

The summary of Q&A at the 2016Q2 financial results briefing

Q1. You revised up the full-year operational forecast of the business segment profit by 5 billion yen. So, how much more was the business segment profit for the first half of the year than the figure included in the in-house plan?

A1. For the first half year, the upturn was approximately 8 billion yen for the entire group. Of this, the upturn of the P&S business was approximately 7 billion yen.

Q2. If you only look at the second half of the year, the P&S business is expected to experience decreased sales and profit, and it seems to become weaker than the first half of the year, where there was a significant profit increase. How should we interpret this, while considering the market environment as well?

A2. We do not think that there will be a significant change in the market environment in particular during the second half of the year as well. Our profit planning may seem a little more conservative as compared to our performance during the first half of the year. However, during the first half of the year, we had strong sales of consumables, in addition to the market competition being comparatively mild and the sales cost not being as much as we had expected it to be. Also, because our inventory control was smooth, the impact of unrealized profit on a consolidated basis was shown positively on the profit. We also assumed that the yen would be stronger during the second half of the year as compared to the first half of the year. We made a forecast of our profit for the second half of the year by considering these factors.

Q3. As for the machine tools, did you receive any one-time orders from IT related companies in China during the second quarter as well?

A3. We did not receive large IT-related orders as before, however, we still receive one-time orders from Chinese customers now. However, these

orders are very hard to predict, and thus, it is difficult to forecast how they will be in the future. Meanwhile, the orders related to automobiles and two-wheel vehicles remain stable, and we are going to expand their sales.

Q4. What kind of actions have you taken for the structural reform of N&C? Also, please tell us about its impact on future revenue?

A4. Basically, it is a reduction of labor cost. Also, we are terminating the projects of N&C-related new businesses which have little potential for success, to cut down cost. As a result of these, we think that we can reduce our expenses by approximately one billion yen through the year.

Q5. As for the Domino business, you have transferred production of some of the products to Brother's manufacturing facility in China. Can you give us an update on the time frame for actualizing the synergy between Brother and Domino, including development and sales, in the future?

A5. As for the Domino business, we are planning on generating synergetic effects over a five-year span by the year 2020, instead of by FY2018, which is the target year of our 3-year mid-term business strategy, CS B2018. Domino is a company that conducts B2B businesses. Therefore, we have to accept that it will take longer than expected to see results as compared to Brother's other businesses. So, we would appreciate it if you could look at it from a long-term perspective.