

## **Summary of Q&A at the 2018 Q4 Financial Results Briefing**

**Q1) What are the factors behind the substantial decline in LBP sales volume in the fourth quarter (down 16%)?**

A1) The main causes of the decrease in sales volume were as follows:

- Decline in OEM : -5%
- Reducing sales volumes of low-profit models: -4%
- Inventory adjustments in China and other countries: -2%

**Q2) Is the increase in inventories due to effects from the slowdown in sales in the printing business?**

A2) Inventories increased by 11.6 billion yen compared to the end of the previous fiscal year, and of that amount, 3.0 billion yen was in the Domino business. Among the causes of the increase is a buildup of inventories in preparation for Brexit.

The remainder was primarily an increase in inventories in the P&S business, but this was largely due to an increase in average inventory levels in conjunction with the evening out of production activities, not the slowdown in sales.

**Q3) Sales of inkjet printer consumables are expected to decline sharply (-7%) in FY2019; is this due to a decrease in the sales of cartridge models in conjunction with the increase in high-volume Ink-Tank models?**

A3) We expect that the decline will be from a decrease in sales of consumables for conventional cartridge models rather than the effects of increases in high-volume Ink-Tank models. In light of the uncertainty in the macro-environment, our projections regarding consumable sales must be made carefully, and the plan may include some conservative elements.

**Q4) You assume that Machine Tools will recover starting in the second half; have there been any signs of recovery in orders?**

A4) According to statistics from the Japan Machine Tool Builders' Association, there have been signs of recovery recently, but in Brother's case, the situation is not yet clear. The mid-term business strategy that we announced in March positions machine tools as a priority business, and the projected recovery starting in the second half largely reflects our determination to expand business.