



December 26, 2016

To whom it may concern:

Company: Brother Industries, Ltd.
Representative: Toshikazu Koike, Representative Director & President
(Code No. 6448 [First Section, Tokyo Stock Exchange and Nagoya Stock Exchange])
Inquiry: Yoshitsugu Asai, Managing Executive Officer responsible for Finance & Accounting Dept.
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Notice of Acquisition of 100% Ownership of XING Inc. through Share Exchange (Short-form Share Exchange)

Brother Industries, Ltd. (hereinafter referred to as Brother) and its consolidated subsidiary, XING Inc. (hereinafter referred to as XING), have approved resolutions at their respective Board of Directors meetings to carry out a share exchange involving Brother as the wholly owning parent company and XING as the wholly owned subsidiary company (hereinafter referred to as Share Exchange), and a share exchange agreement has been concluded between the two companies today.

Because this Share Exchange is a short-form share exchange for the purpose of converting a consolidated subsidiary into a wholly owned subsidiary, some of the disclosure items/content have been omitted here.

1. Purpose of this Share Exchange

XING is a consolidated subsidiary of Brother (which holds 99.97% of its shares) engaged in planning, sales and rental of business-use online karaoke systems, management of karaoke clubs, and contents delivery for mobile devices, etc. In making XING a wholly owned subsidiary, Brother is seeking to increase its maneuverability and flexibility in group management, to strengthen its management of the group further, to ensure sustained business growth by utilizing management resources available within the Brother Group, and to improve its own corporate value further.

2. Overview of this Share Exchange

(1) Schedule for this Share Exchange

Approval by the Board of Directors of resolution for share exchange agreement

(XING): Monday, December 19, 2016

(Brother): Monday, December 26, 2016

Conclusion of the share exchange agreement

Monday, December 26, 2016

Scheduled date of the Share Exchange (the date the Share Exchange goes into effect)

Saturday, April 1, 2017 (tentative)

(Note) This Share Exchange will be executed as short-form share exchange as stipulated in Article 796.2 of the Companies Act by Brother and as a simplified share exchange as stipulated in Article 784.1 of the Companies Act by XING without receiving approval from the shareholders at the respective general meetings of shareholders.

(2) Format for this Share Exchange

This Share Exchange will involve Brother as the wholly owning parent company and XING as the wholly owned subsidiary company.

(3) Allocation of shares in connection with this Share Exchange

| Company | Brother Industries, Ltd. (wholly owning parent company) | XING Inc. (wholly owned subsidiary company) |
|---|--|--|
| Allocation of shares in connection with this Share Exchange | 1 | 0.28 |
| Number of shares to be delivered in this Share Exchange | 6,440 shares (tentative) | |

(Note 1) The shares held by Brother that will be allocated in this Share Exchange will come from treasury shares Brother owns. Brother has no plans to issue new shares for allocation in this Share Exchange.

(Note 2) Brother will allocate/deliver 0.28 ordinary shares for each share of XING. However, there will be no allocation of shares for this Share Exchange for the XING shares already held by Brother.

(4) Handling of share options and bonds with share options

XING has not issued share options or bonds with share options.

3. Allocation calculations for this Share Exchange

The share price for Brother as a listed company was calculated by employing the market share method. The share price of XING as a non-listed company was calculated by a third-party organization independent from both Brother and XING by using the discounted cash flow method and comparable peer company analysis. The share exchange ratio was determined based on the above calculation results after a careful deliberation between Brother and XING.

4. Profiles of the companies involved in this Share Exchange (As of September 30, 2016)

| | Wholly owning parent company | Wholly owned subsidiary company |
|---------------------------|--|--|
| ① Company Name | Brother Industries, Ltd. | XING Inc. |
| ② Head Office | 15-1 Naeshiro-cho, Mizuho-ku, Nagoya, Aichi 467-8561, Japan | 3-8 Momozono-cho, Mizuho-ku, Nagoya, Aichi 467-0855, Japan |
| ③ Representative | Toshikazu Koike, Representative Director & President | Jun Kamiya, Representative Director & Chairman |
| ④ Summary of Business | Manufacturing and sales of information and communication equipment, home-use and industrial sewing machines, and machine tools | Planning, sales and rental of business-use online karaoke systems, management of karaoke clubs, and delivery of content for mobile devices |
| ⑤ Paid-in Capital | 19,209 million yen | 7,122 million yen |
| ⑥ Establishment Date | January 15, 1934 | May 6, 1992 |
| ⑦ Number of Shares Issued | 277,535,866 shares | 69,954,422 shares |
| ⑧ Book Closing Date | March 31 | March 31 |

| | | |
|--|---|--|
| ⑨ Major Shareholders and Shareholding Ratio | STATE STREET BANK AND TRUST COMPANY: 7.36% Nippon Life Insurance Company: 4.25% The Master Trust Bank of Japan, Ltd.(in trusts): 4.02% Japan Trustee Services Bank, Ltd.(in trusts): 3.96% Sumitomo Mitsui Banking Corporation: 2.66% | Brother Industries, Ltd.: 99.97% |
| ⑩ Operating Results for the Most Recent Business Year and Financial Position as of the End of the Business Year (In millions of yen) | | |
| | Brother Industries, Ltd. (Wholly owning parent company) (Consolidated, Japanese standard) (Term ended March 31, 2016) | XING Inc. (Wholly owned subsidiary company) (Non-consolidated, Japanese standard) (Term ended March 31, 2016) |
| Net assets | 339,722 | 8,771 |
| Total assets | 667,811 | 26,660 |
| Net assets per share (yen) | 1,240.77 | 125.38 |
| Net sales | 745,888 | 39,015 |
| Operating income | 47,276 | △307 |
| Current profits | 48,611 | △1,717 |
| Net income attributable to owner of the Company | 31,017 | △1,896 |
| Net income per share (yen) | 119.47 | △27.11 |

5. Status after this Share Exchange

There will be no changes made by Brother Industries, Ltd. in its name, address, name/title of representative, business activities, capital or fiscal term as a consequence of this Share Exchange.

6. Future outlook

Because XING is a consolidated subsidiary of Brother, any impact that this Share Exchange may have on Brother's consolidated results for the term ending in March 31, 2017 is expected to be negligible.