

Fiscal Year 2017 (ending March 31, 2018)

Third Quarter Results
(ended December 31, 2017)

Brother Industries, Ltd.
February 7, 2018

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.

Consolidated Results for FY2017 Q3



(100 Millions of Yen)

	17Q3	16Q3	change	Rate of Change (w/o FX)	
Sales Revenue	1,878	1,666	212	12.7% (+6.4%)	• Impact of elimination owing to the change of the evaluation standard for unrealized inventory profit Approx. +3.0 billion yen
Business Segment Profit	224	147	77	52.1%	• FX impact (TTL : +3.8 billion yen) USD (0.3) billion yen EUR +3.6 billion yen
BSP Ratio	11.9%	8.8%			
Operating Profit	218	112	106	-95.1%	• Impairment loss related to exchange contracts Approx. +3.1 billion yen
OP Ratio	11.6%	6.7%			
Income before Tax	221	118	103	87.5%	• Tax effects (FY2016) from changes in the scope of tax consolidation in conjunction with XING becoming a wholly-owned subsidiary Approx. (3.0) billion yen
Net Income	162	117	45	38.4%	• Effect of reduced corporation tax in the U.S. Approx. (0.8) billion yen
Exchange Rates					
USD	112.74	108.72			
EUR	133.09	117.70			

- ✓ Communications and printing equipment—primarily sales of laser products—continued to perform well globally. Sales of ink jet all-in-one models with ink tanks also remained strong.
- ✓ Results for industrial equipment were good as a result of the effects of large orders from IT-related customers and strong automotive-related sales.
- ✓ Although demand was firm, domino business reported a decrease in profit due to effects from the product lineup and increased advance investment.

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Sales revenues in the third quarter were 187.8 billion yen, an increase of 21.2 billion yen, or 12.7%, year-on-year.

Within this increase, 10.5 billion yen, approximately half, was the result of positive effects from exchange rates in conjunction with the lower value of the yen. The remainder of approximately 10.6 billion yen was an increase in real terms excluding the effects of foreign exchange rates.

As was the case in the first half of the year, the main causes of the increase were globally strong sales of laser all-in-ones and laser printers, both black-and-white and color, as well as firm sales of machine tools to the IT, automotive, and general machinery industries.

Business segment profit was 22.4 billion yen, an increase of 7.7 billion yen year-on-year.

The impact of exchange rates in relation to the elimination of unrealized inventory profit resulted in an increase of approximately 3.0 billion yen this quarter compared to the same period of the previous year.

Operating profit was 21.8 billion yen, up 10.6 billion yen year-on-year.

The main factor other than business segment profit was a decrease in impairment losses relating to exchange contracts to approximately 700 million yen, a net improvement of 3.0 billion yen compared to approximately 3.7 billion yen in the previous year.

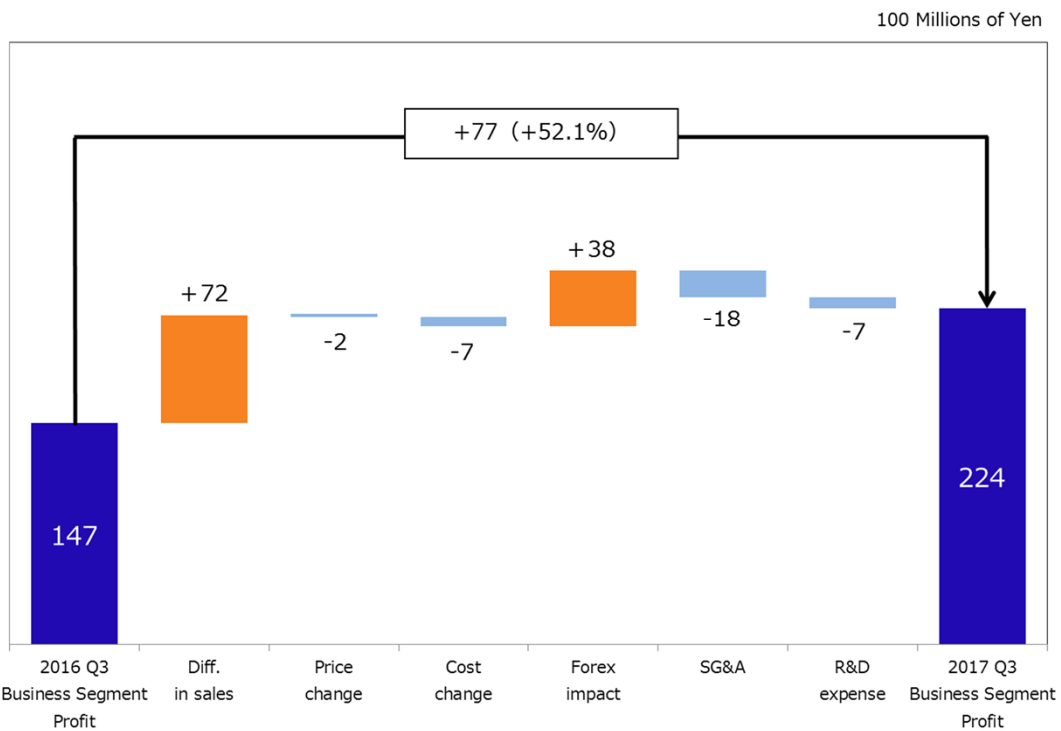
Net income attributable to the owners of the parent company for the quarter was 16.2 billion yen, a year-on-year increase of 4.5 billion yen.

Tax expenses in the previous year were nearly zero as a result of XING Inc. becoming a wholly-owned subsidiary and a change in the scope of consolidation for tax purposes, giving rise to recognition of deferred tax assets.

The impact of this was approximately 3.0 billion yen.

In addition, due to the temporary impact of tax effect accounting due to the reduced corporation tax rate in the United States, corporate income tax expenses increased by 800 million yen.

Main Factors for Changes in Business Segment Profit 17Q3



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Sales increased by 7.2 billion yen. One main cause of the increase was an increase of approximately 4.0 billion yen from strong sales in the P&S Business, including approximately 3.0 billion yen in exchange rate effects from the elimination of unrealized inventory profit. Another factor was an increase of approximately 3.0 billion yen in the Machinery Business as a result of strong sales of machine tools.

Fluctuations in prices caused a 200 million yen decrease in profit, but the effects were almost entirely in the P&S Business.

Trends remain nearly unchanged from the first half, and the business environment for printing, primarily targeting the SOHO market, is stable. In the SMB market, a high-priority field, large-scale orders are increasing, mainly in Europe, and the effects are manifesting in negative price changes.

Cost reductions resulted in a 700 million yen decrease in profit, but the effects were almost entirely in the P&S Business.

Exchange rate effects caused a 3.8 billion yen increase, almost entirely due to the decrease in the value of the yen compared to the euro.

SG&A expenses increased, resulting in a 1.8 billion yen decrease in profit. About half of the increase was in the Machinery Business, and the remainder was from the N&C Business and the P&S Business.

An increase in R&D expenses caused a 700 million yen decrease in profit. A little less than 400 million yen was accounted for by the Domino Business, with the remaining from the P&S Business and P&H Business.

Highlight by business segment 17Q3



(100 Millions of Yen)

Sales Revenue	17Q3	16Q3	Rate of Change	Rate of Change (w/o forex impact)
Total	1,878	1,666	12.7%	6.4%
Printing & Solutions	1,106	984	12.5%	5.4%
Personal & Home	136	136	0.4%	-5.9%
Machinery	306	227	34.7%	30.9%
Network & Contents	131	130	1.0%	0.9%
Domino business	170	155	10.0%	-1.8%
Other	27	35	-21.1%	-21.2%

Business Segment Profit	17Q3	16Q3	Rate of Change
Total	224	147	52.1%
Printing & Solutions	156	98	59.4%
Personal & Home	11	12	-1.4%
Machinery	38	13	200.2%
Network & Contents	11	9	19.4%
Domino business	7	15	-49.4%
Other	1	2	-57.9%
Adjustment	-0	-0	-

Operating Profit	17Q3	16Q3	Rate of Change
Total	218	112	95.1%
Printing & Solutions	150	58	160.7%
Personal & Home	10	10	-5.2%
Machinery	38	14	171.3%
Network & Contents	10	8	28.7%
Domino business	9	20	-55.1%
Other	1	2	-43.1%
Adjustment	-0	-0	-

Consolidated Results for FY2017 Q3YTD



(100 Millions of Yen)

	17Q3 YTD	16Q3 YTD	change	Rate of Change (w/o FX)
Sales Revenue	5,342	4,769	573	12.0% (+7.6%)
Business Segment Profit	615	494	121	24.5%
BSP Ratio	11.5%	10.4%		
Operating Profit	531	473	58	12.2%
OP Ratio	9.9%	9.9%		
Income before Tax	537	489	49	9.9%
Net Income	388	387	2	0.4%
Exchange Rates				
USD	111.82	107.88		
EUR	128.59	119.13		

• There was almost no impact from elimination owing to the change of the evaluation standard for unrealized inventory profit

• FX impact (TTL: +6.4 billion yen)
USD (0.3) billion yen
EUR +6.0 billion yen

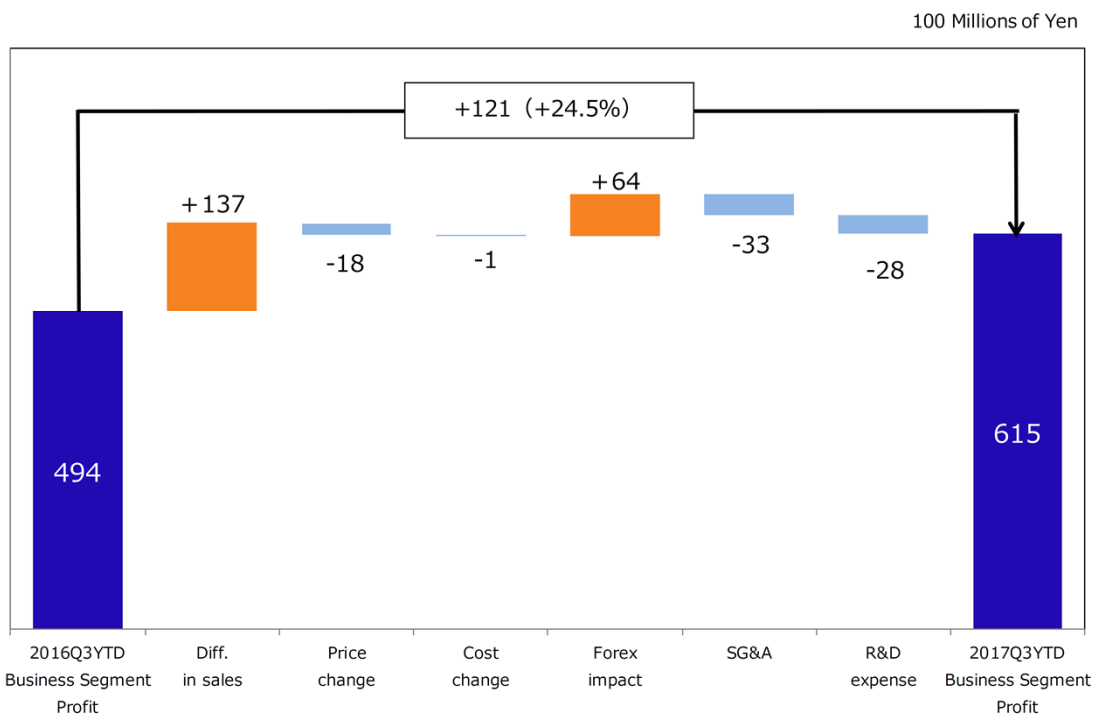
• Impairment loss on exchange contracts
Approx. (8.7) billion yen

• Tax effects (FY2016) from changes in the scope of tax consolidation in conjunction with XING becoming a wholly-owned subsidiary
Approx. (3.0) billion yen

• Effect of reduced corporation tax in the U.S.
Approx. (0.8) billion yen

- ✓ Communications and printing equipment—primarily sales of laser products—continued to perform well globally. Sales of ink jet all-in-one models with ink tanks also remained strong.
- ✓ Results for industrial equipment were good as a result of the effects of large orders from IT-related customers and strong automotive-related sales.
- ✓ Business segment profit was up substantially as a result of positive effects from exchange rates and strong performance in the machinery business.
- ✓ The effects of impairment losses relating to exchange contracts were covered and operating profit increased by approx. 12%.
- ✓ Net income was nearly flat from the previous year due to the absence of positive tax effects reported last year (approx. 3.0 billion yen).

Main Factors for Changes in Business Segment Profit 17Q3YTD



Highlight by business segment 17Q3YTD



(100 Millions of Yen)

Sales Revenue	17Q3 YTD	16Q3 YTD	Rate of Change	Rate of Change (w/o forex impact)
Total	5,342	4,769	12.0%	7.6%
Printing & Solutions	3,099	2,851	8.7%	3.1%
Personal & Home	344	342	0.5%	-4.9%
Machinery	941	664	41.8%	39.0%
Network & Contents	371	375	-1.2%	-1.2%
Domino business	501	436	14.7%	11.5%
Other	87	100	-12.9%	-12.9%

Business Segment Profit	17Q3 YTD	16Q3 YTD	Rate of Change
Total	615	494	24.5%
Printing & Solutions	425	379	12.0%
Personal & Home	16	16	-2.7%
Machinery	114	42	173.8%
Network & Contents	21	19	13.7%
Domino business	33	34	-3.7%
Other	7	6	17.9%
Adjustment	-1	-2	-

Operating Profit	17Q3 YTD	16Q3 YTD	Rate of Change
Total	531	473	12.2%
Printing & Solutions	353	360	-2.0%
Personal & Home	10	15	-37.1%
Machinery	112	45	148.5%
Network & Contents	20	8	140.5%
Domino business	28	39	-27.6%
Other	8	7	24.6%
Adjustment	-1	-2	-

Forecast for FY2017



(100 Millions of Yen)

	FY17 Forecast	Previous forecast	Rate of Change	FY16	Rate of Change (w/o forex impact)
Sales Revenue	7,000	7,000	0.0%	6,412	9.2% (+6.3%)
Business Segment Profit	725	725	0.0%	608	19.3%
Business Segment Profit Ratio	10.4%	10.4%		9.5%	
Operating Profit	660	660	0.0%	592	11.6%
Operating Profit Ratio	9.4%	0.0%		9.2%	
Income before Tax	655	655	0.0%	613	6.9%
Net Income	485	485	0.0%	472	2.7%
Adjusted Net Income	485	485	0.0%	430	12.8%
Exchange Rates					
USD	110.97	110.97		109.03	
EUR	127.63	127.63		119.37	

- Based on progress made through the third quarter, there are no changes to the previous forecast of results for the year.
- The exchange rate assumptions for the forecast period remain 110 yen per U.S. dollar and 128 yen per Euro.
- There are no changes to the forecasts by business segment or region.

The forecast is as follows.

Progress has been made in each business generally in line with plans through the third quarter.

Accordingly, we have left the forecast unchanged at this time.

There are no changes to the prior forecast including the assumed exchange rate and the breakdowns by business segment or region.

Forecast for 2017 by business segment



(100 Millions of Yen)

Sales Revenue	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change	Rate of Change (w/o forex impact)
Total	7,000	7,000	0.0%	6,412	9.2%	6.3%
Printing & Solutions	4,059	4,059	0.0%	3,836	5.8%	2.2%
Personal & Home	454	454	0.0%	444	2.2%	-1.2%
Machinery	1,227	1,227	0.0%	909	34.9%	33.4%
Network & Contents	494	494	0.0%	497	-0.7%	-0.7%
Domino business	670	670	0.0%	594	12.9%	10.6%
Other	96	96	0.0%	131	-26.8%	-26.8%

Business Segment Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	725	725	0.0%	608	19.3%
Printing & Solutions	497	497	0.0%	457	8.9%
Personal & Home	22	22	0.0%	20	7.9%
Machinery	127	127	0.0%	62	105.6%
Network & Contents	25	25	0.0%	22	12.9%
Domino business	48	48	0.0%	42	14.9%
Other	6	6	0.0%	7	-14.0%
Adjustment	-	-	-	-2	-

Operating Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	660	660	0.0%	592	11.6%
Printing & Solutions	455	455	0.0%	455	-0.0%
Personal & Home	13	13	0.0%	19	-30.9%
Machinery	128	128	0.0%	60	114.0%
Network & Contents	20	20	0.0%	9	133.9%
Domino business	42	42	0.0%	44	-3.8%
Other	2	2	0.0%	7	-73.3%
Adjustment	-	-	-	-2	-

Appendix

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Year-on-year growth rates for hardware and consumable for communications and printing equipment
(excluding exchange rate)

	Q3	Q3YTD	TY
Hardware	+10%	+10%	+6%
Consumables	+3%	-2%	-1%

Year-on-year growth rates for the printing category for communications and printing equipment
(excluding exchange rate)

	Q3	Q3YTD	TY
IJP	+2%	+2%	-1%
LBP	+7%	+4%	+3%

Percentage of consumables in sales revenue for communications and printing equipment

	Q3	Q3YTD	TY
Percentage of Consumables	56%	57%	58%

Printing & Solutions Sales Revenue & Business Segment Profit



(100 Millions of Yen)

	16Q3	17Q3	Change	Change x FX	16Q3 YTD	17Q3 YTD	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	984	1,106	12.5%	5.4%	2,851	3,099	8.7%	3.1%	3,836	4,059	4,059	5.8%	2.2%
Communications & Printing equipment	871	985	13.1%	5.9%	2,519	2,746	9.0%	3.5%	3,386	3,584	3,584	5.9%	2.2%
Americas	323	342	5.7%	1.2%	953	1,007	5.6%	0.7%	1,283	1,339	1,339	4.4%	2.0%
Europe	278	334	20.1%	6.4%	791	873	10.4%	1.8%	1,076	1,169	1,169	8.6%	1.7%
Asia & Others	138	161	17.1%	10.2%	413	476	15.4%	9.4%	546	606	606	10.9%	7.2%
Japan	132	148	12.0%	12.0%	362	390	7.8%	7.8%	480	470	470	-2.1%	-2.1%
Electronic stationery	113	122	8.0%	1.2%	333	352	5.8%	0.3%	451	475	475	5.4%	1.9%
Americas	51	53	3.9%	-0.3%	158	160	1.8%	-2.9%	214	218	218	1.6%	-0.6%
Europe	35	39	11.9%	-0.6%	97	106	8.7%	0.5%	132	146	146	10.5%	3.5%
Asia & Others	18	21	17.1%	10.0%	50	59	16.7%	10.8%	66	75	75	13.7%	10.1%
Japan	10	9	-1.1%	-1.1%	28	27	-1.1%	-1.1%	39	37	37	-5.1%	-4.5%
Business Segment Profit	98	156	59.4%	-	379	425	12.0%	-	457	497	497	8.9%	-
Operating Profit	58	150	160.7%	-	360	353	-2.0%	-	455	455	455	0.0%	-

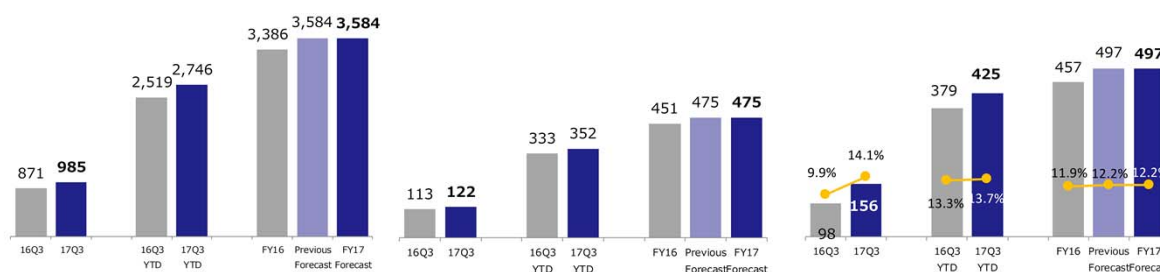
<Sales Revenue>

Communications & Printing equipment

<Sales Revenue>

Electronic stationery

<Business Segment Profit>



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Sales of communications and printing equipment in the third quarter were 98.5 billion yen, a year-on-year increase of 5.9% on a local currency basis.

A breakdown of the increase indicates that sales of hardware increased 10% and sales of consumables increased 3%.

With regard to hardware, demand for compact black-and-white laser printers targeting SOHO users was high, and global sales were strong. In addition, sales of color laser printers continued to grow at a rapid pace in the United States and Western Europe.

Concerning inkjet multi-function printers, the shift to ink-tank models in emerging nations is continuing, but the market in the United States and Western Europe is shrinking, and sales were down. The market in Japan is soft, but sales were up year-on-year in the third quarter.

With regard to consumables, demand was weak in the Americas but was generally firm on other regions.

Sales of electronic stationery were flat from the previous year. Sales of label printers sold under the P-Touch brand were generally firm, but compared to the previous year, there were few mobile printer and other such solution requested orders, and it is believed that this was the cause of sales remaining flat from the prior year.

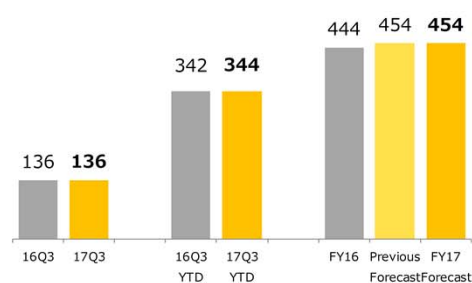
Personal & Home Sales Revenue & Business Segment Profit



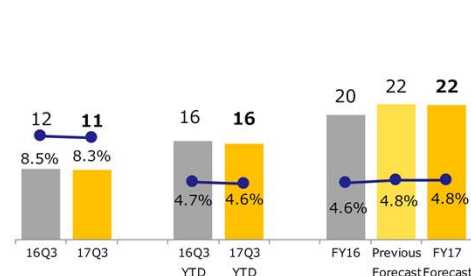
(100 Millions of Yen)

	16Q3	17Q3	Change	Change x FX	16Q3 YTD	17Q3 YTD	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	136	136	0.4%	-5.9%	342	344	0.5%	-4.9%	444	454	454	2.2%	-1.2%
Americas	80	74	-7.7%	-11.8%	199	190	-4.4%	-9.0%	253	248	248	-1.8%	-4.0%
Europe	31	37	20.4%	6.2%	72	87	20.0%	9.7%	96	108	108	12.5%	4.5%
Asia & Others	15	17	9.2%	3.5%	42	42	-0.6%	-5.4%	55	58	58	5.3%	2.0%
Japan	10	9	-9.6%	-9.6%	28	24	-12.8%	-12.8%	41	40	40	-0.8%	-1.8%
Business Segment Profit	12	11	-1.4%	-	16	16	-2.7%	-	20	22	22	7.9%	-
Operating Profit	10	10	-5.2%	-	15	10	-37.1%	-	19	13	13	-30.9%	-

<Sales Revenue>



<Business Segment Profit>



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Sales revenue in the third quarter was 13.6 billion yen, a decrease of 5.9% on a local currency basis. Looking to sales by region, sales in the Americas were down 11.8%, and this was a factor that pushed down overall results.

Demand in the Americas was weak, particularly for mid-range and high-end models, and this is believed to be a factor behind the decrease in sales.

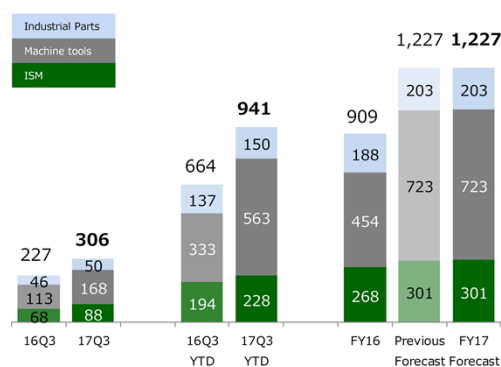
Machinery Business Sales Revenue & Business Segment Profit



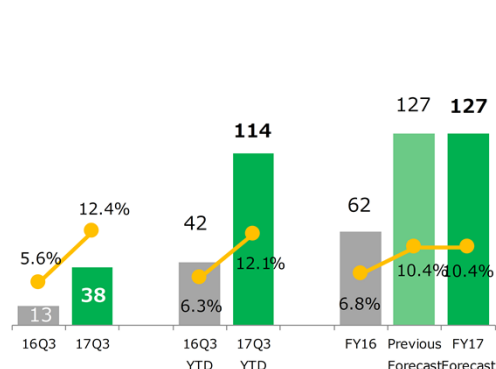
(100 Millions of Yen)

	16Q3	17Q3	Change	Change x FX	16Q3 YTD	17Q3 YTD	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	227	306	34.7%	30.9%	664	941	41.8%	39.0%	909	1,227	1,227	34.9%	33.4%
Industrial sewing machines	68	88	30.3%	23.4%	194	228	17.6%	12.2%	268	301	301	12.3%	9.4%
Machine tools	113	168	47.8%	44.8%	333	563	69.1%	67.2%	454	723	723	59.4%	58.4%
Industrial Parts	46	50	9.2%	7.9%	137	150	9.5%	8.3%	188	203	203	8.0%	7.3%
Business Segment Profit	13	38	200.2%	-	42	114	173.8%	-	62	127	127	105.6%	-
Operating Profit	14	38	171.3%	-	45	112	148.5%	-	60	128	128	114.0%	-

<Sales Revenue>



<Business Segment Profit>



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In the third quarter, sales of industrial sewing machines were 8.8 billion yen, machine tools sales were 16.8 billion yen, and industrial parts sales were 5.0 billion yen.

Sales of industrial sewing machines remained firm in China, and sales recovered in the second half in India, Vietnam, and other countries where demand had been sluggish. In the United States and Western Europe, automobile related demand was strong, and sales of new garment printer models was firm, making a significant contribution to results.

Sales of industrial equipment were up significantly as a result of large IT-related orders, as was the case in the first half, as well as a steady increase in automobile related sales.

Sales of industrial parts including both small reducers and gears were firm, in conjunction with increased demand for machinery and expanding demand for factory automation.

Machinery Business Sales Revenue & Business Segment Profit

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at your side

(100 Millions of Yen)

	16Q3	17Q3	Change	Change x FX	16Q3 YTD	17Q3 YTD	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	227	306	34.7%	30.9%	664	941	41.8%	39.0%	909	1,227	1,227	34.9%	33.4%
Industrial sewing machines	68	88	30.3%	23.4%	194	228	17.6%	12.2%	268	301	301	12.3%	9.4%
Americas	14	20	39.4%	34.4%	41	48	18.2%	13.1%	54	62	62	14.3%	12.0%
Europe	10	17	71.3%	51.6%	32	45	42.2%	30.7%	41	54	54	31.2%	22.4%
Asia & Others	42	49	17.1%	12.4%	117	130	11.1%	7.1%	167	178	178	6.7%	5.3%
Japan	1	2	37.2%	37.2%	4	5	8.8%	8.8%	6	7	7	18.2%	11.0%
Machine tools	113	168	47.8%	44.8%	333	563	69.1%	67.3%	454	723	723	59.4%	58.4%
Americas	7	9	27.6%	-	21	23	8.6%	-	27	31	31	15.3%	-
Europe	4	6	33.7%	-	15	20	36.4%	-	21	26	26	23.3%	-
Asia & Others	83	126	50.4%	-	244	456	87.1%	-	334	589	589	76.4%	-
Japan	19	28	46.5%	-	54	64	19.7%	-	72	77	77	7.3%	-
Industrial Parts	46	50	9.2%	7.9%	137	150	9.5%	8.3%	188	203	203	8.0%	7.3%
Americas	6	6	-1.4%	-5.1%	19	19	-0.7%	-5.0%	26	27	27	2.6%	0.7%
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia & Others	4	5	21.9%	12.8%	12	15	24.5%	17.8%	17	20	20	17.0%	13.9%
Japan	36	40	9.5%	9.5%	106	116	9.6%	9.6%	145	156	156	8.0%	7.7%
Business Segment Profit	13	38	200.2%	-	42	114	173.8%	-	62	127	127	105.6%	-
Operating Profit	14	38	171.3%	-	45	112	148.5%	-	60	128	128	114.0%	-

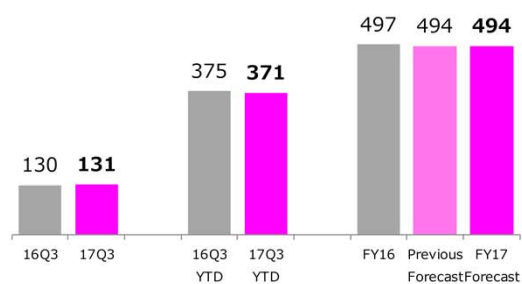
Network & Contents Sales Revenue & Business Segment Profit



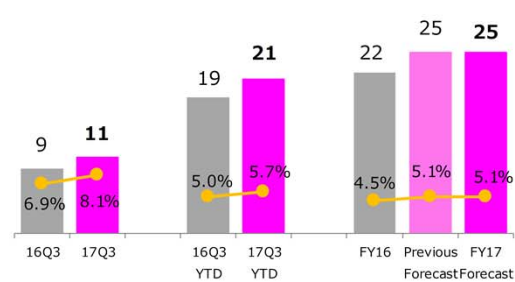
(100 Millions of Yen)

	16Q3	17Q3	Change	16Q3 YTD	17Q3 YTD	Change	FY16	Previous Forecast	FY17 Forecast	Change v LY
Sales Revenue	130	131	1.0%	375	371	-1.2%	497	494	494	-0.7%
Business Segment Profit	9	11	19.4%	19	21	13.7%	22	25	25	12.9%
Operating Profit	8	10	28.7%	8	20	140.5%	9	20	20	133.9%

<Sales Revenue>



<Business Segment Profit>



Sales revenue in the third quarter was 13.1 billion yen, nearly flat from the previous year.

The karaoke business and the directly-managed store business remained firm overall.

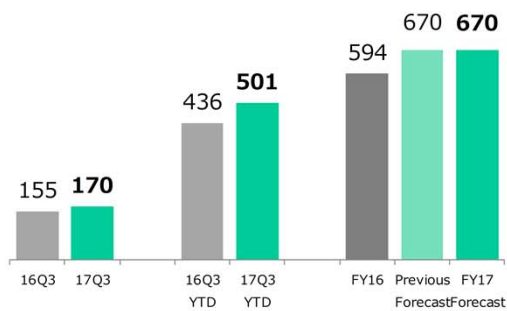
Domino Business Sales Revenue & Business Segment Profit



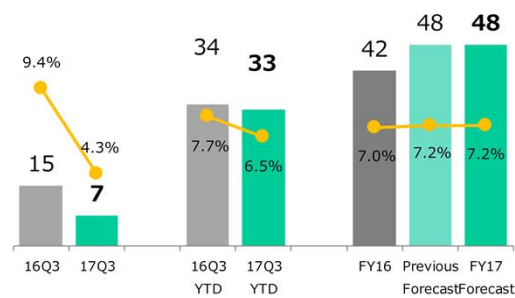
(100 Millions of Yen)

	16Q3	17Q3	Change	Change x FX	16Q3 YTD	17Q3 YTD	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	155	170	10.0%	-1.8%	436	501	14.7%	11.5%	594	670	670	12.9%	10.6%
Americas	42	39	-8.0%	-17.3%	110	121	10.4%	6.4%	150	164	164	9.1%	6.0%
Europe	75	85	13.9%	2.4%	208	240	15.1%	11.2%	283	319	319	12.8%	10.0%
Asia & Others	38	47	22.1%	9.8%	119	140	17.8%	13.8%	161	187	187	16.7%	13.7%
Business Segment Profit	15	7	-49.4%	-	34	33	-3.7%	-	42	48	48	14.9%	-
Operating Profit	20	9	-55.1%	-	39	28	-27.6%	-	44	42	42	-3.8%	-

<Sales Revenue>



<Business Segment Profit>



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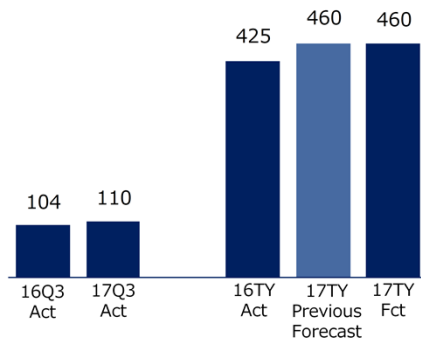
Sales revenue was 17.0 billion yen, down slightly, 1.8%, on a pound basis.

By region, sales were down sharply in the Americas, falling 17.3%.

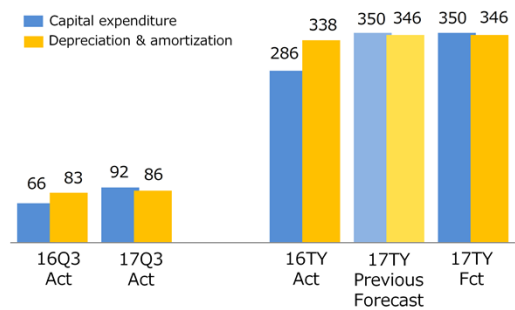
The decrease was largely the result of effects from projects extending in the following fiscal year in the coding and marking business and effects from the product lineup. Sales of inkjet products released in the second half of FY2016 increased, but this was a cause of a decline in the product mix. Orders were generally stable and there were no major changes.

Business segment profit in the third quarter was 700 million yen, down 800 million yen from the previous quarter. Lower sales revenue, changes in the product lineup, and other sales related factors accounted for half of the decrease, with the other half accounted for by increased advance investment including development expenses.

R&D expenses
(100 Millions of Yen)

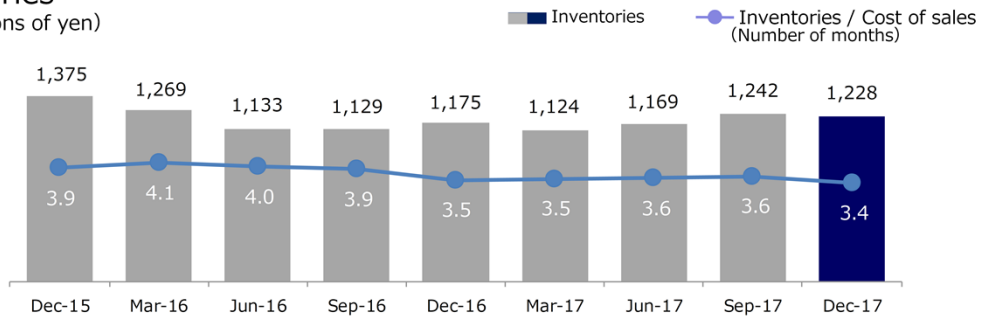


**Capital expenditure /
Depreciation & amortization**
(100 Millions of Yen)



Inventories

(100 Millions of yen)



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