

Summary of Q&A at the second quarter of FY2023 Financial Results Briefing

Q) The sales and business segment profit of the P&S business for the second half of the year is planned to decrease compared to the first half, leading to a decline in profitability. It was mentioned that the market conditions in China worsened in Q2, but will it become even more challenging in the second half?

A) Although it will take time for the market conditions, especially in China, to recover, we do not expect them to worsen further. However, since sales of the hardware were sluggish in the first half, we plan to invest in promotional expenses and SG&A expenses to recover in the second half, which will lead to a lower profitability compared to the first half.

Q) Please explain the market conditions for the hardware of the P&S business separately for inkjet and laser.

A) This fiscal year, we expected the market conditions for both inkjet and laser to recover to the level of FY2019 before the pandemic. However, looking at the results for the first half, the market conditions were far from recovery, even depressing compared to the previous year. Especially in China, the market conditions have worsened, and we anticipate a larger impact on laser, which has a higher weight of China, compared to inkjet.

Q) What is the outlook for consumables in the P&S business in terms of growth compared to the previous year?

A) We assume that it will be almost flat compared to the previous year. Although the print volume per unit has decreased due to the impact of digitization, the usage period of the hardware has been extended, and the number of units in operation in the market (MIF) has not declined as much as expected. This contributes to the sales of consumables.

Q) Regarding the machine tools business, the overall trend in the industry is declining. What is the outlook for market conditions from the second half to the next fiscal year?

A) The trend in the industry is declining according to Japan Machine Tool Builders' Association, but orders we received hit bottom in April and have been gradually increasing since then. We feel that there is a recovery in the demand for equipment investment for automobiles and EVs, which Brother is focusing on. We expect the upward trend to continue with anticipation for the future.

Q) How much will the order level of machine tools recover in the second half?

A) The significant decrease in orders in Q1 and Q2 was due to the backlash from the rush orders placed by dealers when price adjustments were made in Q4 of the previous fiscal year in addition to the worsening market conditions. As inventory adjustments at dealers are progressing to reasonable level, we do not expect the order level in Q3 to be as low as the first half.

Q) Regarding the P&H business, the plans for the second half seem optimistic. Is there any difference in momentum between the first and second half, or are there any plans for new product launches?

A) There are no major new product launches. The difference between the first and second half is due to the fact that the second half is the sales season and reduction of excess inventory in sales channels are expected.