the overall profitability enhancement of the P&S Business in FY2016 since we have been shifting our focus to highly profitable products. In this fiscal year, it may be challenging to create such a significant change as we did in the previous fiscal year. However, we believe it is possible to maintain profitability of the inkjet business.

Q3. The forecast for FY2017 indicates that the sales revenue of machine tools in FY2017 is expected to increase to 53.9 billion yen, which is up by 20% as compared to FY2016. Is this because sales to IT customers are expected to expand?

A3. At the end of FY2016, we received orders from IT related customers. We assume that the number of IT related orders will account for a large percentage of our sales during the first half of FY2017. We are also expecting that sales for automobile related customers, on whom we have been putting our focus, will expand stably. Therefore, we think that the sales for IT and automobile related customers will expand in a well-balanced manner through the year.

Q4. Can you tell us how the Domino Business is doing?

A4. We experienced a sudden change in the exchange rate of pound and so forth. However, as for the coding and marking business, we were close to achieving

our plan in respective regions in FY2016, and we are expected to have stable market growth on a global basis in the future. Although we believe that it would take a little longer to generate a technical synergy effect between Domino and Brother, we are expanding our sales network globally through Domino first, and in fact, we have already increased personnel by one hundred.

Concerning the digital printing equipment business, Domino is executing a co-development project with Brother. If the project moves on smoothly, we think we will be able to reveal details of the project in the next fiscal year.

Q5. We see that the level of net cash improved drastically. What is your plan for application of funds in the future?

A5. We had assumed that it would take longer to recover the level of net cash after we had had a significant amount of net debt due to acquisition of Domino. However, our balance sheet has been improving at a faster rate than expected as a result of strong business performance, inventory liquidation and reducing of capital investment. As for application of funds in the future, we would like to consider investment in a B to B related field, which we designate as a growth field in our mid-term business strategy, if the conditions allow.