

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

**Q) Brother announced that it will commence a tender offer for shares of Nissei, which is a consolidated subsidiary. What kind of returns do you expect from the acquisition?**

A) Nissei's business is in areas very closely related to labor saving and automation, which are expected to grow in the future. These are areas where the Brother Group can expand, but when expanding business activities, if both the parent and subsidiary are listed, it is necessary to take into consideration the interests of minority shareholders, and this imposes certain restrictions on the pace of investment and decision making. We believe that by making Nissei a wholly-owned subsidiary, we will eliminate those restrictions and we can expand Nissei's business even further.

**Q) Operations at the P&H factory have been impacted by the COVID-19 pandemic. What is the current status?**

A) The main factory for the P&H business is located in the suburbs of Ho Chi Minh City, and we anticipate a total resumption of activities in November. Southern Vietnam experienced a rapid resurgence of COVID-19 starting at the end of July, and the region went into lockdown. Employees temporarily stayed at the factory to continue production, and operations have gradually resumed, but the decrease in production continued for more than three months. Because production at expected levels was not possible, we were unable to keep up with demand.

**Q) Is there any possibility that supply restrictions will occur in the P&S business in the future due to the resurgence of COVID-19?**

A) A factory in the suburbs of Hanoi was also subject to a temporary lockdown. The low level of operations is ongoing even now. The spread of COVID-19 has subsided, but production has not yet resumed due to restrictions on the supply of parts. There is a possibility of an impact on production at the inkjet factory in the Philippines due to the difficulty of procuring parts, even though there have not been any local effects from COVID-19 recently.

**Q) What impact will occur in the second half from logistics costs and parts and materials costs?**

A) With respect to logistics costs, we expect that air freight costs will decrease in the

second half compared to the first half. Ocean freight rates have increased substantially, and this will be a cause of significantly higher costs in the second half. With regard to higher costs for semiconductors, resin materials, and other parts and materials, the impact will be greater in the second half compared to the first half, but we hope to make up for the higher costs through the expected curtailment of sales promotion and selling, general, and administrative expenses.

**Q) What is the current market status with respect to trends for printing consumables?**

A) Laser printer consumables are firm. Sales of ink have flagged because PV has not yet returned to the pre-COVID level, and also, hardware sales slumped last year because of the effects of lockdowns at factories, resulting from the impact of the decline in MIF.

**Q) What is the outlook for demand from people working from home?**

A) We believe that office downsizing and decentralization will continue, and as a result, demand for distributed printing including printing at home will remain firm. In light of the effects from the recent supply shortage, we expect that demand for A4 models will continue until the first half of next fiscal year.

**Q) What was the trend regarding orders for machine tools in the second quarter?**

A) As we expected, orders for machine tools peaked in the first quarter, declined slightly, and then remained flat. From the fourth quarter of the previous fiscal year to the first quarter of this fiscal year, demand was somewhat overheated. There were also orders relating to electric tools and IT due to a surge in orders from the demand resulting from people staying at home, but these orders have subsided.

Looking to order statistics from the Japan Machine Tool Builders' Association, orders in China are trending downward, and since a high percentage of Brother's orders are from China, we expect this to impact overall results. This too is as we anticipated.

**Q) What is your outlook concerning machine tools in the second half and beyond?**

A) Production volumes in the automobile industry are down worldwide, and business talks are becoming protracted. In the immediate to short-term future, orders from the automobile industry, which is one of Brother's focus areas, may decline more than anticipated. However, the decline will be the result of restricted supplies of semiconductors and other parts, not a decrease in demand, and for this reason, we believe that this impact will dissipate over the long term.

**Q) The Domino business reported higher sales revenue and profit in the second quarter. What is the current status?**

A) C&M is used on production lines for daily necessities including foods and pharmaceuticals, and as a result, demand has been solid. On the other hand, there have been restricted supplies of semiconductors, and we believe that there is a risk in adopting an aggressive outlook for the second half.

**Q) The current medium-term plan calls for reinforcing organizational capabilities. What are the results of these efforts after two and a half years?**

A) Under CS B2021, our current medium-term strategy, we are reviewing business operations and undertaking digitalization in order to restore Brother's strengths and increase maneuverability, cost responsiveness, and productivity. Because of the restricted supplies of parts resulting from the COVID-19 pandemic, work volumes are increasing including design changes so that we can maintain day-to-day production, and we were able to address this issue in the short term because we have become stronger as a company. We believe that we have achieved significant results with respect to the enhancement of fundamental capabilities.