

Fiscal Year 2015 (ending March 31, 2016)

Third Quarter Results
(ended December 31, 2015)

Brother Industries, Ltd.
February 2, 2016

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 FY2015 (ending March 31, 2016) < FY2015 Q3 >



<Key points for the three months ended December 2015>

- ✓ Sales of Communications and Printing equipment decreased mainly due to sluggish demand in emerging countries, particularly, China.
- ✓ Sales of Machine tools significantly decreased due to economic slowdown in China as well as sluggish demand from IT-related industries.
- ✓ Operating income in our existing businesses remained at the same level as the previous year because cost reduction in P&S and a decrease in SGA made up for the loss in Machine tools.

				<100 Millions of Yen>		
	14Q3YTD	15Q3YTD	Rate of Change (w/o forex impact)	14Q3	15Q3	Rate of Change (w/o forex impact)
Net Sales	5,214	5,697	9.3% (+5.9%)	1,968	1,986	0.9% (+2.0%)
Operating Income	458	395	-13.7%	158	146	-7.7%
Operating Income Ratio	8.8%	6.9%		8.1%	7.4%	
Current Profits	424	413	-2.6%	148	161	9.2%
Extraordinary Income(Loss)	152	22		-8	11	
Income Taxes	94	178		29	52	
Income before minority interests	482	257	-46.7%	110	121	9.8%
Net Income	481	253	-47.3%	109	120	9.6%
Exchange Rates						
USD	107.27	121.49		114.39	121.07	
EUR	140.50	133.67		142.60	132.37	

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Sales in Q3 were ¥198.6 billion, up ¥1.8 billion compared to the same period last year.

However, sales in our existing businesses decreased while newly consolidated subsidiary Domino brought in ¥16.4 billion.

Foreign currency effects had a negative impact of approximately ¥2 billion on sales.

The breakdown is as follows: a positive impact of ¥3 billion from the U.S. dollar, a negative impact of ¥3 billion from the euro, and a negative impact of ¥2 billion from commodity currencies and emerging-market currencies, such as those of Canada, Brazil and Australia.

Operating income was ¥14.6 billion, down ¥1.2 billion compared to the same period last year.

Although operating income in the P&S business increased by ¥2.5 billion owing to cost reductions and decreased SGA, operating income in the M&S business fell by ¥2.5 billion due to a significant decline in demand for Machine tools. This indicates that operating income in our existing businesses remained at almost the same level as last year and that the ¥1.2 billion decrease was all brought by the Domino business.

Consolidated Results for FY2015 Q3

Sales and Operating Income by Business Segment



Sales

<100 Millions of Yen>

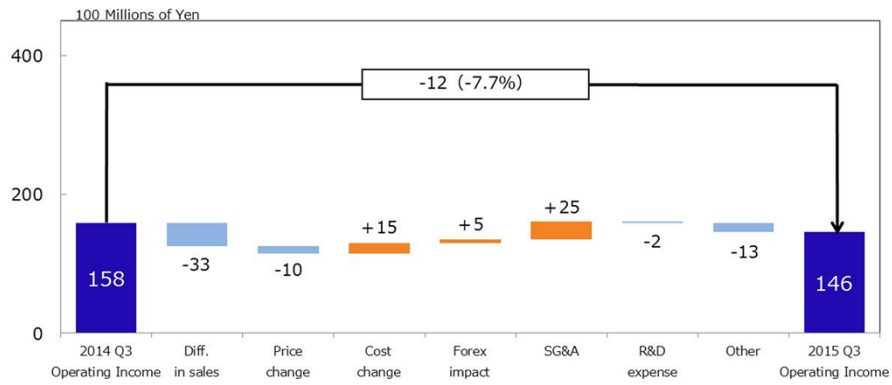
	14Q3	15Q3	Rate of Change	Rate of Change x FX	14Q3	15Q3	Rate of Change	Rate of Change x FX
	YTD	YTD			YTD	YTD		
Total	5,214	5,697	9.3%	5.9%	1,968	1,986	0.9%	2.0%
Printing & Solutions	3,504	3,633	3.7%	0.3%	1,326	1,273	-4.0%	-2.2%
Personal & Home	385	415	7.7%	2.8%	166	163	-2.4%	-2.6%
Machinery & Solution	734	658	-10.4%	-15.1%	265	164	-38.0%	-38.9%
Network & Contents	351	408	16.2%	15.9%	126	137	8.5%	8.5%
Industrial Part	129	136	5.6%	3.1%	43	46	6.6%	5.6%
Domino business	-	332	-	-	-	164	-	-
Other	111	115	3.3%	3.3%	41	40	-3.5%	-3.5%

Operating Margin

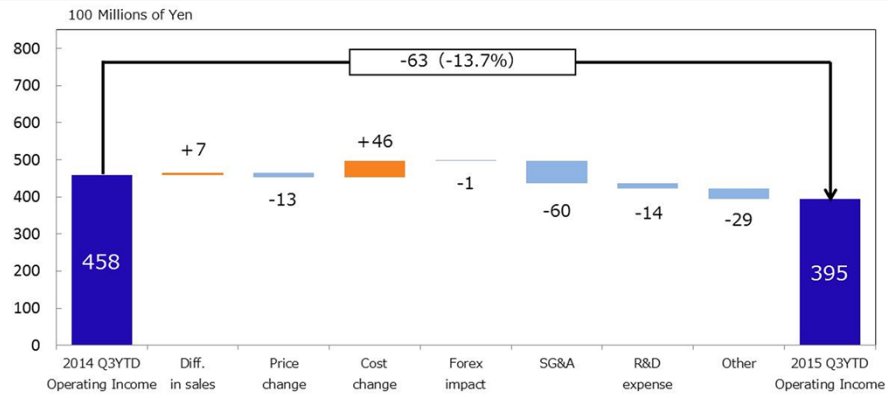
	14Q3	15Q3	Rate of Change	14Q3	15Q3	Rate of Change
	YTD	YTD		YTD	YTD	
Total	458	395	-13.7%	158	146	-7.7%
Printing & Solutions	303	274	-9.6%	93	117	26.9%
Personal & Home	42	44	4.0%	22	18	-19.6%
Machinery & Solution	118	96	-18.3%	42	17	-60.0%
Network & Contents	-19	-5	-	-2	2	-
Industrial Part	2	6	216.7%	0	2	-
Domino business	-	-11	-	-	-12	-
Other	12	9	-23.5%	4	3	-28.7%
Adjustment	-	-18	-	-	-0	-

Main Factors for Changes in Operating Income

<Q3>



<Q3 YTD>



- ✓ In P&S, forecasts for all regions, in particular for the Americas and China, have been revised downward in consideration of the current situation.
- ✓ Forecast for Machine tools has been revised downward in light of sluggish demand as a result of economic slowdown in China and slow recovery of demand from IT related industries.
- ✓ Operating income forecast for each business, particularly for M&S and N&C, has been revised downward in consideration of a more achievable target.

				<100 Millions of Yen>	
	15TY Fct	Previous forecast	Rate of Change	14TY	Rate of Change (w/o forex impact)
Net Sales	7,550	8,000	-5.6%	7,072	6.8% (+5.3%)
Operating Income	430	500	-14.0%	575	-25.3%
Operating Income Ratio	5.7%	6.3%		8.1%	
Current Profits	450	485	-7.2%	516	-12.7%
Extraordinary Income(Loss)	10	15		138	
Income Taxes	175	180		116	
Income before minority interests	285	320	-10.9%	538	-47.0%
Net Income	280	315	-11.1%	540	-48.1%
Exchange Rates					
USD	120.73	120.81		110.03	
EUR	132.65	134.78		138.68	

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Revised forecast

The sales forecast has been lowered to ¥755 billion, down ¥45 billion, from the previous forecast of ¥800 billion.

We were pursuing a very high sales target from the beginning of this fiscal year. However, taking the current economic slowdown into account, we have revised downward our forecasts for all businesses in light of a more achievable goal.

The operating income forecast has been also revised downward to ¥43 billion, down ¥7 billion, from the previous forecast, in light of a more achievable target.

Consolidated Forecast for FY2015 TY Sales and Operating Income by Business Segment



<100 Millions of Yen>

Sales	15 TY Forecast	Previous Forecast	Rate of Change	14 TY	Rate of Change	Rate of Change x FX
Total	7,550	8,000	-5.6%	7,072	6.8%	5.3%
Printing & Solutions	4,817	5,065	-4.9%	4,743	1.6%	0.4%
Personal & Home	531	545	-2.6%	514	3.2%	0.5%
Machinery & Solution	835	983	-15.1%	1,006	-17.0%	-20.1%
Network & Contents	555	575	-3.5%	490	13.4%	13.1%
Industrial Part	185	195	-5.1%	174	6.1%	4.7%
Domino business	484	500	-3.2%	-	-	-
Other	143	137	4.4%	145	-1.5%	-2.0%

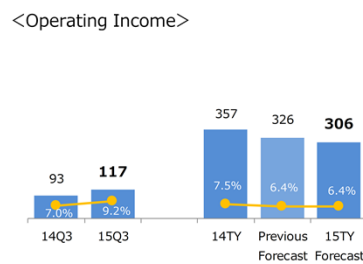
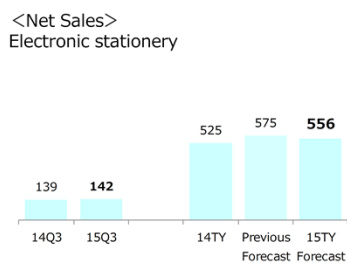
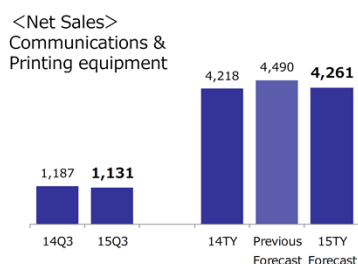
Operating Margin	15 TY Forecast	Previous Forecast	Rate of Change	14 TY	Rate of Change
Total	430	500	-14.0%	575	-25.3%
Printing & Solutions	306	326	-6.1%	357	-14.3%
Personal & Home	45	53	-15.1%	49	-8.7%
Machinery & Solution	99	134	-26.1%	162	-39.0%
Network & Contents	2	12	-83.3%	-9	-
Industrial Part	8	10	-20.0%	3	179.0%
Domino business	-22	-27	18.5%	-	-
Other	10	10	0.0%	12	-19.3%
Adjustment	-18	-18	0.0%	-	-

Forecasts for the Americas and China revised downward

- Although our sell-out remains steady in developed markets, there's a low possibility to achieve the previous forecast.
- Forecast for China has been revised downward due to economic slowdown



	14Q3	15Q3	Change	Change x FX	14TY	Previous Forecast	15TY Forecast	Change	Change x FX
Net Sales	1,326	1,273	-4.0%	-2.2%	4,743	5,065	4,817	1.6%	0.4%
Communications & Printing equipment	1,187	1,131	-4.7%	-2.8%	4,218	4,490	4,261	1.0%	0.1%
Americas	470	458	-2.5%	-4.2%	1,680	1,845	1,765	5.1%	-0.3%
Europe	396	381	-3.7%	2.4%	1,417	1,414	1,367	-3.5%	0.1%
Asia & Others	188	158	-16.3%	-12.9%	694	752	659	-5.0%	-5.4%
Japan	133	134	1.0%	1.0%	427	479	470	10.0%	10.0%
Electronic stationery	139	142	2.0%	2.8%	525	575	556	6.0%	3.5%
Americas	66	71	7.3%	4.5%	253	289	280	10.6%	3.8%
Europe	42	41	-2.6%	3.2%	158	162	159	0.8%	4.2%
Asia & Others	22	21	-4.7%	-2.1%	78	84	77	-1.8%	-3.4%
Japan	8	8	0.8%	0.8%	35	40	40	13.5%	13.5%
Operating Income	93	117			357	326	306		



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In Communications and Printing equipment, Q3 sales by geographical location saw negative growth in the Americas and Asia. Regarding the U.S., our sell-in showed negative year-on-year growth. However, our sell-out in the retail market remained at the same level as last year. We do not believe that demand is significantly falling.

Operating income increased due to cost reductions and decreased SGA.

The full-year forecast has been revised downward in consideration of the current situation and a more achievable target: sales down by ¥24.8 billion and operating income down by ¥2 billion yen compared to the previous forecast.

The forecasts for Communications and Printing equipment sales have been revised downward mainly in the Americas and China/other Asian regions in their local currencies; down approximately ¥7 billion and ¥9 billion, respectively, when converted into JPY.

The downward revision for the Americas is largely attributed to a change from our challenging initial sales target to an achievable target. The downward revision for China/other Asian regions is owing to changes to our initial target in light of the current situation and partly due to weak demand.

The operating income forecast has been lowered by ¥2 billion. Although a decline in sales and negative impacts from the revised assumed exchange rates are predicted, such negative factors will be partly covered by cost reductions.

Steady demand in North America and Western Europe

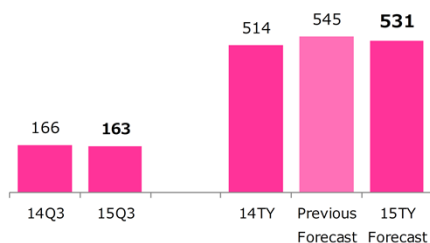
- Sales in Q3 decreased due to a backlash in demand after a sharp rise brought by new product launches.
- While sale in Russia were weak, sales in Western Europe remained strong



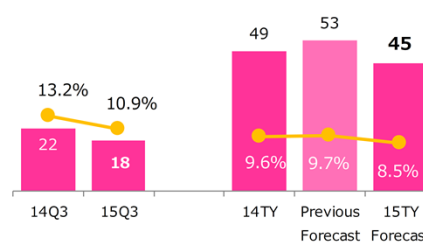
<100 Millions of Yen>

	14Q3	15Q3	Change	Change x FX	14TY	Previous Forecast	15TY Forecast	Change	Change x FX
Net Sales	166	163	-2.4%	-2.6%	514	545	531	3.2%	0.4%
Americas	104	101	-2.2%	-5.8%	296	330	317	7.1%	0.7%
Europe	35	34	-3.6%	3.8%	111	100	102	-8.4%	-3.7%
Asia & Others	18	17	-6.3%	-2.0%	60	67	65	9.1%	7.6%
Japan	10	11	7.3%	7.3%	48	48	47	-1.1%	-1.1%
Operating Income	22	18			49	53	45		

<Net Sales>



<Operating Income>



Sales in Q3 were ¥16.3 billion, down 2.6% year-on-year on a local currency basis.

Sales in the Americas, which have been a driving force in the P&H business, saw negative growth. However, considering that sales launches of new high-end embroidery machines were very strong last year, we are aware that our initial target was too high.

Regarding Europe, while sales in Russia remained weak, sales in Western Europe were continuously strong.

The full-year forecast has been lowered by factoring into the unachieved target in Q3.

Forecast for Machine tools revised downward

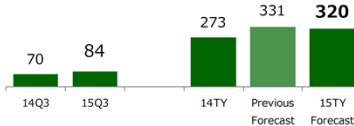
- Sales of Industrial sewing machines in China and Southeast Asia remained stable due to the launch of new lock stitch sewing machines
- Forecast for Machine tools has been substantially revised downward due to sluggish orders from both IT-related industries and customers in China



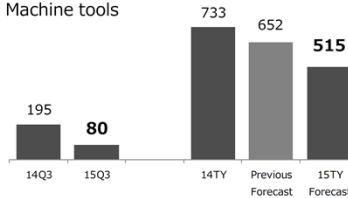
<100 Millions of Yen>

	14Q3	15Q3	Change	Change x FX	14TY	Previous Forecast	15TY Forecast	Change	Change x FX
Net Sales	265	164	-38.0%	-38.9%	1,006	983	835	-17.0%	-20.1%
Industrial sewing machines	70	84	20.1%	17.1%	273	331	320	17.2%	10.9%
Americas	14	17	21.1%	15.0%	54	61	64	19.4%	9.9%
Europe	12	13	10.3%	19.0%	43	48	47	9.2%	14.7%
Asia & Others	43	53	22.6%	17.4%	169	215	203	19.8%	11.3%
Japan	2	2	13.0%	13.0%	7	7	6	-13.5%	-13.5%
Machine tools	195	80	-59.0%	-59.1%	733	652	515	-29.8%	-31.7%
Americas	8	5	-29.9%	-	29	26	24	-14.6%	-
Europe	5	4	-22.7%	-	23	25	20	-14.5%	-
Asia & Others	164	51	-68.9%	-	622	529	398	-36.1%	-
Japan	17	19	12.4%	-	59	71	73	23.0%	-
Operating Income	42	17			162	134	99		

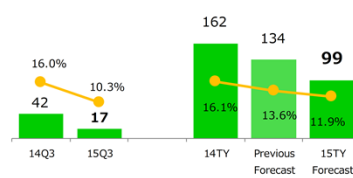
<Net Sales>
Industrial sewing machines



<Net Sales>
Machine tools



<Operating Income>



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Sales of Industrial sewing machines were strong. In China/other Asian regions, sales of lock stitch sewing machines, our strategic models, were robust.

In Europe and the Americas, sales of garment printers and sewing machines to automobile industries were steady.

Sales of Machine tools significantly decreased, down 60% year-on-year, mainly because there was no recovery of demand from IT-related industries and demand from customers in China was sluggish, despite stable demand from automobile-related industries in Japan.

The full-year forecasts for both businesses have been lowered in light of more achievable targets.

In particular, the forecast for Machine tools has been significantly revised downward due to uncertain timing and extent of recovery, although the previous forecast was based on the assumption that demand from IT-related industries would recover in Q4.

Rental transactions increased, suppressing profit in this period

• Despite new models enjoying a good reputation, improvement in financial performance in this period was below expectation due to increased rental transactions

JOYSOUND MAX



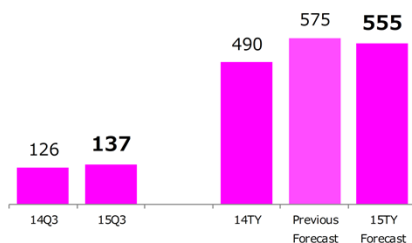
JOYSOUND 兄弟



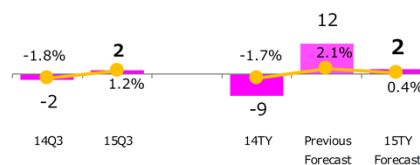
<100 Millions of Yen>

	14Q3	15Q3	Change	14TY	Previous Forecast	15TY Forecast	Change
Net Sales	126	137	8.5%	490	575	555	13.4%
Operating Income	-2	2		-9	12	2	

<Net Sales>



<Operating Income>



Sales and profit were expected to grow due to the launch of new models. However, rental transactions increased beyond our expectation, suppressing profit in this period.

Accordingly, the sales and profit forecasts for the full year have been revised downward.

Sales increase of high-efficiency gear motors

- Aim to increase sales of IE3 gear motors in Japan.
- Aim to grow sales in North America and South Korea.

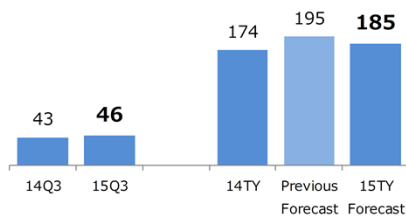
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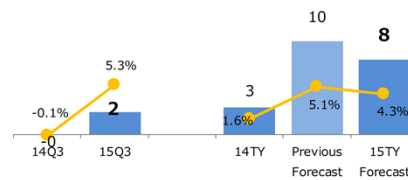
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	14Q3	15Q3	Change	Change x FX	14TY	Previous Forecast	15TY Forecast	Change	Change x FX
Net Sales	43	46	6.6%	5.6%	174	195	185	6.1%	4.7%
Americas	6	7	33.5%	25.7%	23	30	28	22.9%	12.8%
Asia & Others	1	3	157.1%	157.6%	5	18	16	244.8%	243.6%
Japan	36	35	-3.0%	-3.0%	147	147	141	-4.1%	-4.1%
Operating Income	-0	2			3	10	8		

<Net Sales>



<Operating Income>

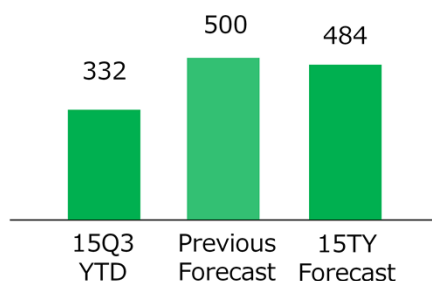


We are roughly right on track with no significant concerns.

(Reference)
Domino Business Sales & Operating Income



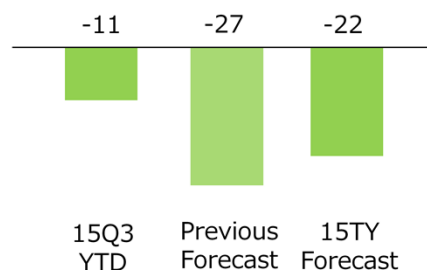
Net Sales (100 Millions of Yen)



*Ref: Year-on-year growth rate by geography (local currency basis)

	Q3YTD
Europe	+5%
Americas	0%
Asia	+7%
Other*	+1%
計	+3%

Operating Income (100 Millions of Yen)



*Ref: Breakdown of operating income of Domino business

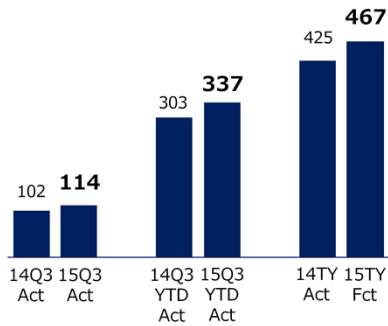
	Q3YTD
Domino's OP income	50
Amortization of goodwill	-35
Amortization of intangible assets	-18
Other*	-8
Domino business OP income	-11

*Other mainly represents an adjustment from IFRS to J-GAAP.

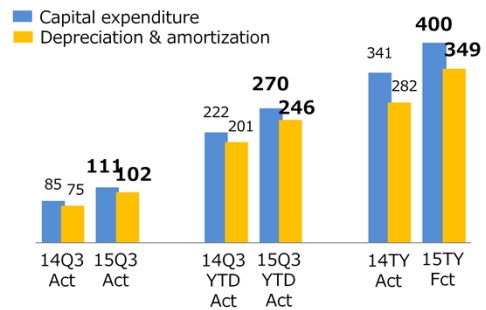
For reference, we present sales growth rates by geography for the six months after Domino became a consolidated subsidiary.

The breakdown of operating income of Domino business, such as amortizations of goodwill and intangible assets, is shown.

R&D expenses
(100 Millions of Yen)

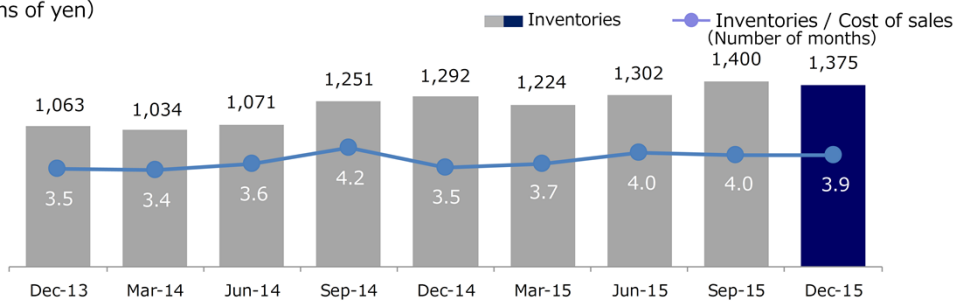


**Capital expenditure /
Depreciation & amortization**
(100 Millions of Yen)



Inventories

(100 Millions of yen)



brother
at your side