

Summary of Q&A at the First Quarter of FY2021 Financial Results Briefing

Q) Please explain the operational status of factories in Vietnam in the first quarter and your view on their operation in the second quarter.

A) In Vietnam, we have a factory for the P&S business and a factory for the P&H business. The P&S factory is located in a suburb of Hanoi. Restrictions on the movement of people have been imposed in the city of Hanoi since late July due to the effects of COVID-19. Employees living near the factory can come to the factory, but other employees cannot. So the lockdowns are having some impact on our business. Besides, as we have implemented production equalization due to material supply shortages, there is a delay in production, and we are striving to ensure the continuation of production. We anticipate that the situation will improve a little from the second half onwards, but we expect the impact of supply shortages will remain to some extent throughout the year, especially for part of our hardware products.

The P&H factory is in a suburb of Ho Chi Minh City. As travel restrictions are currently in place, we operate the factory with a limited number of employees. Although we are continuing our production to supply as many products as possible, operation may be affected at this factory as well.

Q) There seem to be various risks to profits in the P&S business for the second quarter and beyond, such as semiconductor shortages and demand from people working from home running its course. What sorts of risks do you factor in, and to what extent?

A) We anticipate increases in logistics and material costs. Profits in the first quarter were not greatly affected by increased costs, but their impacts will appear from the second quarter onwards. We have therefore factored in greater risks from logistics and material costs than anticipated at the beginning of the fiscal year. Regarding production, factory operation may be restricted depending on the status of COVID-19 infections in the area where the factory is located. So we view this as a significant risk.

We initially expected that demand from people working from home will subside gradually toward the second half of FY2021 compared to FY2020, when such demand especially grew. However, even now, supply is not able to overtake demand. We expect this situation will continue until the end of this fiscal year, and we believe demand will remain

firm.

Q) Please explain your outlook on printing consumables.

A) Regarding our view on consumables, we recorded a positive year-on-year growth in the first quarter of FY2021, but this was because sales of consumables were extremely low in the same period of the previous year. Sales of consumables, especially in the SMB segment, declined sharply due in particular to the impact of office closures.

We project that sales of consumables for the entire FY2021 will be firm, with a growth rate on a local currency basis of 3% for laser and minus 5% for inkjet.

Laser consumables are likely to remain firm in and after the second quarter as they were in the previous year. We project a slight increase in sales in anticipation of a recovery in print volume at offices, and due in part to moves by sales channels to increase their stock.

As for inkjet consumables, we expect that sales for the entire FY2021 will decrease to some extent because machines in the field (MIF) for the previous year were sluggish and the amounts of stock at sales channels have already returned to appropriate levels.

Q) “Price change” had a positive impact of 4.1 billion yen on profit results in the first quarter. Does this mean that price changes have begun or that the product mix has changed greatly?

A) The price change in the first quarter reflects an increase in the average unit price resulting mainly from the improvement of the product mix.

We expect that due to the improved product mix and other factors, the price change will continue to provide some positive impact on annual profits.

Q) Regarding machine tools targeted at automotive-related industries in China, what is good, specifically? How do you see its continuity in the second quarter and beyond?

A) The performance of machine tools in automotive-related industries in China has been boosted largely by growing demand for EV-related parts in the country since FY2020. This trend will continue in the long term, but demand is currently in a temporary lull. In FY2020, EV-related industries (including parts companies) made aggressive investment to increase their production capacities. Accordingly, the needs for machine tools were high from FY2020 to the first quarter of FY2021. However, we see that such demand has

recently cooled.

Q) Spot orders for IT-related customers were noted. How about their continuity in the second quarter and beyond?

A) In FY2020, there were firm processing needs especially for notebook PCs and tablets due to demand from people working from home. In this fiscal year, we do not see momentum that is as strong as in the previous fiscal year. The demand trends announced by the Japan Machine Tool Builders' Association also indicate IT-related demand has already entered a downward trend, and this trend has also been observed at Brother.

Q) The Domino business recorded strong results in the fourth quarter of FY2020, and its sales and profits were extremely firm in the first quarter of FY2021 as well. Please explain the background behind this continuity and improvement.

A) The European economy has been recovering following the lifting of lockdown orders. Although there are some concerns such as the resurgence of COVID-19, we expect in principle that C&M/DP and consumables will maintain momentum. However, we do not project that the strong performance seen in the first quarter will continue from the second quarter through the fourth quarter. We have made a small upward revision to our annual forecast.