

Fiscal Year 2020 (ended March 31, 2021)

Financial Results

Brother Industries, Ltd.

May 7, 2021

Information on this report, other than historical facts, refers to future prospects and performance, and has been prepared by our Management on the basis of information available at the time of the announcement. This covers various risks, including, but not limited to, economic conditions, customer demand, foreign currency exchange rates, tax rules, regulation and other factors. As a result, actual future performance may differ from any forecasts contained on this report.

- **Highlights**
- **Results for FY2020**
- **Review of FY2020 by Business**
- **Forecast for FY2021**
- **Shareholder Returns**
- **Appendix**
 - **Results for FY2020 Q4 (Jan.-Mar.)**
 - **Financial Position/ Cash Flows/
Capital Expenditure/ Depreciation & Amortization/
R&D Expense**
 - **Business Segment Information**

Highlights

Highlights (Results for FY2020)

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Although business segment profit reached an all-time high, operating profit and net income decreased significantly due to the recording of an impairment loss on goodwill

◆ Sales revenue **631.8 billion yen/ -0.9% (year-on-year)**

- ✓ In the P&S business, sales were on a par with the previous year's level despite a decrease in sales volume resulting from supply restrictions.
- ✓ The P&H business recorded a significant increase in sales revenue, backed by growing demand for home sewing machines from people staying home or conducting a second business.

◆ Business segment profit **78.1 billion yen/ +16.6%**

- ✓ In the P&S business, profit increased due in part to the effects of efforts to keep down sales promotion expenses.
- ✓ In the P&H business, profit increased as sales increased due to strong demand.
- ✓ The N&C business was deep into the red as a result of a drop in sales from the karaoke club business and sales of karaoke machines.
- ✓ The Machinery business (machine tools) recorded a substantial increase in profit as sales in the automotive and general industries recovered in China.

◆ Operating profit **42.7 billion yen/ -36.5%**

- ✓ Operating profit decreased substantially due mainly to the recording of an impairment loss on goodwill in the Domino business

◆ Net income* **24.5 billion yen/ -50.5%**

*: Net income attributable to owners of the parent

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4

This slide shows the highlights of results for FY2020.

In FY2020, there were major changes to our business environment due to the spread of COVID-19.

Although the difficult situation continued for the N&C business, business segment profit reached an all-time high due in part to demand from people working from home and staying home amid the COVID-19 pandemic. Profit was also backed by special demand in the P&S and P&H businesses associated with COVID-19 as well as efforts to keep sales promotion and SG&A expenses down.

Meanwhile, operating profit and net income decreased substantially due in part to the recording of an impairment loss on part of goodwill in the Domino business.

[Results for FY2020]

Sales revenue

Sales revenue was down 0.9% from the previous fiscal year to **631.8** billion yen.

In the P&S business, sales volume declined due to supply restrictions caused by factory lockdowns, but sales remained on a par with the previous year's level.

In the P&H business, revenue increased substantially on the back of stay-at-home consumption and growing demand for home sewing machines for second business purposes, mainly in the U.S. and Europe.

Business segment profit

Business segment profit was up 16.6% from the previous fiscal year, reaching an all-time high of **78.1** billion yen.

Profit increased in the P&S business thanks to efforts to keep sales promotion expenses down.

Profit reached a record high in the P&H business as sales increased due to strong demand.

The N&C business was deep into the red as the difficult situation continued and sales from the karaoke club business and sales of karaoke machines dropped.

The Machinery business recorded a substantial increase in profit, driven mainly by recovery of sales of machine tools in the automotive and general industries in China.

Operating profit

Operating profit was down 36.5% from the previous fiscal year to **42.7** billion yen.

This is largely attributable to the recording of an impairment loss on part of goodwill in the Domino business.

Net income attributable to owners of the parent

Net income attributable to owners of the parent was down 50.5% from the previous fiscal year to **24.5** billion yen.

Highlights (Forecast for FY2021/ Shareholder Returns)



Forecast for FY2021

- Effects such as from disruptions in the global supply chain mainly in the P&S business are incorporated as risk factors, and a decline in both revenue and business segment profit is projected.
- An increase in operating profit and net income is projected due to the elimination of special factors that occurred in FY2020.

Shareholder Returns

- The annual dividend in FY2020 is set at 60 yen per share (the same as in FY2019)
- An annual dividend of 60 yen per share is also planned for FY2021.

[Forecast for FY2021]

There is concern over the prolonged slump in the global economy resulting from the effects of COVID-19, and the outlook is unclear.

In addition, risks related to the global supply chain have come to light, including global shortages of semiconductors and disruptions in sea transportation.

In our FY2021 results forecast, we have incorporated effects such as from disruptions in the global supply chain mainly in the P&S business as risk factors. On a company-wide basis, we project a decrease in revenue and business segment profit.

Operating profit and net income are projected to increase due to the elimination of special factors that occurred in FY2020.

[Shareholder returns]

The annual dividend in FY2020 is set at **60** yen per share, which is the same as in FY2019. We also plan an annual dividend of **60** yen per share for FY2021.

Results for FY2020

Although business segment profit increased substantially (an all-time high), operating profit and net income decreased significantly due to the recording of an impairment loss on goodwill in the Domino business

(100 Millions of Yen)

	FY19	FY20	Change	Rate of Change (w/o FX)
Sales Revenue	6,373	6,318	-54	-0.9% (+0.3%)
Business Segment Profit	669	781	111	16.6%
Business Segment Profit Ratio	10.5%	12.4%		
Other income/expense	4	-353	-357	
Operating Profit	673	427	-246	-36.5%
Operating Profit Ratio	10.6%	6.8%		
Income before Tax	670	429	-241	-36.0%
Net Income	496	245	-250	-50.5%
USD	109.10	106.17		
EUR	121.14	123.73		

I will now discuss business results.

In FY2020, sales revenue was **631.8** billion yen, down 5.4 billion yen from the previous year.

As for profit, business segment profit was **78.1** billion yen, a year-on-year increase of 11.1 billion yen, reaching an all-time high.

On the other hand, due in part to the recording of an impairment loss on part of goodwill in the Domino business, operating profit was **42.7** billion yen, a year-on-year decrease of 24.6 billion yen, and net income attributable to owners of the parent was **24.5** billion yen, a year-on-year decrease of 25.0 billion yen.

Main Special Factors for FY2020 Results

Operating profit decreased substantially due to the recording of an impairment loss on goodwill in the Domino business and temporary costs in the P&S business and the N&C business.

Business	Details	Impact (Operating Profit)
Domino	Impairment loss on goodwill (Careful review of future business plans due to effects from the spread of COVID-19)	27.2 billion yen
P&S	Temporary costs arising from realignment of manufacturing sites	4.3 billion yen
N&C	Impairment loss on assets in the karaoke club business	2.9 billion yen

I will now explain the special factors that occurred in FY2020.

In the Domino business, we recorded an impairment loss on part of goodwill as a result of reviewing our future business plans in light of decline in customers' capital investment demand, restrictions on sales activities, delays in development, and other effects from the spread of COVID-19.

In the P&S business, we recorded temporary costs arising from realignment of manufacturing sites.

In the N&C business, we posted an impairment loss on assets due to the deteriorated profitability of the karaoke club business.

As a result of these factors, operating profit and net income decreased significantly.

Results for FY2020 by Business Segment



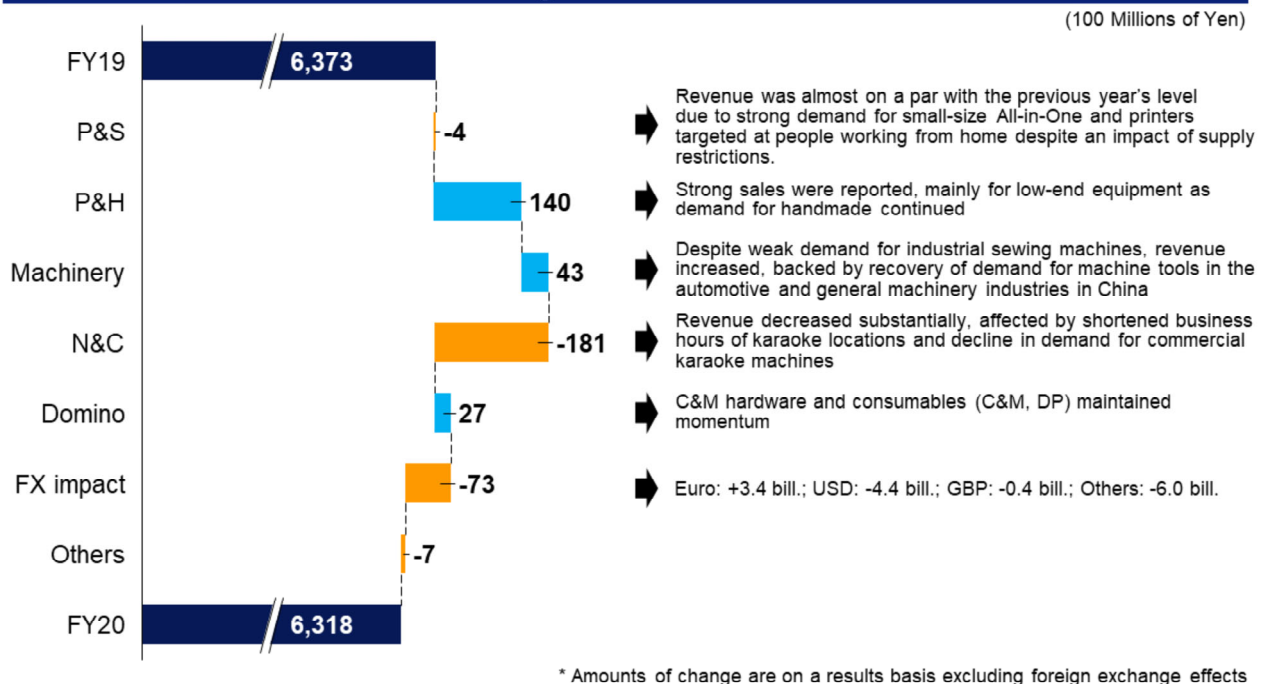
(100 Millions of Yen)

		FY19	FY20	change
Printing & Solutions	Sales Revenue	3,907	3,848	-59
	Business Segment Profit	571	652	80
	Operating Profit	571	610	39
Personal & Home	Sales Revenue	409	537	128
	Business Segment Profit	31	98	67
	Operating Profit	32	96	65
Machinery	Sales Revenue	748	789	41
	Business Segment Profit	7	41	34
	Operating Profit	6	33	27
Network & Contents	Sales Revenue	491	310	-181
	Business Segment Profit	21	-52	-72
	Operating Profit	19	-73	-92
Domino business	Sales Revenue	675	698	23
	Business Segment Profit	38	48	10
	Operating Profit	39	-239	-279
Other	Sales Revenue	142	136	-7
	Business Segment Profit	4	-5	-9
	Operating Profit	9	2	-7
Total	Sales Revenue	6,373	6,318	-54
	Business Segment Profit	669	781	111
	Operating Profit	673	427	-246

*Not including elimination amount by inter-segment transaction.

This is a list of results for FY2020 by business segment.

Although the strong P&H and Machinery businesses compensated for a substantial fall in revenue in the N&C business, company-wide revenue decreased due in part to negative FX effects.



These are the main factors behind the changes in sales revenue for FY2020.

As you can see, the P&H and Machinery businesses compensated for a substantial decline in revenue from the N&C business. However, company-wide revenue decreased due in part to negative foreign exchange effects.

•P&S

Despite an impact of supply restrictions, sales were almost on a par with the previous year's level due to ongoing strong demand for small-size All-in-One and printers targeted at people working from home.

•P&H

Revenue increased substantially as demand for handmade using home sewing machines continued and sales remained strong, especially for low-end equipment.

•Machinery

Although demand remained weak for industrial sewing machines, revenue increased, backed by recovery of demand for machine tools in the automotive and general machinery industries in China.

•N&C

Revenue decreased substantially, affected by factors such as shortened business hours of karaoke locations and decline in demand for commercial karaoke machines.

•Domino

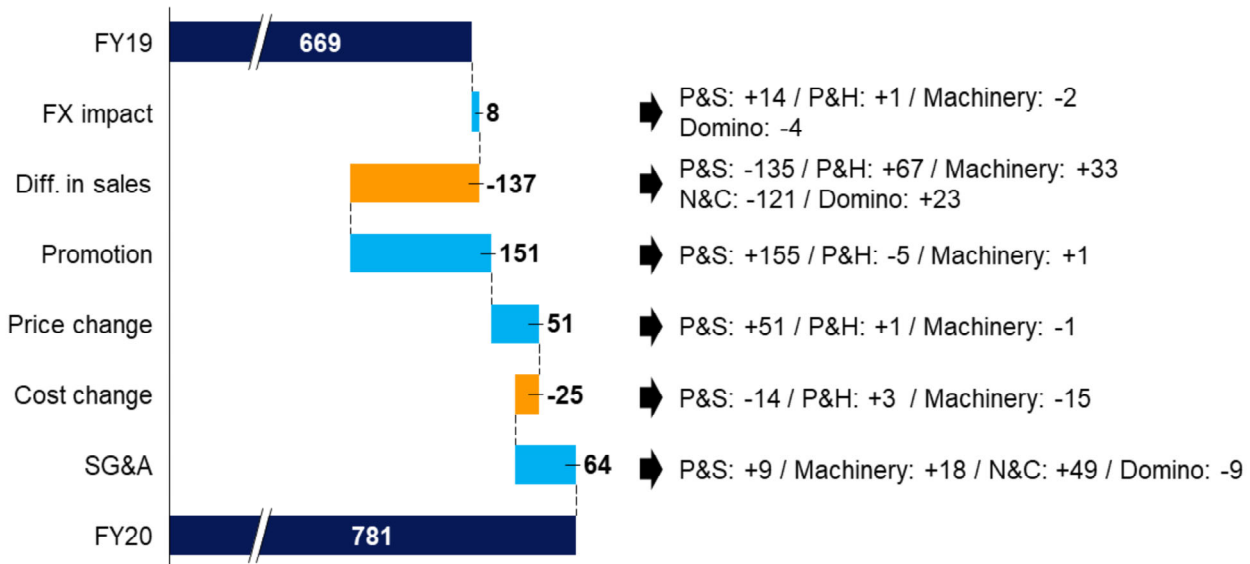
C&M hardware and consumables (C&M/DP) maintained momentum, resulting in increase in revenue.

Foreign exchange had a negative impact of 7.3 billion yen across the Group. Overall, sales revenue was down 5.4 billion yen to **631.8** billion yen.

Main Factors for Changes in Business Segment Profit

Profit increased substantially due to dampening effects on sales promotion expenses, in addition to increase in gross profit mainly in the P&H and Machinery (Machine tools) businesses

(100 Millions of Yen)



These are the main factors behind the changes in business segment profit. I will comment on the main elements of these.

(*From this results announcement, we will disclose sales promotion expenses, which were included in “difference in sales” until the previous announcement.)

•Foreign exchange impact

The foreign exchange impact came almost entirely from the P&S business. This is mainly the impact of the appreciation of the euro.

•Difference in sales

Sales decreased in the P&S business due to effects from supply restrictions and in the N&C business due to a decrease in karaoke users, while increasing in the P&H, Machinery, and Domino businesses.

•Difference in sales promotion expenses

Curbs on sales promotion expenses mainly in the P&S business contributed considerably to the increase in business segment profit.

•Price changes

Price changes are mainly associated with the P&S business. The average unit price went up as a result of increased demand.

•Cost changes

Cost changes are mainly associated with the Machinery and P&S businesses.

•Difference in SG&A expenses

There were expense reduction effects mainly in the N&C and Machinery businesses.

As a result of these factors, business segment profit in FY2020 was **78.1** billion yen, a year-on-year increase of 11.1 billion yen.

Review of FY2020 by Business

Changes in the Environment of Each Business due to COVID-19



The business environment has changed significantly due to the global spread of COVID-19

Business	Changes in Environment
P&S	<ul style="list-style-type: none"> • Demand for small-size All-in-One and printers has increased from people working and learning from home • Print volume in offices has declined due to diversification of workstyles such as working from home • The spread of infection in production sites has led to delays in production and supply • Demand for label printing has increased with the expansion of e-commerce and delivery services
P&H	<ul style="list-style-type: none"> • Special demand for home sewing machines has occurred as many people stay home and enjoy handcrafts and other hobbies
Machinery	<ul style="list-style-type: none"> • Industrial sewing machines: (ISM^{*1}) Capital investment demand is sluggish in conjunction with a fall in the operation rate of customer sewing factories (GT^{*2}) Demand continues to grow, especially in the U.S. • Machine tools: Orders are recovering in all regions, especially from the automotive and general machinery industries in China • Industrial parts: Despite moves to curb capital investment across manufacturing industries, demand is recovering as the needs for automation and manpower reduction have increased
N&C	<ul style="list-style-type: none"> • The number of karaoke users has decreased substantially due to the closure and shortened business hours of karaoke locations
Domino	<ul style="list-style-type: none"> • Demand for digital printing equipment is weak due to ongoing moves to curb capital investment

*1: Industrial sewing machine *2: Garment printer

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13

The business environment in FY2020 changed significantly due to the spread of COVID-19. I will now explain what changes occurred in each business.

•P&S

In the printing market, demand for small-size All-in-One and printers increased significantly from people working and learning from home. On the other hand, print volume in offices declined due to diversification of workstyles such as working from home. As to electronic stationery, demand for label printing increased with growth in home delivery demand.

•P&H

Special demand for home sewing machines was generated as more people stayed home and enjoyed handcrafts and other hobbies

•Machinery

Downward trends in capital investment continued for industrial sewing machines (ISMs) in response to a fall in the operation rate of sewing factories resulting from decline in apparel demand. However, demand for machine tools recovered, mainly in China.

•N&C

The number of karaoke users decreased substantially, affected by the spread of COVID-19.

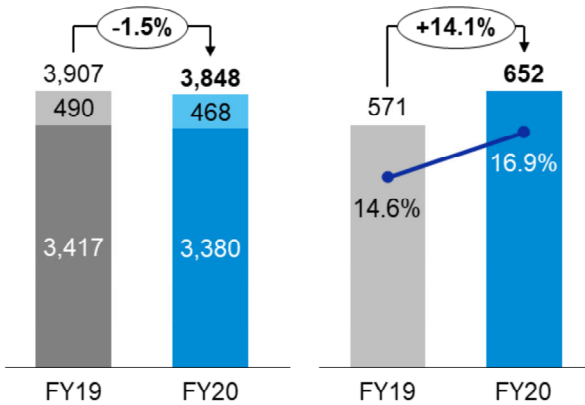
•Domino

Although demand for C&M equipment was firm, moves to curb capital investment in large-scale digital printing equipment (DP) continued.

(100 Millions of Yen)

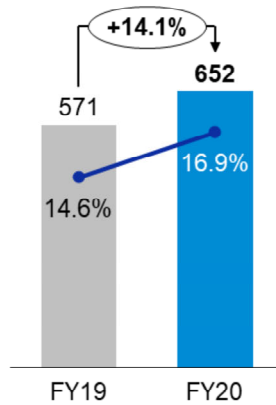
Sales Revenue

- Electronic Stationery
- Communications & Printing



Business Segment Profit

- Profit Ratio



Review of FY2020 and Future Initiatives

- Although hardware demand continued throughout the year as a result of changes in workstyles, such as the adoption of working from home, print volume in offices declined
- Supply restrictions occurred due in part to the suspension of factory operation and parts shortages
- To enhance production efficiency, a decision to reorganize factory sites was made; meanwhile, an initiative started to establish a system enabling consumables to be produced and supplied from multiple sites.
- Product lineups, such as barcode printers, were expanded in line with increased demand for label printing
- Profits increased due to efforts to curb sales promotion and other expenses

- **Aim to maintain and expand business scale by appropriately responding to the penetration of working from home and needs for decentralized printing**
- **Aim to further strengthen the solution proposal capability by expanding the product lineup of electronic stationery that focuses on special business applications**



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14

This concerns the P&S business.

•FY2020

As to communications and printing equipment, the sales volume of laser All-in-One and printers increased as opportunities to work and learn from home increased. Demand for inkjet All-in-One also grew, but the sales volume of hardware decreased substantially because we were unable to fully supply products due to the temporary suspension of factory operation resulting from the impact of the spread of COVID-19.

Sales of consumables decreased due to restrictions on production as in the case of hardware, in addition to effects from decreased print volume in offices.

With regard to production, we decided to realign factory sites in order to enhance production efficiency. Meanwhile, as an initiative for stable supply, we are proceeding with the development of a system enabling consumables to be produced and supplied from multiple sites.

Demand for electronic stationery is gradually recovering, but sales decreased, affected in part by lockdowns and office closures implemented by various countries.

In the business for special applications, we expanded product lineups, such as barcode printers, in line with increased demand for label printing resulting from the rapid expansion of the e-commerce market and the rise of food delivery and other new services.

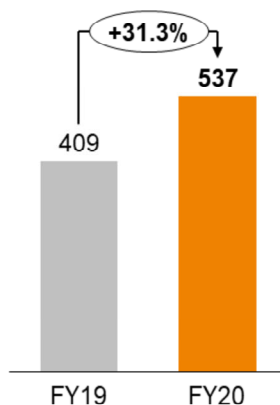
The effects of efforts to curb sales promotion expenses also contributed to the increase in profit for FY2020.

•Going forward

We will aim to maintain and expand our business scale by responding appropriately to upward trends in demand for printers and All-in-One resulting from diversifying printing opportunities, such as the penetration of working from home and expanding needs for decentralized printing.

As for electronic stationery, we will aim to further strengthen the solution proposal capability by expanding product lineups in the business that focuses on special business applications.

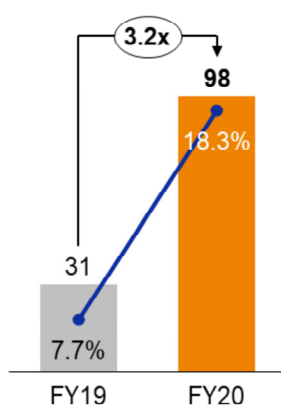
Sales Revenue



Sewing and Embroidery Machine

Business Segment Profit

—●— Profit Ratio



Home Cutting Machine

Review of FY2020 and Future Initiatives

- The number of people enjoying handcrafts at home increased due to stay-at-home trends, pushing up sales of low-end home sewing machines
- Demand grew for middle- to high-end embroidery machines in the U.S. and Europe for second business purposes
- While person-to-person activities were restricted, online events and virtual showrooms on websites were actively used
- A record high profit was achieved as home sewing machines sold well



- **Aim to maintain and expand the customer base by strengthening online sales activities and expanding sales of middle- to high-end embroidery machines**

Next is the P&H business.

•FY2020

Sales of home sewing machines, especially low-end machines, were firm as the number of people enjoying handcrafts and making face masks at home increased due to stay-at-home trends. In addition, demand grew for middle- to high-end embroidery machines in the U.S. and Europe for second business purposes.

As a result of strong sales of home sewing machines, profit from the business reached a record high.

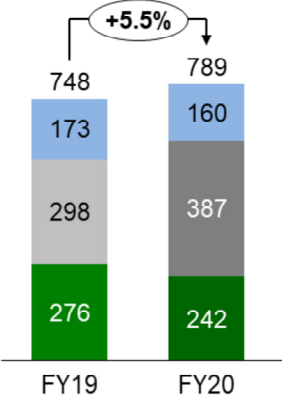
Due to the effects of the spread of COVID-19, person-to-person sales activities were restricted. However, we actively undertook new types of activities, such as holding online events for dealers and opening virtual showrooms on websites.

•Going forward

We will aim to maintain and expand the customer base by further strengthening online sales activities and expanding sales of middle- to high-end embroidery machines.

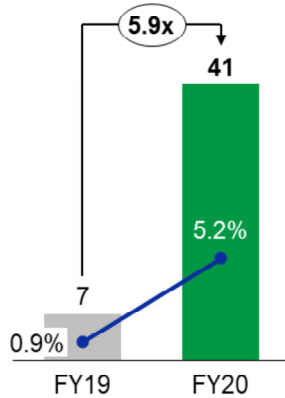
Sales Revenue

- Industrial Parts
- Machine Tools
- Industrial Sewing Machine



Business Segment Profit

- Profit Ratio



Review of FY2020 and Future Initiatives

- Industrial sewing machines:
 - (ISM) Sales decreased, affected by curbs on capital investment; production systems were reviewed in response to deteriorations in the business environment
 - (GT) New products capable of handling large volume ink successfully attracted new demand
- Machine tools: Orders recovered, especially from the automotive and general machinery industries in China; extension work in anticipation of increase in demand was completed at production subsidiaries
- Industrial parts: Demand grew in the robot and FA* markets

Aim to expand business scale by appropriately responding to recovery of capital investment demand

- Industrial sewing machines:
 - (ISM) Expand sales in the non-apparel market
 - (GT) Increase presence in products for large volume printing purposes
- Machine tools: Expand the customer base in the automotive and general machinery industries
- Industrial parts: Expand sales in the robot and FA markets



*: Factory Automation

Next is the Machinery business.

•FY2020

Industrial sewing machines:

(ISM: industrial sewing machine)

Sales decreased as capital investment was curbed in response to a fall in the operating rate of sewing factories resulting from decline in demand for apparel.

We reviewed our production system in light of the deteriorated business environment.

(GT: garment printer)

The digital printing market grew, especially in the U.S., and we successfully attracted new demand by launching new products capable of handling large volume ink.

Machine tools:

Demand decreased, affected by the spread of COVID-19, in addition to U.S.-China trade friction. However, sales were firm as demand, especially from the automotive and general machinery industries in China, continued to recover from the second quarter.

As for production, our production capacity in China has roughly doubled thanks to extension work carried out at a production subsidiary in Xian in anticipation of future growth in demand in the country.

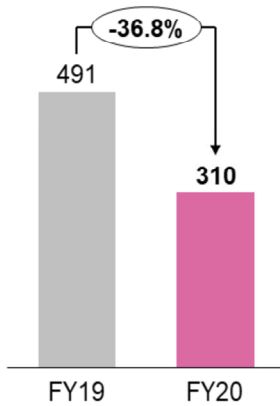
Industrial parts:

Sales decreased although demand for both reducers and gears is recovering, especially in the robot and FA markets.

•Going forward

We will aim to expand the business scale by appropriately responding to recovery of capital investment demand.

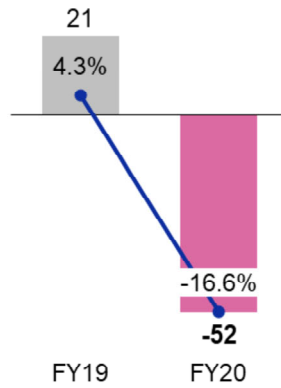
Sales Revenue



Karaoke Machine

Business Segment Profit

—●— Profit Ratio



Karaoke App

Review of FY2020 and Future Initiatives

- The business was sluggish as the number of karaoke users dropped significantly due to effects from the spread of COVID-19
- Focused on creating environments enabling people to use karaoke with a sense of security
- Closed unprofitable karaoke clubs in conjunction with deteriorated earnings
(Number of karaoke clubs at the end of March 2020: 124 clubs at the end of March 2021: 89 clubs)

* An impairment loss of 2.9 billion yen on assets in karaoke clubs was recorded
(Operating profit/loss was affected)

- Focus on creating karaoke club environments enabling people to enjoy karaoke with a sense of security and developing attractive contents in collaboration with music and other entertainment industries, thereby thoroughly implementing business operation aimed at improved profitability

Next is the N&C business.

•FY2020

The business was sluggish as the number of karaoke users dropped significantly due to effects from the spread of COVID-19.

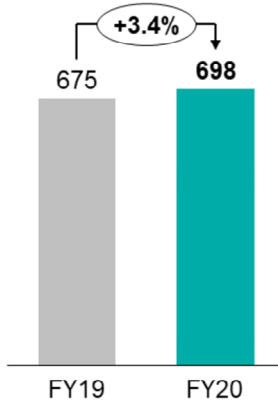
Under this situation, we focused on creating environments enabling people to use karaoke with a sense of security. We developed and introduced a “mask effect” feature, which allows singing voices to be clearly heard without being muffled even if the karaoke user sings with a mask on. We also worked on services such as online karaoke distribution that enables people to enjoy karaoke even at home.

However, the difficult environment was prolonged due in part to the closure of karaoke locations and shortened business hours following the resurgence of COVID-19. We closed unprofitable karaoke clubs in conjunction with the deteriorated profitability of the karaoke club business and recorded an impairment loss on assets.

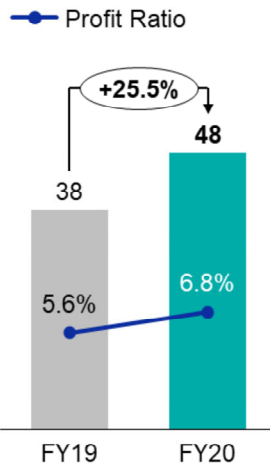
•Going forward

We will strive to improve profitability by focusing on creating karaoke club environments enabling people to enjoy karaoke with a sense of security and on developing attractive contents in collaboration with music and other entertainment industries.

Sales Revenue



Business Segment Profit



Review of FY2020 and Future Initiatives

- C&M hardware was firm, supported by robust demand for daily necessities including food, beverages, and pharmaceuticals despite being temporarily affected by lockdowns, especially in Europe
- DP hardware was sluggish due in part to restrictions on sales activities
- Consumables were firm for both C&M and DP

* An impairment loss of 27.2 billion yen on goodwill was recorded (Operating profit/loss was affected)



- Aim for sales growth and improvement of profitability by expanding sales and strengthening service solutions in the C&M and DP fields



Coding & Marking Equipment (C&M)



Digital Printing Equipment (DP)

Next is the Domino business.

•FY2020

C&M hardware remained firm from the second quarter, supported by robust demand for daily necessities including food, beverages, and pharmaceuticals, despite being affected by lockdowns implemented by many countries, especially in Europe.

DP hardware was sluggish due to customers' moves to keep capital investment down and restrictions on sales activities.

Consumables were firm for both C&M and DP.

Note that we recorded an impairment loss on part of goodwill after carefully examining future business plans due to effects from the spread of COVID-19.

•Going forward

We will aim for sales growth and improvement of profitability by expanding sales and strengthening services and solutions in the C&M and DP fields.

Forecast for FY2021

Effects such as from disruptions in the global supply chain mainly in the P&S business are incorporated into the forecast for FY2021 and a decline in both revenue and business segment profit is projected

(100 Millions of Yen)

	FY20	FY21 Forecast	Change	Rate of Change
Sales Revenue	6,318	6,260	-58	-0.9%
Business Segment Profit	781	600	-181	-23.2%
Business Segment Profit Ratio	12.4%	9.6%		
Other income/expense	-353	0	353	
Operating Profit	427	600	173	40.4%
Operating Profit Ratio	6.8%	9.6%		
Income before Tax	429	595	166	38.6%
Net Income	245	425	180	73.3%
USD	106.17	103.00		
EUR	123.73	125.00		

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20

As for future projections, there are concerns over the prolonged slump in the global economy resulting from the effects of COVID-19, and the outlook is unclear. In addition, risks related to the global supply chain have come to light, including global shortages of semiconductors and disruptions in sea transportation.

Under these circumstances, we have incorporated in our results forecast for FY2021 risks mainly regarding the P&S business such as lost sales opportunities caused by production delays, higher expenses for air transportation of consumables, increased costs of electronic parts and materials, and a substantial increase in ocean freight.

Sales revenue for FY2021 is expected to be **626.0** billion yen, down 5.8 billion yen from the previous year's level.

With regard to forecast profit, business segment profit will be **60.0** billion yen, down 18.1 billion yen,.

With the elimination of temporary factors that occurred in FY2020, we project that operating profit will be **60.0** billion yen, up 17.3 billion yen, and net income attributable to owners of the parent will be **42.5** billion yen, up 18.0 billion yen.

Forecast for FY2021 by Business Segment



(100 Millions of Yen)

	FY 20 Act	FY21 Fct	change	
Printing & Solutions	Sales Revenue	3,848	3,644	-204
	Business Segment Profit	652	435	-217
	Operating Profit	610	439	-171
Personal & Home	Sales Revenue	537	460	-77
	Business Segment Profit	98	46	-52
	Operating Profit	96	47	-49
Machinery	Sales Revenue	789	912	123
	Business Segment Profit	41	72	31
	Operating Profit	33	72	39
Network & Contents	Sales Revenue	310	366	56
	Business Segment Profit	-52	0	52
	Operating Profit	-73	-1	72
Domino business	Sales Revenue	698	717	19
	Business Segment Profit	48	40	-8
	Operating Profit	-239	38	277
Other	Sales Revenue	136	161	25
	Business Segment Profit	-5	7	12
	Operating Profit	2	5	3
Total	Sales Revenue	6,318	6,260	-58
	Business Segment Profit	781	600	-181
	Operating Profit	427	600	173

*Not including elimination amount by inter-segment transaction.

This is a list of forecasts by business segment.

Effects such as production delays resulting from suspension of factory operation in the P&S business and disruptions in the global supply chain are mainly incorporated into the forecast for FY2021

Business	Preconditions
P&S	<ul style="list-style-type: none"> Although demand for small-size All-in-One and printers for people working from home is projected to remain robust until the first half, it is likely to run its course in the second half; increase in sales promotion and SG&A expenses from the FY2020 levels is planned, expecting the market environment will return to normal. Risks such as air transportation of consumables associated with production delays, production delays and low factory operation rates resulting from material supply shortages, increase in costs for parts and materials, and a rise in ocean freight are factored in
P&H	<ul style="list-style-type: none"> Risks such as a counter-reaction to special demand in FY2020 associated with COVID-19, increase in costs for parts and materials, and a rise in ocean freight are factored in
Machinery	<ul style="list-style-type: none"> Although there is concern over supply shortages for parts and materials, demand for machine tools from the automotive and general machinery industries in China is expected to continue recovering
N&C	<ul style="list-style-type: none"> Fixed costs will decrease due to the impairment loss on karaoke clubs recorded in FY2020; initiatives to increase the safety and security of karaoke will be thoroughly implemented to bring the entire business into the black
Domino	<ul style="list-style-type: none"> The business is expected to remain stable despite restrictions on sales activities due to the impact of COVID-19

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22

This slide shows preconditions for our consolidated results forecast.

P&S business

• Although demand for small-size All-in-One and printers for people working from home is projected to remain robust until the first half, it is likely to run its course and subside in the second half.

We plan to increase sales promotion and SG&A expenses from the FY2020 levels, expecting the market environment will return to normal.

• We have factored in risks such as air transportation of consumables associated with production delays caused by factory lockdowns, production delays due to supply shortages of electronic parts, resin and other materials and resulting decline in factory operation rates, increase in costs for parts and materials, and a rise in ocean freight.

P&H business

• We have factored in risks such as a counter-reaction to special demand in FY2020 associated with COVID-19 as well as increase in costs for parts and materials and a rise in ocean freight as in the case of the P&S business.

Machinery business

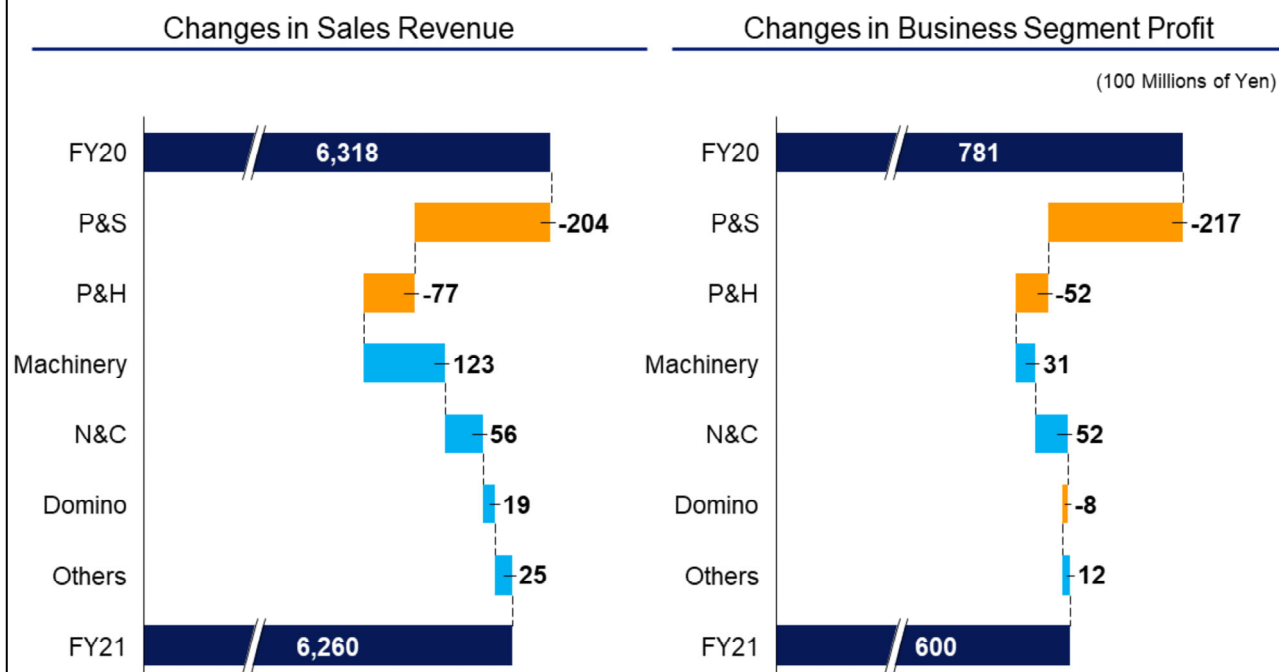
• Although there is concern over supply shortages for parts and materials, demand for machine tools from the automotive and general machinery industries in China is expected to continue recovering.

N&C business

• Fixed costs will decrease due to the impairment loss on assets recorded in FY2020 in conjunction with the deteriorated profitability of the karaoke club business. The outlook is unclear due in part to effects from the recent resurgence of COVID-19, but we will thoroughly implement initiatives to increase the safety and security of karaoke and work toward bringing the entire business into the black.

Domino business

• The business is expected to remain stable although restrictions on sales activities, such as being unable to carry out product installment and inspection at customer sites, will remain due to the effects of COVID-19.



These are the main factors behind the changes in sales revenue and business segment profit for FY2021. Our projections are as follows.

- We project decrease in both revenue and profit in the P&S business as we have factored in risks related to the global supply chain.
- Decrease in both revenue and profit is expected in the P&H business due to a counter-reaction to special demand in the previous fiscal year associated with COVID-19.
- The Machinery business will be driven by strong performance of machine tools. As demand is also likely to recover in the industrial sewing machine and industrial parts businesses, we project increase in both revenue and profit.
- We forecast increase in both revenue and profit in the N&C business, anticipating the recovery of the number of karaoke users.
- We project increase in revenue and decrease in profit in the Domino business, anticipating the effects of foreign exchange rates, although sales are expected to remain firm.

As a result of these factors, we forecast decrease in both sales revenue and business segment profit on a company-wide basis.

Operating profit and net income attributable to owners of the parent are likely to increase because temporary costs as recorded in the previous fiscal year will not be incurred, such as an impairment loss on part of goodwill in the Domino business.

Shareholder Returns

Shareholder returns are provided
with a target consolidated dividend payout ratio of 35%

The minimum annual dividend has been set at 60 yen per share
with the exception of terms with severely deteriorated performance

The annual dividend for FY2020 is 60 yen per share
An annual dividend of 60 yen is planned for FY2021 as well

	Interim	Year-end	Annual	Consolidated payout ratio
FY2021(Fct)	30 yen	30 yen	60 yen	36.7%
FY2020	27 yen	33 yen	60 yen	63.6%
FY2019	30 yen	30 yen	60 yen	31.4%
FY2018	30 yen	30 yen	60 yen	28.9%

We have a fundamental policy of returning profits to shareholders stably while taking into consideration matters such as the maintenance of internal reserves necessary for investment for future growth and the cash flow status.

Under the CS B2021 medium-term business strategy, which will end in FY2021, we will make investment for building a growth foundation toward next growth and at the same time, carry out the stable return of profits targeting a consolidated dividend payout ratio of 35%.

We have also set the minimum annual dividend at 60 yen per share with the exception of times of severely deteriorated performance due to a rapid deterioration of the management environment.

With regard to the dividend for the fiscal year ended March 31, 2021, we have set the year-end dividend at 33 yen per share. The annual dividend, which includes the interim dividend already paid (27 yen per share), is thus 60 yen, the same as in the fiscal year ended March 31, 2020.

As for the dividend for the fiscal year ending March 31, 2022, based on the above dividend policy, we plan an annual dividend of 60 yen per share.

Appendix

Results for FY2020 Q4 (Jan.-Mar.)

Despite an increase in business segment profit, a substantial operating loss and net loss were incurred due to the recording of temporary costs

(100 Millions of Yen)

	19Q4	20Q4	Change	Rate of Change (w/o FX)
Sales Revenue	1,524	1,643	119	7.8% (+6.7%)
Business Segment Profit	124	147	23	18.4%
Business Segment Profit Ratio	8.2%	9.0%		
Other income/expense	-5	-348	-343	
Operating Profit	119	-201	-320	-268.9%
Operating Profit Ratio	7.8%	-12.2%		
Income before Tax	114	-201	-315	-276.3%
Net Income	80	-230	-310	-387.6%
USD	109.22	106.24		
EUR	120.68	128.10		

In the fourth quarter of FY2020, sales revenue was up 11.9 billion yen year-on-year to **164.3** billion yen.

As for profit, business segment profit was up 2.3 billion yen to **14.7** billion yen.

On the other hand, as we recorded temporary costs such as an impairment loss on part of goodwill in the Domino business, we had an operating loss of 20.1 billion yen and net loss attributable to owners of the parent of 23.0 billion yen.

Results for FY2020 Q4 by Business Segment



(100 Millions of Yen)

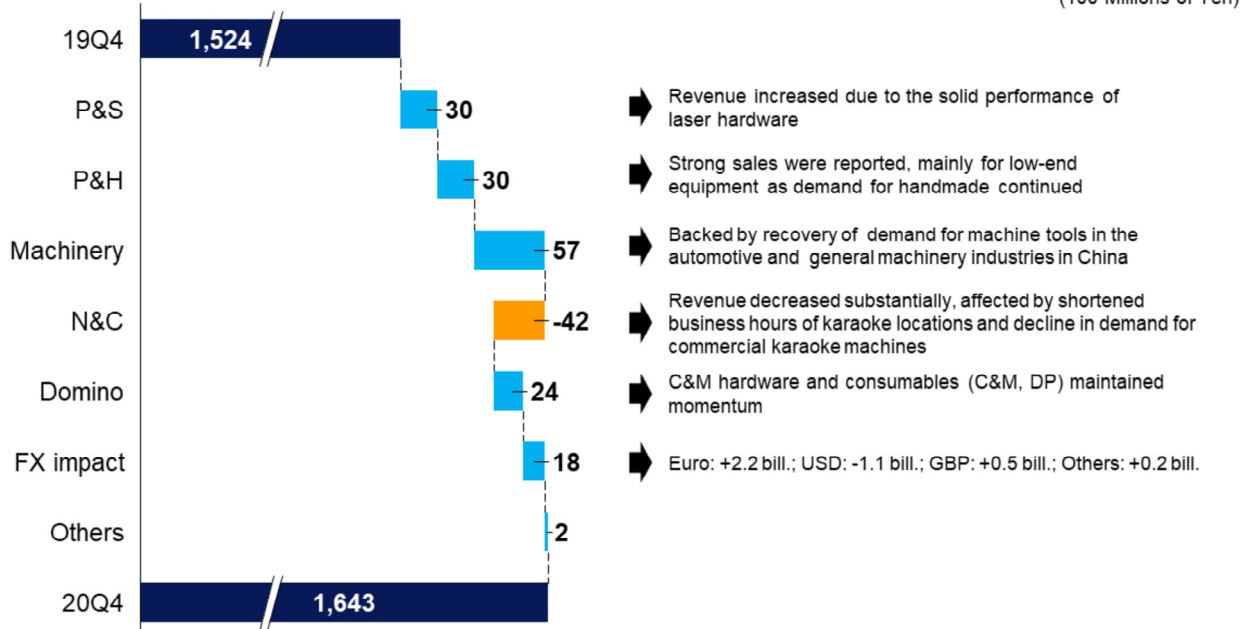
	19Q4	20Q4	change	
Printing & Solutions	Sales Revenue	935	976	41
	Business Segment Profit	113	126	13
	Operating Profit	109	80	-29
Personal & Home	Sales Revenue	94	123	29
	Business Segment Profit	8	16	9
	Operating Profit	7	16	9
Machinery	Sales Revenue	169	229	60
	Business Segment Profit	-9	12	22
	Operating Profit	-10	15	25
Network & Contents	Sales Revenue	114	73	-42
	Business Segment Profit	1	-18	-20
	Operating Profit	-1	-45	-44
Domino business	Sales Revenue	168	196	28
	Business Segment Profit	11	15	4
	Operating Profit	13	-264	-277
Other	Sales Revenue	44	46	2
	Business Segment Profit	1	-4	-6
	Operating Profit	2	-4	-6
Total	Sales Revenue	1,524	1,643	119
	Business Segment Profit	124	147	23
	Operating Profit	119	-201	-320

*Not including elimination amount by inter-segment transaction.

This is a list of results by business segment.

Revenue increased as a drop in the N&C business was compensated for by the Machinery and other businesses

(100 Millions of Yen)



* Amounts of change are on a results basis excluding foreign exchange effects

These are the main factors behind the changes in sales revenue for the fourth quarter of FY2020. As you can see, revenue increased as the decline in the N&C business was made up for by other businesses, especially the Machinery business.

•P&S

Laser hardware continued to perform well, and products in the SMB segment compensated for stock shortages in the SOHO segment, resulting in increase in revenue.

•P&H

Revenue increased as demand for handmade using home sewing machines continued and sales remained strong, especially for low-end equipment.

•Machinery

Despite ongoing weak demand for industrial sewing machines, revenue increased, backed by recovery of demand for machine tools from the automotive and general machinery industries in China.

•N&C

Revenue decreased substantially, affected by shortened business hours of karaoke locations and decline in demand for commercial karaoke machines.

•Domino

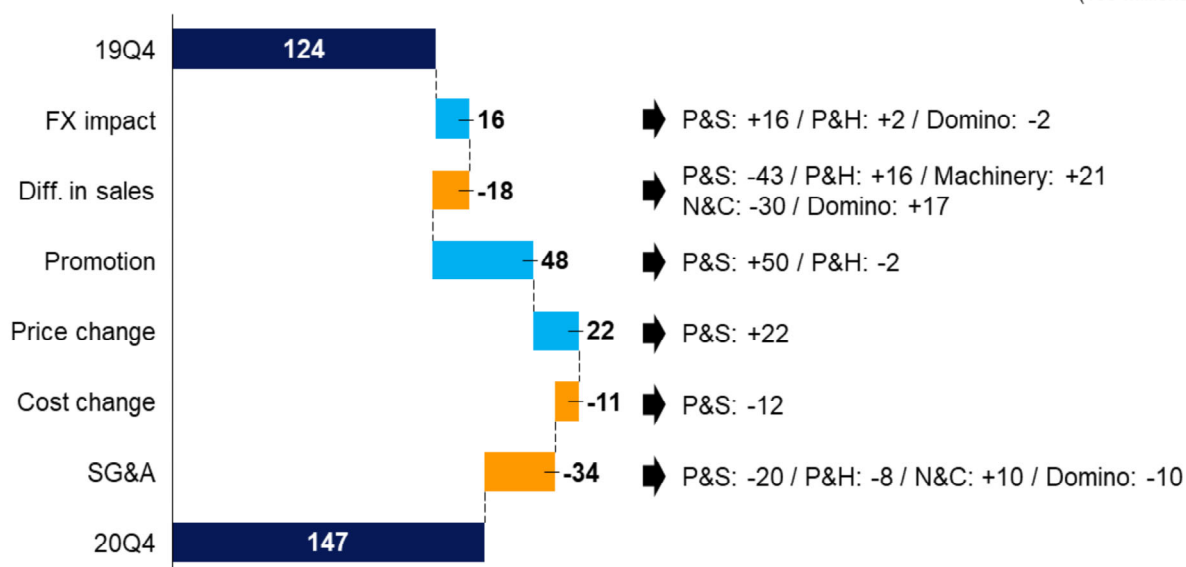
C&M hardware and consumables (C&M/DP) maintained momentum, resulting in increase in revenue.

Foreign exchange had a positive impact of 1.8 billion yen across the Group. Overall, sales revenue was up 11.9 billion yen to **164.3** billion yen.

Main Factors for Changes in Business Segment Profit

Profit increased substantially due to dampening effects on sales promotion expenses in the P&S business, in addition to increase in gross profit mainly in the P&H and Machinery (Machine tools) businesses

(100 Millions of Yen)



These are the main factors behind the changes in business segment profit. I will comment on the main elements of these.

(*From this results announcement, we will disclose sales promotion expenses, which were included in “difference in sales” until the previous announcement.)

•Foreign exchange impact

The foreign exchange impact came almost entirely from the P&S business. Positive impact on profit is largely attributable to the appreciation of the euro.

•Difference in sales

Sales decreased in the P&S business due to effects from supply restrictions and in the N&C business due to a decrease in karaoke users.

•Difference in sales promotion expenses

The difference is largely attributable to curbs on sales promotion expenses in the P&S business.

•Price changes

Price changes are mainly associated with P&S. The average unit price went up.

•Difference in SG&A expenses

There were expense reduction effects in the N&C business, while SG&A expenses increased in the P&S, Domino, and P&H businesses.

As a result of these factors, business segment profit was 14.7 billion yen, a year-on-year increase of 2.3 billion yen.

**Financial Position/ Cash Flows/
Capital Expenditure/ Depreciation & Amortization/
R&D Expense**

Financial Position

(100 Millions of Yen)

	End of FY19	End of FY20	Change
Current assets	4,088	4,288	200
Cash&Cash equivalents	1,684	1,910	226
Inventories	1,179	1,202	23
Non-current assets	3,227	3,151	-75
Total liabilities	2,863	2,442	-421
Interest-bearing debt	1,070	575	-496
Equity attributable to owners of the parent company	4,285	4,831	545
Total assets	7,315	7,439	124

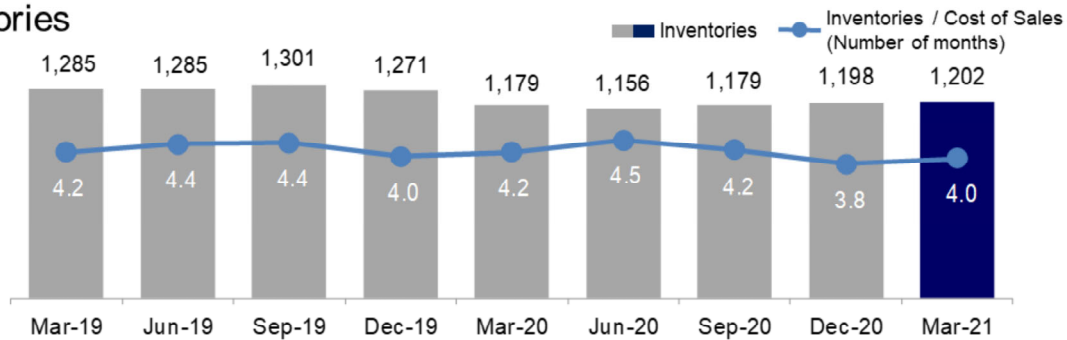
Net Cash

End of FY19 : +61.4 billion yen
End of FY20 : +133.5 billion yen

Shareholders' Equity Ratio

End of FY19 : 58.6%
End of FY20 : 64.9%

Inventories



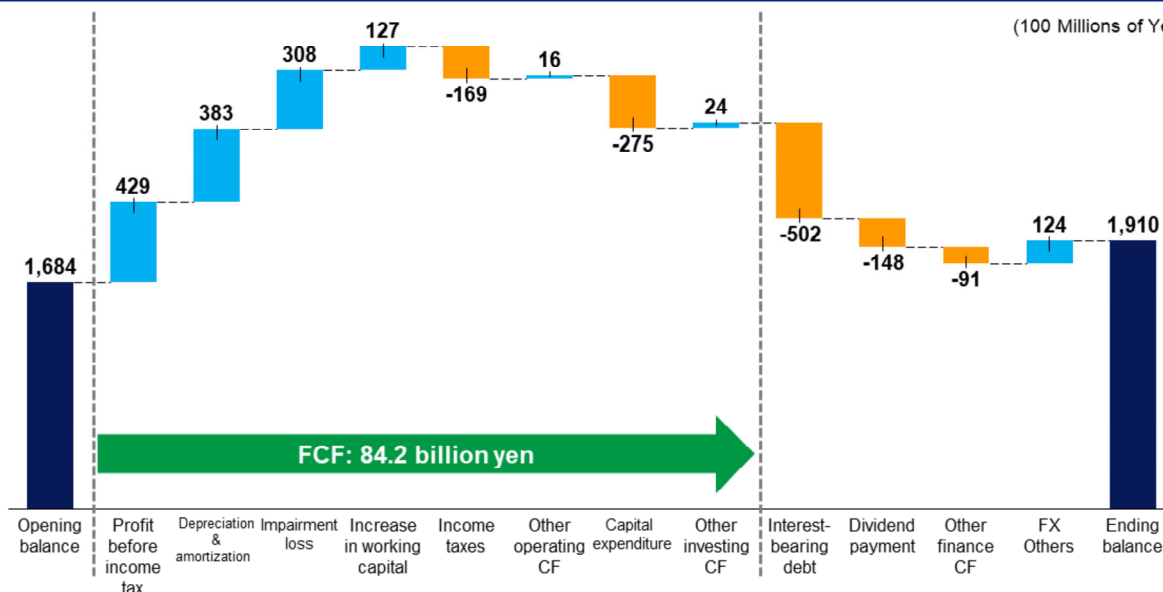
Net cash stood at 133.5 billion yen.

The increase in shareholders' equity ratio is due to the reduction of the balance sheet total resulting from the repayment of interest-bearing debts as well as increase in shareholders' equity itself, mainly associated with the weaker yen rate at the end of the fiscal year.

Cash Flow Analysis

In FY2020, free cash flow of 84.2 billion yen was generated

(100 Millions of Yen)



- Depreciation & amortization This includes 9.0 billion yen in depreciation for right-of-use assets pursuant to the application of IFRS16 (Leases)
- Change in working capital Change in operating receivables and other receivables + Change in inventory assets + Change in operating liabilities and other liabilities
- Other financial CF This includes 8.8 billion yen in repayments of lease obligations stated on balance sheet pursuant to the application of IFRS 16 (Leases)

The ending balance of cash and deposits stood at 191.0 billion yen, up 22.6 billion yen from the beginning balance of 168.4 billion yen.

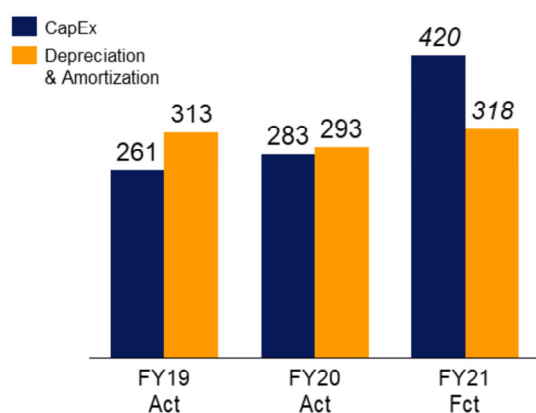
Free cash flow totaled 84.2 billion yen, backed by firm business performance.

Capital Expenditure/ Depreciation and Amortization/ R&D Expenses

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(100 Millions of Yen)

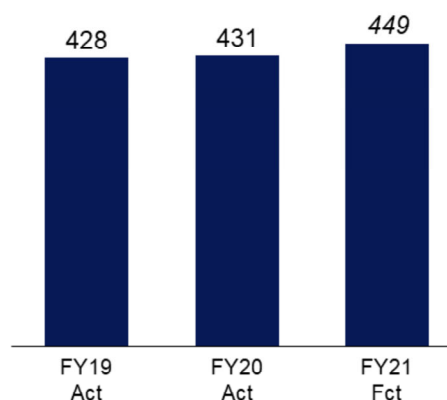
Capital Expenditure/ Depreciation & Amortization



Breakdown by business (CapEx)

	FY19	FY20	FY21
P&S	109	135	199
P&H	5	10	14
Machinery	24	30	52
N&C	49	19	28
Domino	21	21	34
Others	52	67	93
Total	261	283	420

R&D Expenses



Breakdown by business (R&D)

	FY19	FY20	FY21
P&S	277	283	277
P&H	22	20	24
Machinery	54	51	61
N&C	9	9	11
Domino	38	40	44
Others	29	28	33
Total	428	431	449

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35

• There were no major changes for R&D expenses, capital expenditure, and depreciation and amortization in FY2020.

• With regard to capital expenditure for FY2021, in the P&S business, we plan expenditures such as mold investment for new products, the cost of reconstructing Hoshizaki Factory (Nagoya City, Aichi Prefecture; the construction is already underway), which produces inkjet heads, to strengthen BCP, and the cost of constructing a new warehouse for storing products and parts (Nagoya City, Aichi Prefecture). Expenditures in the Machinery business include the cost of constructing a heat treatment factory (in Anjo City, Aichi Prefecture) to produce precision gears in the industrial parts business.

• There will be no major changes for depreciation and amortization in FY2021.

• As for R&D expenses for FY2021, we anticipate an increase in the cost of developing new products in the machinery and FA areas.

Business Segment Information

* The sales forecast for each region, and the sales growth rate and consumable ratio forecast for the P&S business will not be announced this time because risks related to the global supply chain, such as global semiconductor shortages and disruptions in sea transportation, have become apparent, making it impossible to calculate effects from delays in product supply and other factors accurately at this stage.

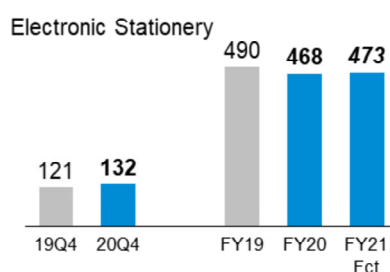
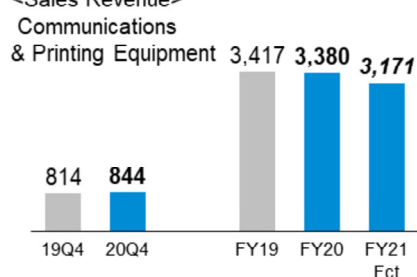
Printing & Solutions Sales Revenue & Profit

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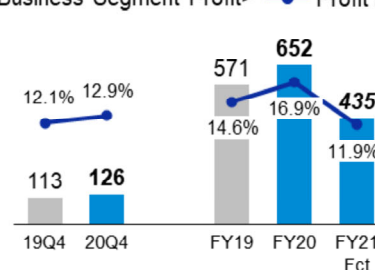
(100 Millions of Yen)

	19Q4	20Q4	Change	Change x FX	FY19	FY20	Change	Change x FX	FY21 Forecast	Change v LY
Sales Revenue	935	976	4.4%	3.2%	3,907	3,848	-1.5%	-0.1%	3,644	-5.3%
Communications & Printing equipment	814	844	3.7%	2.5%	3,417	3,380	-1.1%	0.3%	3,171	-6.2%
Americas	296	305	3.1%	6.5%	1,256	1,214	-3.4%	1.1%	-	-
Europe	303	307	1.2%	-3.9%	1,133	1,133	0.1%	-1.3%	-	-
Asia & Others	123	140	14.0%	10.2%	591	622	5.2%	6.6%	-	-
Japan	92	92	0.4%	0.4%	437	410	-6.0%	-6.0%	-	-
Electronic stationery	121	132	9.0%	8.3%	490	468	-4.4%	-3.2%	473	1.0%
Americas	54	61	13.2%	17.0%	226	204	-9.7%	-6.0%	-	-
Europe	39	42	8.1%	2.1%	144	142	-1.8%	-4.1%	-	-
Asia & Others	13	15	14.8%	10.9%	72	70	-2.7%	-1.5%	-	-
Japan	15	14	-8.9%	-8.9%	47	52	10.2%	10.2%	-	-
Business Segment Profit	113	126	11.2%	-	571	652	14.1%	-	435	-33.2%
Operating Profit	109	80	-26.3%	-	571	610	6.8%	-	439	-28.0%

<Sales Revenue>



<Business Segment Profit> — Profit Ratio



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37

Sales revenue in the P&S business in the fourth quarter was **97.6** billion yen. Revenue increased with a growth rate of 3.2% on a local currency basis.

•Communications & printing equipment:

Sales revenue was **84.4** billion yen. Revenue increased with a growth rate of 2.5% on a local currency basis.

Laser All-in-Ones & printers :

Demand for products in the SOHO segment remained firm in the fourth quarter due to increasingly more people working and learning from home.

Products in the SMB segment performed well, making up for stock shortages of some SOHO products.

Sales of consumables were down from the previous year's level.

Inkjet multi-function printers:

The sales volume of inkjet products fell significantly, although demand grew due to increasingly more people working and learning from home and delays in supplies are recovering. Meanwhile, delays in supplies of ink consumables have almost been resolved as air transportation has continued to be used. Nevertheless, sales of consumables were down year-on-year partly because the level for the same period of the previous year was high due to last-minute demand.

•Electronic stationery

Sales revenue was **13.2** billion yen, growing by 8.3% on a local currency basis.

Sales were firm due in part to the acquisition of large-scale orders in the solutions field centered on mobile printers.

Business segment profit was **12.6** billion yen, a year-on-year increase of 11.2%.

Profit was pushed up by efforts to curb sales promotion expenses.

Operating profit was **8.0** billion yen, down 26.3% year-on-year, due to the occurrence of temporary costs associated with the reorganization of manufacturing sites.

Full-year outlook:

•We project decrease in both revenue and profit, factoring in risks such as air transportation of consumables associated with production delays caused by factory lockdowns, production delays due to supply shortages of electronic parts, resin and other materials and resulting decline in factory operation rates, increase in costs for parts and materials, and a rise in ocean freight.

•Although demand for small-size All-in-One and printers for people working from home is projected to remain robust until the first half for both laser and inkjet, it is likely to run its course and subside in the second half. With regard to consumables, we project that demand will not recover to the pre-COVID-19 level in both the SOHO and SMB segments due to decline in print volume in offices.

•We plan to increase sales promotion and SG&A expenses from the FY2020 levels, expecting that the market environment will return to normal.

Sales Revenue Growth Rate / Consumable Ratio / Growth Rate of Hardware



	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	FY2018	FY2019	FY2020
LBP															
Sales revenue growth rate (JPY)															
Hardware	1%	-3%	-5%	-17%	-9%	-8%	-7%	-2%	6%	19%	18%	18%	-6%	-7%	15%
Consumable	1%	1%	-1%	-4%	2%	-6%	-2%	-3%	-18%	1%	0%	-1%	-1%	-2%	-5%
Sales revenue growth rate (LC)															
Hardware	2%	0%	-1%	-12%	-6%	-4%	-3%	2%	11%	22%	21%	18%	-2%	-3%	18%
Consumable	1%	3%	2%	-1%	4%	-1%	3%	0%	-15%	2%	2%	-3%	1%	1%	-4%
IJP															
Sales revenue growth rate (JPY)															
Hardware	-6%	-6%	2%	-6%	-2%	8%	-7%	-3%	-37%	-49%	-12%	-3%	-4%	-1%	-25%
Consumable	1%	-1%	-3%	-5%	1%	-2%	-8%	4%	-23%	-1%	9%	-6%	-2%	-2%	-5%
Sales revenue growth rate (LC)															
Hardware	-3%	-2%	6%	-1%	1%	13%	-4%	0%	-33%	-48%	-9%	-3%	-1%	2%	-23%
Consumable	1%	1%	0%	-2%	3%	3%	-5%	7%	-20%	-1%	10%	-8%	0%	2%	-5%
Cosumable Ratio															
	58%	58%	57%	61%	60%	58%	57%	59%	55%	57%	55%	56%	58%	58%	55%
Growth rate of Hardware															
LBP	-1%	-8%	-7%	-16%	-13%	-4%	-2%	3%	12%	10%	6%	0%	-8%	-5%	7%
IJP	-1%	-2%	-1%	-4%	0%	13%	1%	7%	-39%	-57%	-24%	-25%	-2%	5%	-36%

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38

This shows the sales growth rates of major products and consumable ratios.

• **Sales growth rate (on a local currency basis):**

For laser printers (LBP), the sales growth rates were 18% for hardware and minus 3% for consumables.

Sales increased as supply shortages of products in the SOHO segment were made up for by products in the SMB segment.

For inkjet printers (IJP), the sales growth rate for hardware recovered to minus 3%.

The sales growth rate for IJP consumables was minus 8% due in part to the reaction to high sales levels in the fourth quarter of FY2019 and the third quarter of FY2020.

• **Sales volume growth rate:**

The sales volume growth rate for LBP was almost flat due in part to supply shortages of products in the SOHO segment.

IJP sales continued to be affected by delays in supplies of hardware, resulting in a sales volume growth rate of minus 25%.

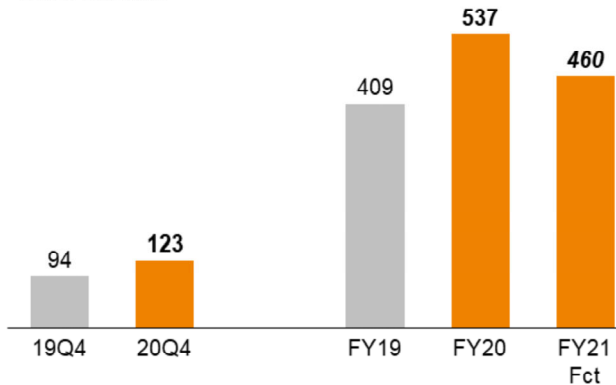
Personal & Home Sales Revenue & Profit

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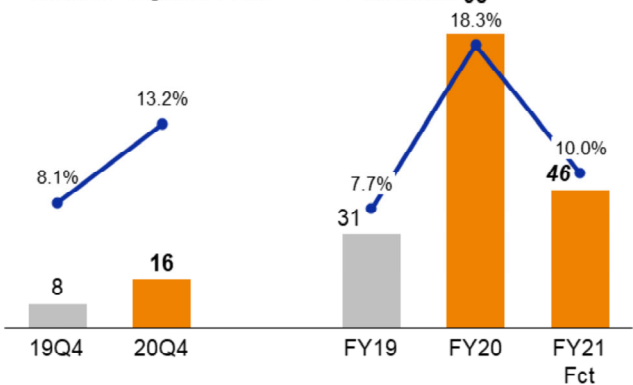
(100 Millions of Yen)

	19Q4	20Q4	Change	Change x FX	FY19	FY20	Change	Change x FX	FY21 Forecast	Change v LY
Sales Revenue	94	123	31.4%	31.7%	409	537	31.3%	34.2%	460	-14.3%
Americas	45	64	40.7%	46.3%	223	273	22.5%	29.0%	-	-
Europe	27	36	31.5%	23.9%	108	160	48.4%	45.0%	-	-
Asia & Others	11	12	13.9%	11.8%	46	56	20.3%	22.3%	-	-
Japan	11	12	8.9%	8.9%	32	48	52.0%	52.0%	-	-
Business Segment Profit	8	16	115.2%	-	31	98	213.3%	-	46	-53.1%
Operating Profit	7	16	130.3%	-	32	96	203.7%	-	47	-51.3%

<Sales Revenue>



<Business Segment Profit> — Profit Ratio 98



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39

In the P&H business, sales revenue in the fourth quarter was **12.3** billion yen. Revenue increased significantly with a growth rate of 31.7% on a local currency basis.

Home sewing machines, especially low-end equipment, sold well due to the continuation of demand for handmade as time spent at home increased. In addition, demand grew for middle- to high-end embroidery machines for second business purposes, resulting in a substantial increase in revenue.

Business segment profit increased significantly to **1.6** billion yen, a year-on-year increase of 800 million yen, due mainly to effects from increase in sales.

Full-year outlook:

We forecast decline in both revenue and profit, factoring in risks such as a counter-reaction to special demand associated with COVID-19, increase in costs for parts and materials, and a rise in ocean freight.

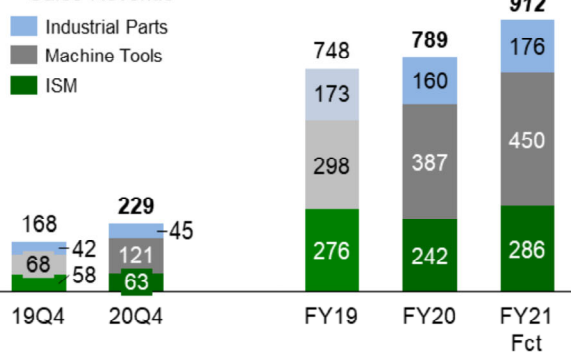
Machinery Sales Revenue & Profit

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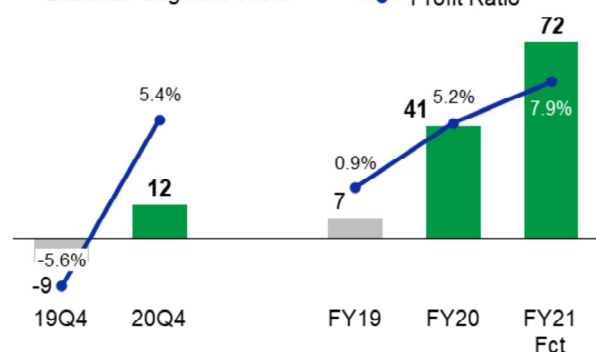
(100 Millions of Yen)

	19Q4	20Q4	Change	Change x FX	FY19	FY20	Change	Change x FX	FY21 Forecast	Change v LY
Sales Revenue	169	229	35.6%	33.7%	748	789	5.5%	5.7%	912	15.6%
Industrial sewing machines	58	63	8.5%	7.4%	276	242	-12.6%	-11.9%	286	18.4%
Machine tools	68	121	76.7%	73.2%	298	387	29.8%	29.6%	450	16.2%
Industrial Parts	42	45	6.5%	6.3%	173	160	-7.5%	-7.1%	176	9.7%
Business Segment Profit	-9	12	-	-	7	41	493.4%	-	72	74.7%
Operating Profit	-10	15	-	-	6	33	439.2%	-	72	117.9%

<Sales Revenue>



<Business Segment Profit>



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40

In the Machinery business, sales and profit were both firm in the fourth quarter.

Sales revenue for the entire Machinery business was **22.9** billion yen in the fourth quarter, substantially increasing at a growth rate of 33.7% on a local currency basis.

The breakdown of sales revenue is as follows:

6.3 billion yen for industrial sewing machines, **12.1** billion yen for machine tools, and **4.5** billion yen for industrial parts.

•Industrial sewing machines

The industrial sewing machine segment handles two product categories: the industrial sewing machine (ISM) category and the garment printer (GT) category. Although capital investment demand remained weak for industrial sewing machines, revenue for the overall business increased, led by the strong performance of garment printers.

•Machine tools

Revenue increased as a result of the recovery of demand from the automotive and general machinery industries, mainly in China.

•Industrial parts

Revenue increased, with recovery trends in both the reducer and gear businesses.

As for profit, despite an ongoing decline in capital investment demand for industrial sewing machines, business segment profit was **1.2** billion yen, up 2.1 billion yen from a business segment loss of 900 million yen in the same period of the previous year, mainly due to the effects of increased revenue from machine tools.

Operating profit was **1.5** billion yen, up 2.5 billion yen from an operating loss of 1.0 billion yen in the same period of the previous year.

Full-year outlook:

We project increase in both revenue and profit, anticipating the continuation of strong performance of machine tools, the firm performance of garment printers and the recovery of demand for industrial sewing machines in the industrial sewing machine business, and the firm performance of both reducers and gears in the industrial parts business.

Machinery Sales Revenue by Region

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(100 Millions of Yen)

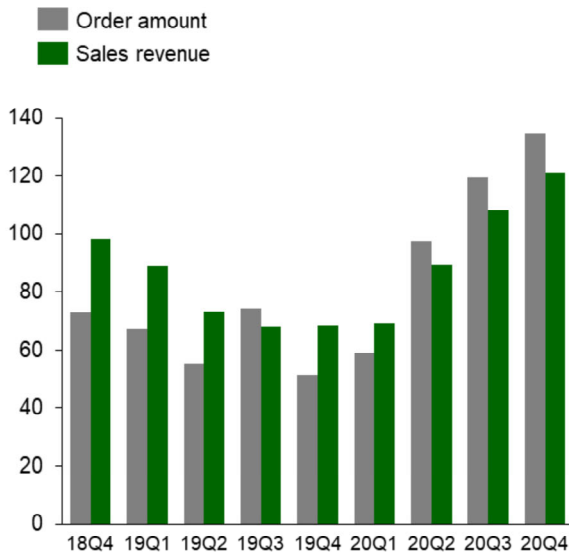
	19Q4	20Q4	Change	Change x FX	FY19	FY20	Change	Change x FX	FY21 Forecast	Change v LY
Sales Revenue	169	229	35.6%	33.7%	748	789	5.5%	5.7%	912	15.6%
Industrial sewing machines	58	63	8.5%	7.4%	276	242	-12.6%	-11.9%	286	18.4%
Americas	14	17	29.0%	32.5%	70	87	23.3%	26.8%	-	-
Europe	17	14	-18.3%	-22.9%	68	56	-17.9%	-19.7%	-	-
Asia & Others	26	29	11.7%	10.3%	129	88	-32.2%	-31.7%	-	-
Japan	2	3	51.0%	51.0%	9	12	25.9%	25.9%	-	-
Machine tools	68	121	76.7%	73.2%	298	387	29.8%	29.6%	450	16.2%
Americas	6	7	9.9%	-	20	20	-2.9%	-	-	-
Europe	4	6	49.4%	-	21	19	-10.8%	-	-	-
Asia & Others	40	88	116.5%	-	168	289	72.6%	-	-	-
Japan	18	20	15.7%	-	89	59	-33.7%	-	-	-
Industrial Parts	42	45	6.5%	6.3%	173	160	-7.5%	-7.1%	176	9.7%
Americas	5	5	-7.3%	-4.7%	23	21	-10.2%	-7.6%	-	-
Europe	-	-	-	-	-	-	-	-	-	-
Asia & Others	4	5	36.2%	30.4%	18	20	8.0%	8.3%	-	-
Japan	33	35	5.3%	5.3%	132	120	-9.1%	-9.1%	-	-

Machinery (Machine tools) Order Trends



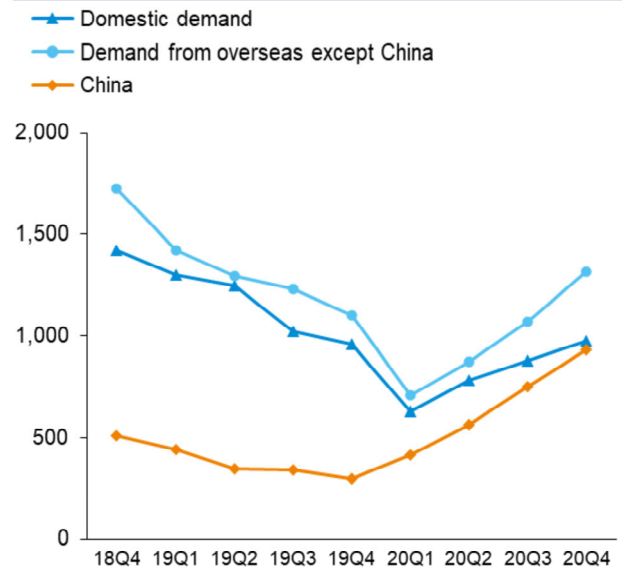
(100 Millions of Yen)

Trends in order amount and sales revenue



* Total amount of domestic and overseas orders for hardware products
Overseas orders are converted into yen using the exchange rate for each quarter

(Reference) Machine tool statistics of the Japan Machine Tool Builders' Association



* Source: Major machine tool statistics of the Japan Machine Tool Builders' Association

From this results announcement, we will disclose sales revenue and order amount for each quarter.

Order amount is the total amount of orders for hardware from Japan and abroad.

Order amount has remained high, especially from China, since the second quarter (July-September) of FY2020, underscoring the fact that orders are on a recovery path.

The graph on the right is machine tool statistics of the Japan Machine Tool Builders' Association (reference material). It shows significant growth in orders from China.

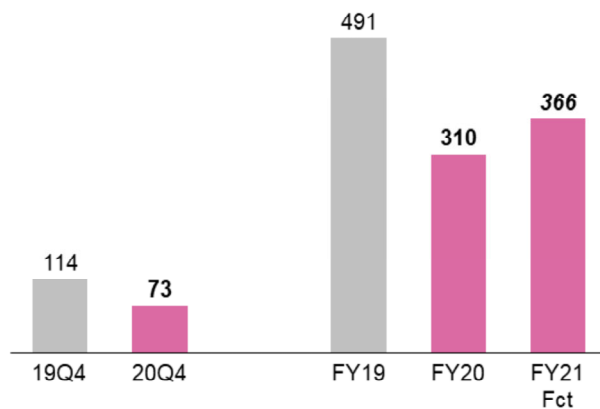
Network & Contents Sales Revenue & Profit

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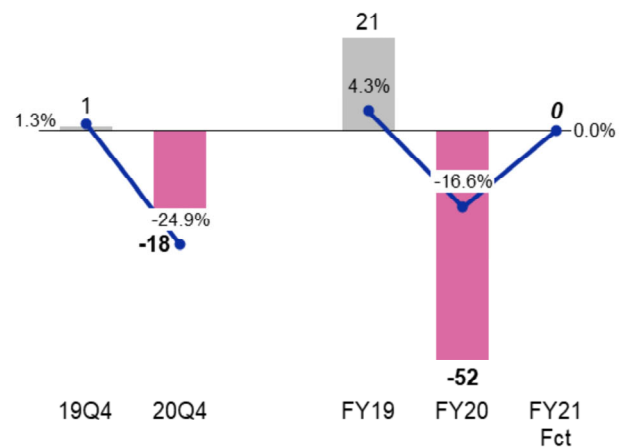
(100 Millions of Yen)

	19Q4	20Q4	Change	FY19	FY20	Change	FY21 Forecast	Change v LY
Sales Revenue	114	73	-36.3%	491	310	-36.8%	366	17.9%
Business Segment Profit	1	-18	-	21	-52	-	0	-
Operating Profit	-1	-45	-	19	-73	-	-1	-

<Sales Revenue>



<Business Segment Profit>



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43

The business environment in the N&C business has remained extremely adverse due to major changes in the karaoke environment.

Sales revenue for the fourth quarter was **7.3** billion yen, a substantial decrease of 36.3% year-on-year.

With regard to profit, although we actively reduced SG&A expenses, this was not enough to make up for effects from the shortened business hours of karaoke locations due to the resurgence of COVID-19, as well as the decline in sales resulting from a drop in sales of commercial karaoke machines. Accordingly, we recorded a business segment loss of **1.8** billion yen while posting an operating loss of **4.5** billion yen due to the recording of an impairment loss on assets in conjunction with the deteriorated profitability of the karaoke club business.

As to the preconditions for FY2021, please refer to the next page.

Network & Contents Results for FY2020 and Forecast for FY2021



Results for FY2020

Karaoke Business

Revenue:
about -25% vs
FY2019

- Revenue decreased by about 25% due mainly to a decline in sales associated with voluntary suspension of operation and lower equipment sales resulting from sluggish karaoke demand
- The number of operating karaoke machines declined by about 15% from FY2019

Karaoke Club Business

Revenue:
about -65% vs
FY2019

- Revenue decreased significantly by about 65% due to the temporary closure of all clubs following the state-of-emergency declaration and responses to a request for shortened business hours
- Although measures against the spread of COVID-19 were thoroughly undertaken in operating clubs, the number of customers was slow to recover
- Standards for karaoke clubs to continue operations were set, and karaoke clubs that were unprofitable in view of these standards were closed
(Number of clubs End of Mar. 2020: 124 clubs → End of Mar. 2021: 89 clubs)

Forecast for FY2021

Karaoke Business

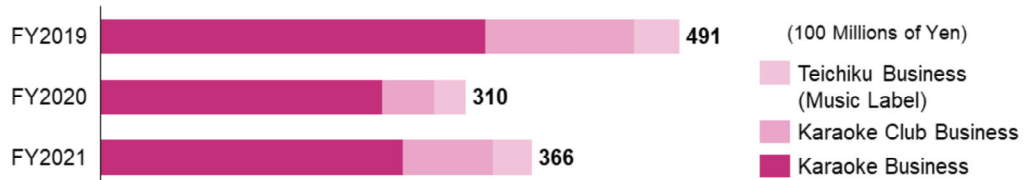
Revenue fct:
about -20% vs
FY2019

- Sales are projected to recover to around 80% of the FY2019 level by the end of FY2021
- The number of operating karaoke machines is projected to stay at around 90% of the FY2019 level

Karaoke Club Business

Revenue fct:
about -40% vs
FY2019

- In FY2021, sales at directly managed karaoke clubs are projected to recover to around 60% of the FY2019 level as a gradual recovery of the market is anticipated from Q2 onwards



Full-year outlook:

We forecast that the karaoke business will recover to around 80% of the FY2019 level and that the number of operating karaoke machines will stay at around 90% of the FY2019 level.

We project that the karaoke club business will recover to around 60% of the FY2019 level as a gradual recovery of the market is anticipated from Q2 onwards.

Although the business environment is likely to remain harsh, we will thoroughly implement initiatives to increase the safety and security of karaoke and work toward bringing the entire business into the black.

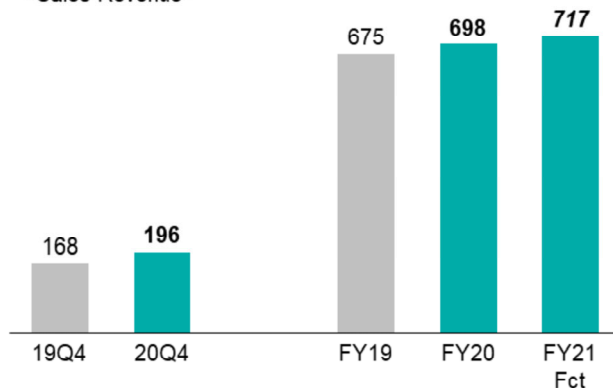
Domino Sales Revenue & Profit

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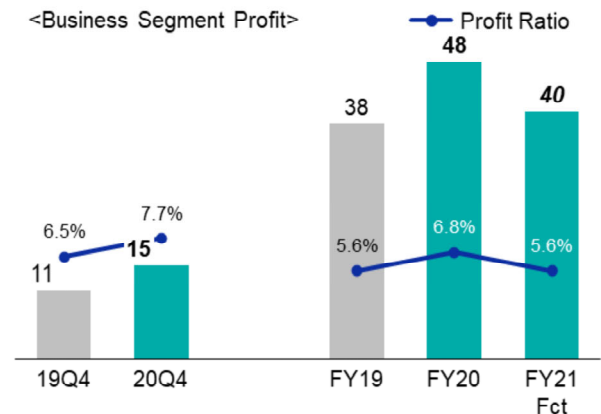
(100 Millions of Yen)

	19Q4	20Q4	Change	Change × FX	FY19	FY20	Change	Change × FX	FY21 Forecast	Change v LY
Sales Revenue	168	196	16.8%	14.3%	675	698	3.4%	4.0%	717	2.7%
Americas	41	45	10.3%	22.3%	165	176	7.0%	13.5%	-	-
Europe	86	99	14.7%	4.9%	329	324	-1.5%	-4.1%	-	-
Asia & Others	40	52	28.0%	26.3%	182	198	8.9%	10.2%	-	-
Business Segment Profit	11	15	37.3%	-	38	48	25.5%	-	40	-15.8%
Operating Profit	13	-264	-	-	39	-239	-	-	38	-

<Sales Revenue>



<Business Segment Profit>



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45

Sales revenue in the Domino business was **19.6** billion yen in the fourth quarter. Revenue increased year-on-year with a growth rate of 14.3% on a pound basis.

By region, sales in the U.S. and Asia have been strong. Recovery trends have also been observed in Europe, where demand was sluggish, affected by COVID-19.

As for hardware, although demand for DP has been weak, demand for C&M has been firm. Consumables have performed well for both C&M and DP.

Business segment profit was **1.5** billion yen, up 400 million yen from 1.1 billion yen in the same period of the previous year, due to effects from increased revenue.

As for operating profit, we fell substantially into the red, with an operating loss of **26.4** billion yen, as we recorded an impairment loss on part of goodwill.

This is attributable to our careful review of future business plans in light of effects from the spread of COVID-19.

Full-year outlook:

Although there will be restrictions on sales activities, such as being unable to carry out product installment and inspection at customer sites, due to the effects of COVID-19, the business is expected to be stable throughout the year. We forecast increase in revenue while projecting decrease in business segment profit due to effects from foreign exchange and other factors.

With the elimination of temporary factors that occurred in FY2020, we project increase in operating profit in FY2021.

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