

Fiscal Year 2017 (ending March 31, 2018)

First Half & Second Quarter Results
(ended September 30, 2017)

Brother Industries, Ltd.

November 7, 2017

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 Q2

(100 Millions of Yen)

	17Q2	16Q2	change	Rate of Change (w/o FX)
Sales Revenue	1,787	1,527	259	17.0% (+9.7%)
Business Segment Profit	216	145	71	48.8%
BSP Ratio	12.1%	9.5%		
Operating Profit	187	151	37	24.2%
OP Ratio	10.5%	9.9%		
Income before Tax	186	159	27	16.6%
Net Income	135	117	19	16.2%
Exchange Rates				
USD	111.38	102.91		
EUR	130.45	114.59		

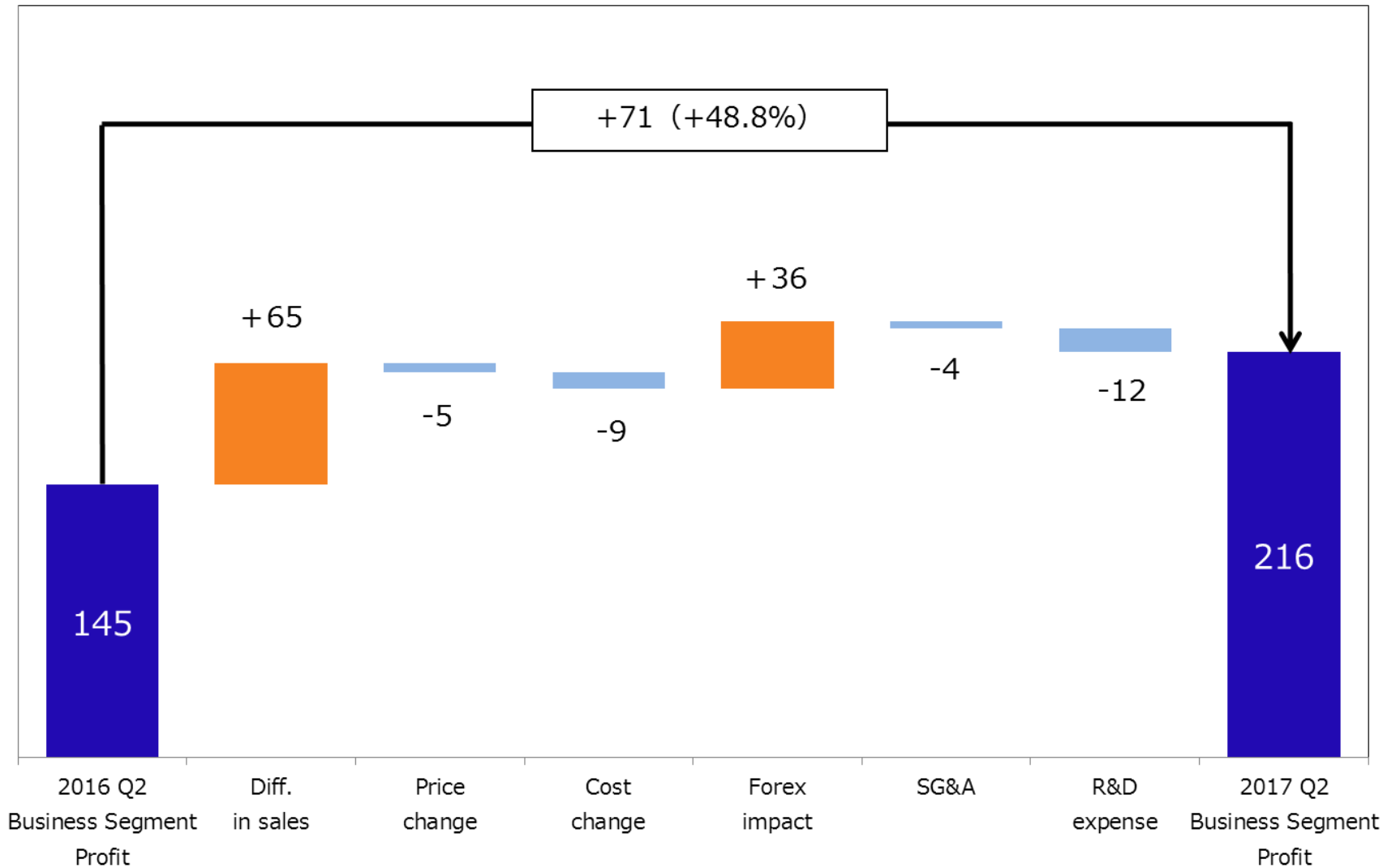
- No negative impact of the elimination owing to the change of the evaluation standard for unrealized inventory profit.
- FX impact (TTL : +3.6 billion yen)
USD (0) billion yen
EUR 3.2 billion yen

- Impairment loss of exchange contract increased due to appreciation of the euro.

- ✓ In the P&S business, sales of LBP Hardware steadily grew on a global basis, as well as sales of the inkjet all-in-one models with ink tanks
- ✓ Sales of machine tools increased significantly due to the increase of sales for the automobile related industry in addition to the impact of receiving large orders for IT-related customers
- ✓ Business segment profit increased significantly in the Machinery business due to strong sales of machine tools
- ✓ Operating profit increased due to a large increase of the business segment profit, despite the increase of impairment loss of exchange contract

Main Factors for Changes in Business Segment Profit 17Q2

100 Millions of Yen



Highlight by business segment 17Q2

(100 Millions of Yen)

Sales Revenue	17Q2	16Q2	Rate of Change	Rate of Change (w/o forex impact)
Total	1,787	1,527	17.0%	9.7%
Printing & Solutions	1,004	915	9.8%	0.9%
Personal & Home	114	111	2.6%	-5.6%
Machinery	344	207	66.5%	61.6%
Network & Contents	128	120	6.7%	6.6%
Domino business	166	137	20.5%	11.9%
Other	31	38	-17.2%	-17.2%

Business Segment Profit	17Q2	16Q2	Rate of Change
Total	216	145	48.8%
Printing & Solutions	135	112	20.8%
Personal & Home	6	5	24.1%
Machinery	51	10	395.6%
Network & Contents	11	6	97.5%
Domino business	9	11	-12.9%
Other	4	2	101.6%
Adjustment	-0	-0	-

Operating Profit	17Q2	16Q2	Rate of Change
Total	187	151	24.2%
Printing & Solutions	112	124	-9.6%
Personal & Home	4	5	-10.0%
Machinery	49	12	319.1%
Network & Contents	10	-3	-
Domino business	7	11	-34.2%
Other	4	2	92.8%
Adjustment	-0	-0	-

Consolidated Results for FY2017 1H

(100 Millions of Yen)

	171H	161H	change	Rate of Change (w/o FX)
Sales Revenue	3,464	3,103	361	11.6% (+8.3%)
Business Segment Profit	391	347	44	12.8%
BSP Ratio	11.3%	11.2%		
Operating Profit	313	362	-49	-13.4%
OP Ratio	9.0%	11.7%		
Income before Tax	316	371	-55	-14.8%
Net Income	227	270	-43	-16.0%
Exchange Rates				
USD	111.42	106.43		
EUR	126.63	119.12		

• The elimination of 2.2 billion yen owing to the change of the evaluation standard for unrealized inventory profit, etc.

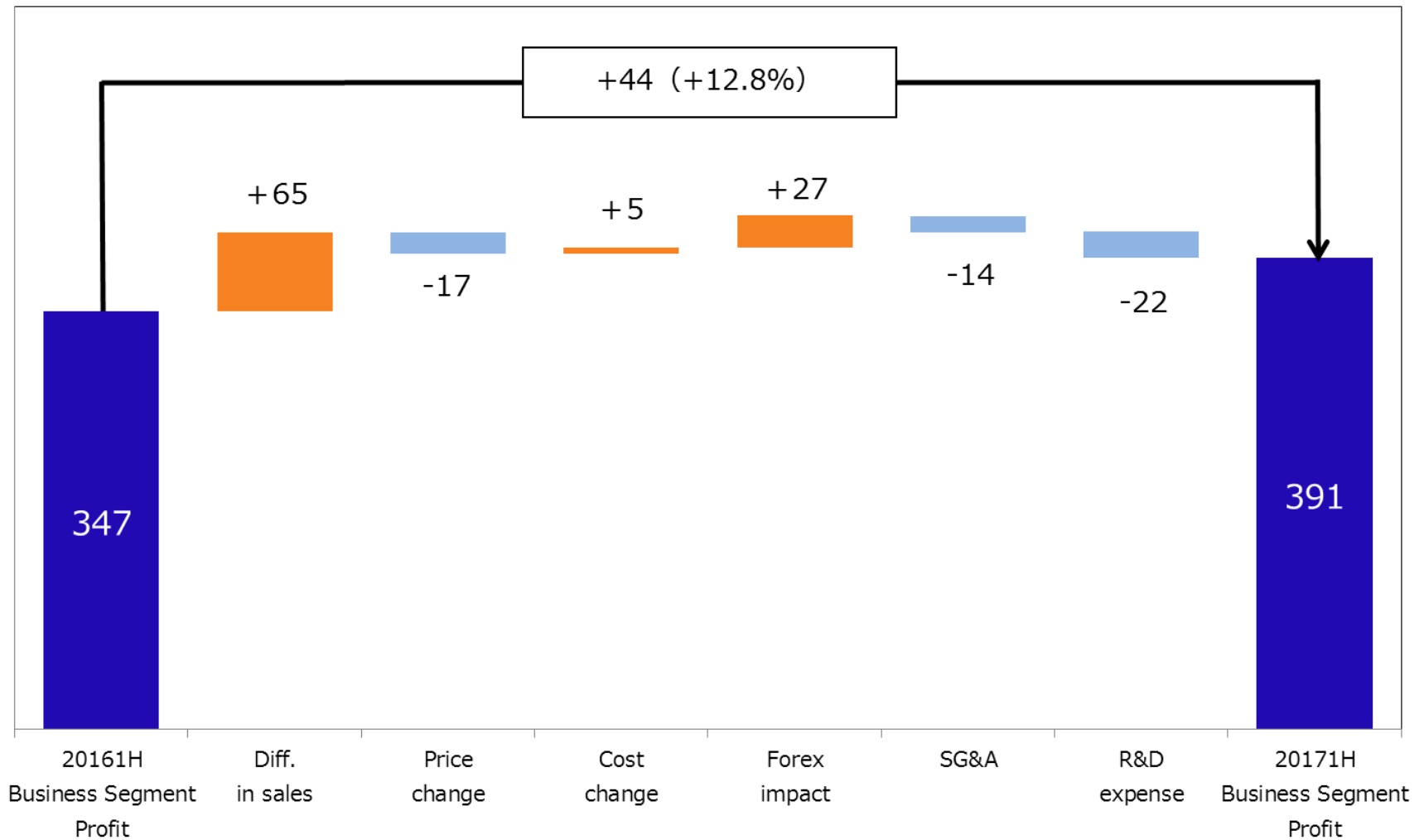
• FX impact (TTL : +3.6 billion yen)
USD (0) billion yen
EUR 2.4 billion yen

• Impairment loss of exchange contract increased due to appreciation of the euro.

- ✓ In the P&S business, sales of LBP Hardware steadily grew on a global basis, as well as sales of the inkjet all-in-one models with ink tanks
- ✓ Sales of machine tools increased significantly due to the increase of sales for the automobile related industry in addition to the impact of receiving large orders for IT-related customers
- ✓ Business segment profit increased significantly in the Machinery business due to strong sales of machine tools
- ✓ Operational profit decreased due to depreciation of the yen against the euro, creating a temporary increase of impairment loss related to the exchange contract. The negative impact of the fact that exchange gain, which was scheduled to be reported during FY2017, was included in the results of FY2016 ahead of schedule in accordance with the IFRS standard also contributed to the decrease in operational profit.

Main Factors for Changes in Business Segment Profit 171H

100 Millions of Yen



Highlight by business segment 171H

(100 Millions of Yen)

Sales Revenue	FY17 1H	FY16 1H	Rate of Change	Rate of Change (w/o forex impact)
Total	3,464	3,103	11.6%	8.3%
Printing & Solutions	1,992	1,868	6.7%	2.0%
Personal & Home	207	206	0.6%	-4.2%
Machinery	635	436	45.5%	43.3%
Network & Contents	240	246	-2.3%	-2.4%
Domino business	330	282	-	-
Other	60	65	-8.5%	-8.5%

Business Segment Profit	FY17 1H	FY16 1H	Rate of Change
Total	391	347	12.8%
Printing & Solutions	269	281	-4.4%
Personal & Home	4	5	-6.2%
Machinery	76	29	162.3%
Network & Contents	11	10	8.6%
Domino business	25	19	-
Other	6	4	60.3%
Adjustment	-1	-1	-

Operating Profit	FY17 1H	FY16 1H	Rate of Change
Total	313	362	-13.4%
Printing & Solutions	203	303	-32.9%
Personal & Home	0	5	-103.2%
Machinery	75	31	138.4%
Network & Contents	9	0	-
Domino business	19	19	-
Other	7	5	55.2%
Adjustment	-1	-1	-



Printing & Solutions

Communications & Printing equipment / Electronic stationery

(100 Millions of Yen)

	171H	161H	Change	Rate of Change (w/o FX)
Sales Revenue				
Printing & Solutions	1,992	1,868	6.7%	2.0%
Communication & Printing equipment	1,762	1,648	6.9%	2.2%
Electronic stationery	230	220	4.7%	-0.1%
Business Segment Profit	269	281	-4.4%	-
Operating Profit	203	303	-32.9%	-

Communication & Printing equipment

◆ SOHO

• Sales remained strong in North America and Western Europe. Sales volume of both monochrome and color LBP's surpassed that of the previous year.

◆ SMB

• A new series of color LBP models was released.
• The MPS business for monochrome LBP's expanded mainly in Europe.

◆ Emerging nations

Sales volume of monochrome laser products increased significantly not only in Asia, but also other areas of the world including Eastern Europe, Russia, and Central and South America.

◆ IJP

• Sales of the models with high-yield ink tank increased strongly by 20% as compared to the previous year.

Electronic stationery

• P-TOUCH CUBE, a label printer that enables editing of labels by using a smartphone app, had strong sales in Japan.



Color Laser All-in-One
MFC-L9570CDW



Label Printer
P-TOUCH CUBE



Personal & Home

Home sewing machines

(100 Millions of Yen)

	171H	161H	Change	Rate of Change (w/o FX)
Sales Revenue	207	206	0.6%	-4.2%
Business Segment Profit	4	5	-6.2%	-
Operating Profit	0	5	-	-

- ✓ Revenue declined in the Americas due to decrease in demand.
- ✓ In Europe, demand in the Western European market remains strong in addition to the fact that demand in the Russian market is heading for recovery.
- ✓ The craft business (ScanNCut) has also grown more than the original plan.



Sewing & Embroidery Machine
XV-8550D ©Disney



Commercial Embroidery Machine
PR670E



Home Cutting Machine
ScanNCut CM650W

Machinery

Industrial sewing machines/Machine tools/Industrial Parts

(100 Millions of Yen)

	171H	161H	Change	Rate of Change (w/o FX)
<u>Sales Revenue</u>				
Machinery Business	635	436	45.5%	43.3%
Industrial sewing machines	140	126	10.9%	6.3%
Machine tools	396	220	80.2%	78.9%
Industrial Parts	99	90	9.6%	8.5%
Business Segment Profit	76	29	162.3%	-
Operating Profit	75	31	138.4%	-



**SPEEDIO
S500X1**



GTX

Garment Printer **GTX**

Industrial sewing machines

- ✓ The demand for products targeting the apparel industry grew steadily in China.
- ✓ Demand in the Asian market remains weak.
- ✓ GTX, a new model of a garment printer was released for the first time in five years.

Machine tools

- ✓ Revenue increased drastically owing to special IT related orders received at the end of the previous term.
- ✓ The volume of orders from automobile-related businesses also continued to remain at a high level.

Industrial Parts

- ✓ Sales of both reducers and gears grew steadily inside and outside Japan as the demand expanded.



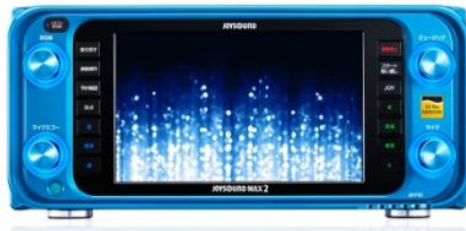
Network & Contents

Online karaoke machines

(100 Millions of Yen)

	171H	161H	Change
Sales Revenue	240	246	-2.3%
Business Segment Profit	11	10	8.6%
Operating Profit	9	0	-

ハイレゾカラオケ
JOYSOUND MAX2



<Sales Revenue>

- ✓ Sales revenue of JOYSOUND MAX2, which was introduced to the market in July, were strong.
- ✓ Sales revenue of the karaoke-club business grew steadily due partly to disposal of unprofitable clubs.

<Business Segment Profit>

- ✓ Business segment profit increased due to cost reduction in the karaoke club business and reduction of SG&A.

<Operating Profit>

- ✓ Operating profit returned to profitability since the structural reform cost which had been reported during the previous term no longer existed.

DOMINO

Domino Business

(100 Millions of Yen)

	171H	161H	Change	Rate of Change (w/o FX)
Sales Revenue	330	282	17.2%	18.8%
Business Segment Profit	25	19	30.8%	-
Operating Profit	19	19	1.3%	-

(Coding and marking)

- ✓ The coding and marking business grew more than the market growth on a global basis due to reinforcement of sales and servicing systems.
- ✓ A new manufacturing facility for ink production in China started its operation in July.

(Digital Printing Equipment)

- ✓ The number of orders increased on the global basis, and sales grew strongly by more than 25% as compared to the previous year.



New Factory in China

(100 Millions of Yen)

	FY17 Forecast	Previous forecast	Rate of Change	FY16	Rate of Change (w/o forex impact)
Sales Revenue	7,000	6,800	2.9%	6,412	9.2% (+6.3%)
Business Segment Profit	725	660	9.8%	608	19.3%
Business Segment Profit Ratio	10.4%	9.7%		9.5%	
Operating Profit	660	625	5.6%	592	11.6%
Operating Profit Ratio	9.4%	9.2%		9.2%	
Income before Tax	655	620	5.6%	613	6.9%
Net Income	485	460	5.4%	472	2.7%
Adjusted Net Income	485	460	5.4%	430	12.8%
Exchange Rates					
USD	110.97	110.65		109.03	
EUR	127.63	123.43		119.37	

< Main Points for Revised Forecast >

Sales Revenue

- The positive impact of approximately 9 billion yen due to revision of assumed exchange rate.
- The forecast for strong machine tools business was revised upward by 14 billion yen.

Business Segment Profit

- The positive impact of approximately 1.5 billion yen due to revision of assumed exchange rate.
- The P&S business: Revised upward by approximately 3 billion yen in real terms.
- The P&H business: Revised downward by approximately 1 billion yen in real terms.
- The Machinery business: Revised upward by approximately 3 billion yen in real terms.

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	6,800	2.9%	6,412	9.2%	6.3%
Printing & Solutions	4,059	3,969	2.3%	3,836	5.8%	2.2%
Personal & Home	454	472	-3.8%	444	2.2%	-1.2%
Machinery & Solution	1,227	1,082	13.4%	909	34.9%	33.4%
Network & Contents	494	497	-0.6%	497	-0.7%	-0.7%
Domino business	670	664	0.9%	594	12.9%	10.6%
Other	96	116	-17.2%	131	-26.8%	-26.8%

Business Segment Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	725	660	9.8%	608	19.3%
Printing & Solutions	497	453	9.7%	457	8.9%
Personal & Home	22	32	-31.3%	20	7.9%
Machinery & Solution	127	95	33.7%	62	105.6%
Network & Contents	25	25	0.0%	22	12.9%
Domino business	48	46	4.3%	42	14.9%
Other	6	9	-33.3%	7	-14.0%
Adjustment	-	-	-	-2	-

Operating Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	660	625	5.6%	592	11.6%
Printing & Solutions	455	435	4.6%	455	-0.0%
Personal & Home	13	24	-45.8%	19	-30.9%
Machinery & Solution	128	95	34.7%	60	114.0%
Network & Contents	20	23	-13.0%	9	133.9%
Domino business	42	42	0.0%	44	-3.8%
Other	2	6	-66.7%	7	-73.3%
Adjustment	-	-	-	-2	-

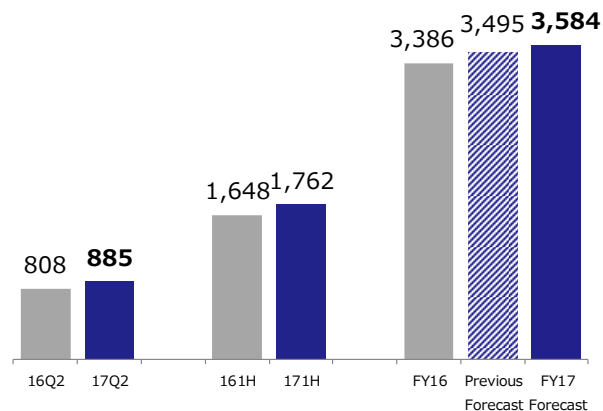
Appendix

Printing & Solutions Sales Revenue & Business Segment Profit

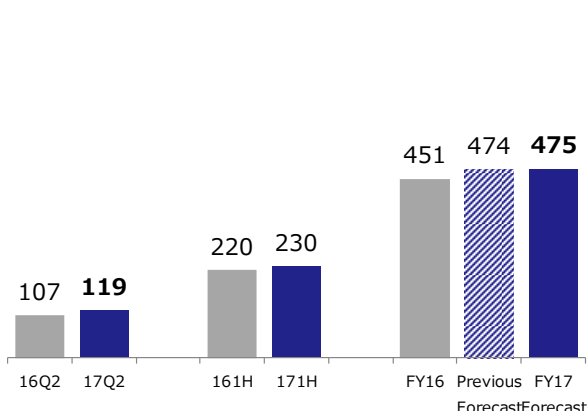
(100 Millions of Yen)

	16Q2	17Q2	Change	Change x FX	161H	171H	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	915	1,004	9.8%	0.9%	1,868	1,992	6.7%	2.0%	3,836	3,969	4,059	5.8%	2.2%
Communications & Printing equipment	808	885	9.5%	0.7%	1,648	1,762	6.9%	2.2%	3,386	3,495	3,584	5.9%	2.2%
Americas	303	335	10.5%	1.9%	630	665	5.6%	0.5%	1,283	1,315	1,339	4.4%	2.0%
Europe	261	274	5.2%	-6.8%	513	539	5.2%	-0.7%	1,076	1,137	1,169	8.6%	1.7%
Asia & Others	134	158	18.4%	8.4%	275	315	14.5%	9.0%	546	584	606	10.9%	7.2%
Japan	111	118	6.2%	6.2%	230	243	5.4%	5.4%	480	460	470	-2.1%	-2.1%
Electronic stationery	107	119	11.6%	2.4%	220	230	4.7%	-0.1%	451	474	475	5.4%	1.9%
Americas	52	56	5.9%	-2.2%	107	108	0.7%	-4.1%	214	223	218	1.6%	-0.6%
Europe	30	35	18.1%	4.9%	63	67	7.0%	1.1%	132	140	146	10.5%	3.5%
Asia & Others	16	19	19.0%	9.3%	32	38	16.5%	11.2%	66	70	75	13.7%	10.1%
Japan	8	9	9.6%	9.6%	18	18	-1.1%	-1.1%	39	40	37	-5.1%	-4.5%
Business Segment Profit	112	135	20.8%	-	281	269	-4.4%	-	457	453	497	8.9%	-
Operating Profit	124	112	-9.6%	-	303	203	-32.9%	-	455	435	455	0.0%	-

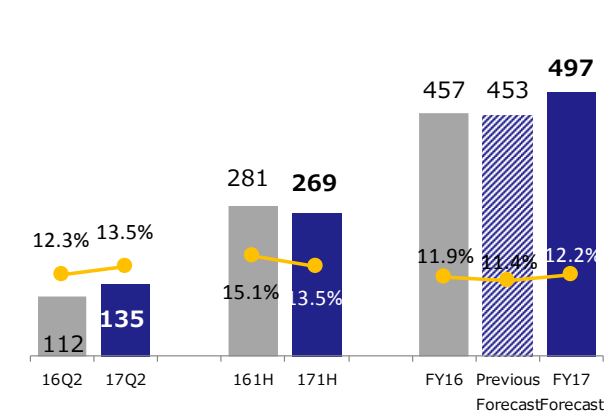
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Business Segment Profit>

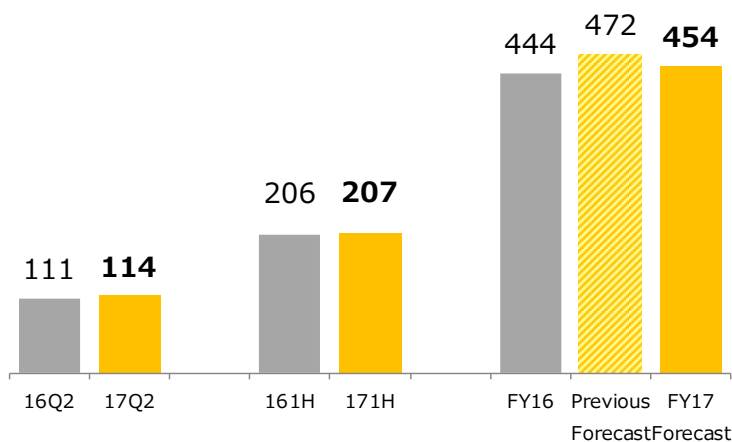


Personal & Home Sales Revenue & Business Segment Profit

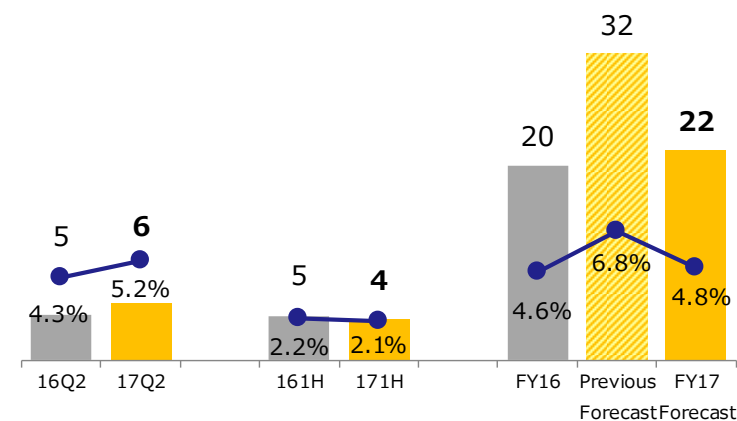
(100 Millions of Yen)

	16Q2	17Q2	Change	Change x FX	161H	171H	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	111	114	2.6%	-5.6%	206	207	0.6%	-4.2%	444	473	454	2.2%	-1.2%
Americas	71	67	-4.7%	-11.6%	119	117	-2.2%	-7.1%	253	262	248	-1.8%	-4.0%
Europe	19	26	35.9%	19.5%	42	50	19.7%	12.2%	96	100	108	12.5%	4.5%
Asia & Others	12	12	2.6%	-5.3%	27	25	-6.2%	-10.4%	55	60	58	5.3%	2.0%
Japan	9	8	-11.8%	-11.8%	18	15	-14.6%	-14.6%	41	51	40	-0.8%	-1.8%
Business Segment Profit	5	6	24.1%	-	5	4	-6.2%	-	20	32	22	7.9%	-
Operating Profit	5	4	-10.0%	-	5	-0	-	-	19	24	13	-30.9%	-

<Sales Revenue>



<Business Segment Profit>

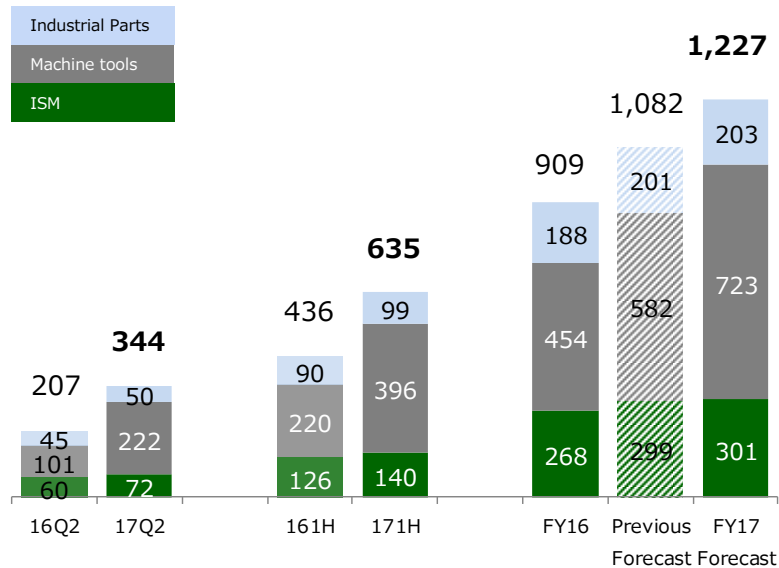


Machinery Business Sales Revenue & Business Segment Profit

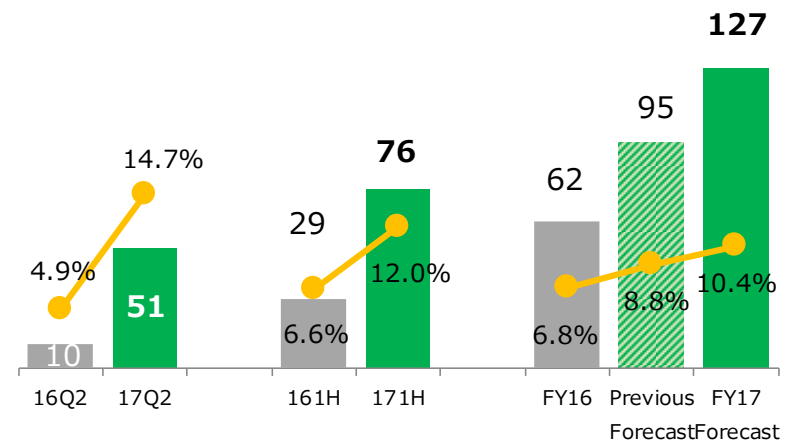
(100 Millions of Yen)

	16Q2	17Q2	Change	Change x FX	161H	171H	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	207	344	66.5%	61.6%	436	635	45.5%	43.3%	909	1,082	1,227	34.9%	33.4%
Industrial sewing machines	60	72	19.8%	10.5%	126	140	10.9%	6.3%	268	299	301	12.3%	9.4%
Machine tools	101	222	119.1%	115.3%	220	396	80.2%	78.9%	454	582	723	59.4%	58.4%
Industrial Parts	45	50	11.2%	9.5%	90	99	9.6%	8.5%	188	201	203	8.0%	7.3%
Business Segment Profit	10	51	395.6%	-	29	76	162.3%	-	62	95	127	105.6%	-
Operating Profit	12	49	319.1%	-	31	75	138.4%	-	60	95	128	114.0%	-

<Sales Revenue>



<Business Segment Profit>



Machinery Business Sales Revenue & Business Segment Profit

brother
at your side

(100 Millions of Yen)

	16Q2	17Q2	Change	Change x FX	161H	171H	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	207	344	66.5%	61.6%	436	635	45.5%	43.3%	909	1,076	1,227	34.9%	33.4%
Industrial sewing machines	60	72	19.8%	10.5%	126	140	10.9%	6.3%	268	299	301	12.3%	9.4%
Americas	14	15	13.6%	5.2%	27	29	7.0%	1.8%	54	59	62	14.3%	12.0%
Europe	9	14	47.9%	30.2%	22	28	28.5%	20.9%	41	53	54	31.2%	22.4%
Asia & Others	36	42	16.3%	8.3%	75	81	7.7%	4.0%	167	181	178	6.7%	5.3%
Japan	2	2	-9.2%	-9.2%	3	3	-2.9%	-2.9%	6	6	7	18.2%	11.0%
Machine tools	101	222	119.1%	115.3%	220	396	80.2%	78.9%	454	582	723	59.4%	58.4%
Americas	7	6	-3.9%	-	14	14	-1.0%	-	27	30	31	15.3%	-
Europe	5	6	16.8%	-	11	15	37.5%	-	21	27	26	23.3%	-
Asia & Others	71	189	166.4%	-	160	331	106.2%	-	334	448	589	76.4%	-
Japan	18	20	9.3%	-	35	36	5.2%	-	72	76	77	7.3%	-
Industrial Parts	45	50	11.2%	9.5%	90	99	9.6%	8.5%	188	195	203	8.0%	7.3%
Americas	6	6	4.4%	-3.3%	13	13	-0.4%	-5.0%	26	27	27	2.6%	0.7%
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia & Others	4	5	43.7%	34.1%	8	10	25.8%	20.3%	17	19	20	17.0%	13.9%
Japan	36	39	9.1%	9.1%	70	76	9.6%	9.6%	145	149	156	8.0%	7.7%
Business Segment Profit	10	51	395.6%	-	29	76	162.3%	-	62	95	127	105.6%	-
Operating Profit	12	49	319.1%	-	31	75	138.4%	-	60	95	128	114.0%	-

Network & Contents

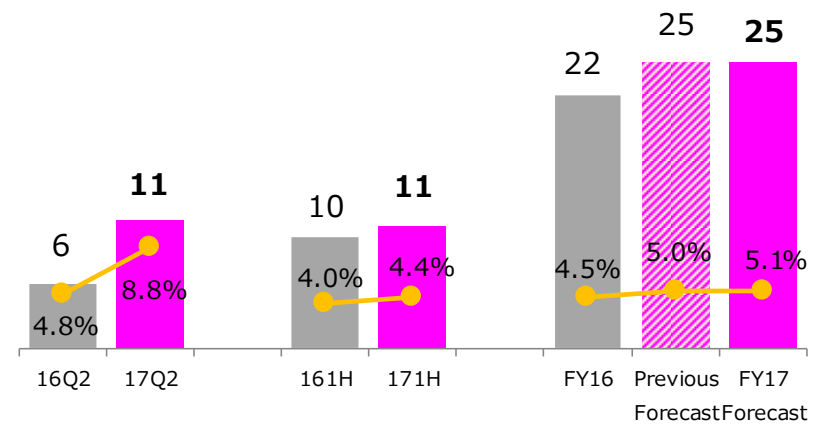
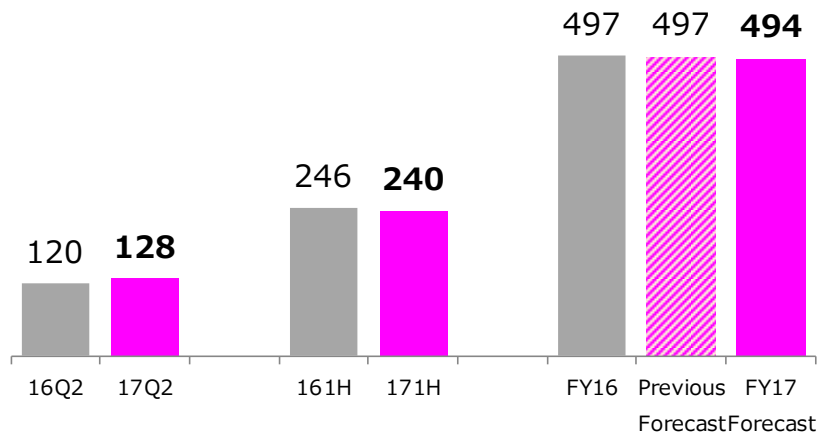
Sales Revenue & Business Segment Profit

(100 Millions of Yen)

	16Q2	17Q2	Change	161H	171H	Change	FY16	Previous Forecast	FY17 Forecast	Change v LY
Sales Revenue	120	128	6.7%	246	240	-2.3%	497	497	494	-0.7%
Business Segment Profit	6	11	-	10	11	8.6%	22	25	25	12.9%
Operating Profit	-3	10	-	0	9	-	9	23	20	133.9%

<Sales Revenue>

<Business Segment Profit>

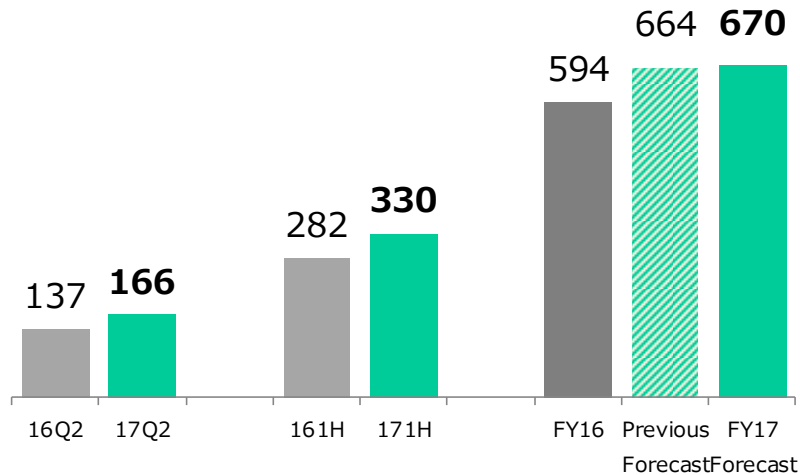


Domino Business Sales Revenue & Business Segment Profit

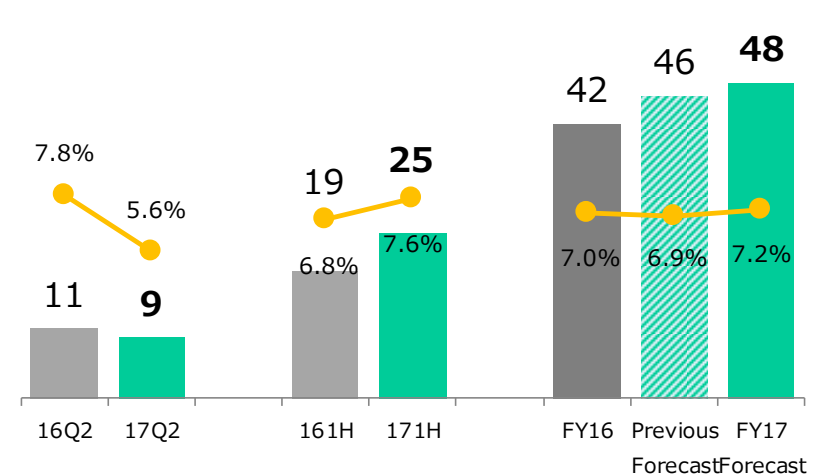
(100 Millions of Yen)

	16Q2	17Q2	Change	Change x FX	161H	171H	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	137	166	20.5%	11.9%	282	330	17.2%	18.8%	594	664	670	12.9%	10.6%
Americas	34	42	22.4%	13.4%	68	82	21.9%	22.1%	150	164	164	9.1%	6.0%
Europe	63	77	21.9%	13.0%	134	155	15.8%	16.5%	283	321	319	12.8%	10.0%
Asia & Others	40	47	16.7%	8.1%	80	93	15.7%	15.9%	161	179	187	16.7%	13.7%
Business Segment Profit	11	9	-12.9%	-	19	25	30.8%	-	42	46	48	14.9%	-
Operating Profit	11	7	-34.2%	-	19	19	1.3%	-	44	42	42	-3.8%	-

<Sales Revenue>

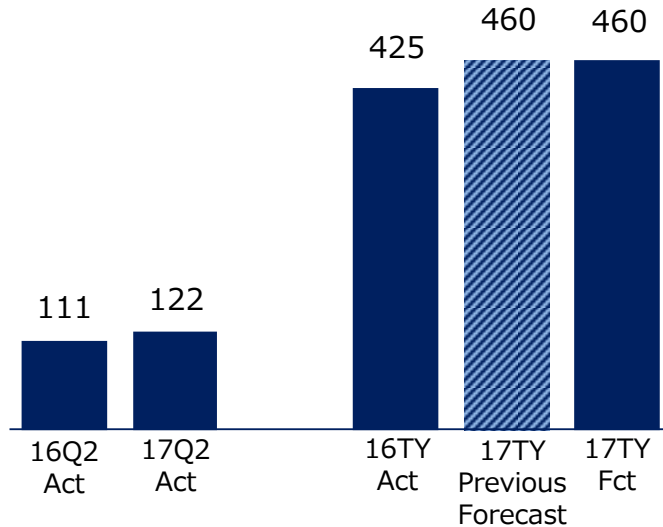


<Business Segment Profit>



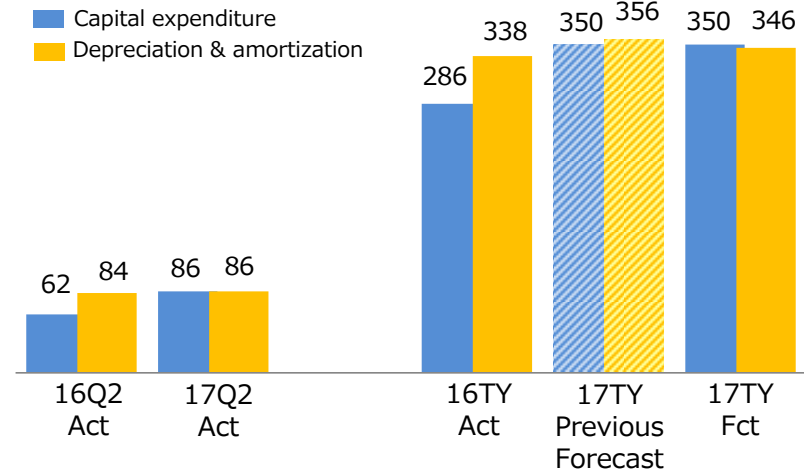
R&D expenses

(100 Millions of Yen)



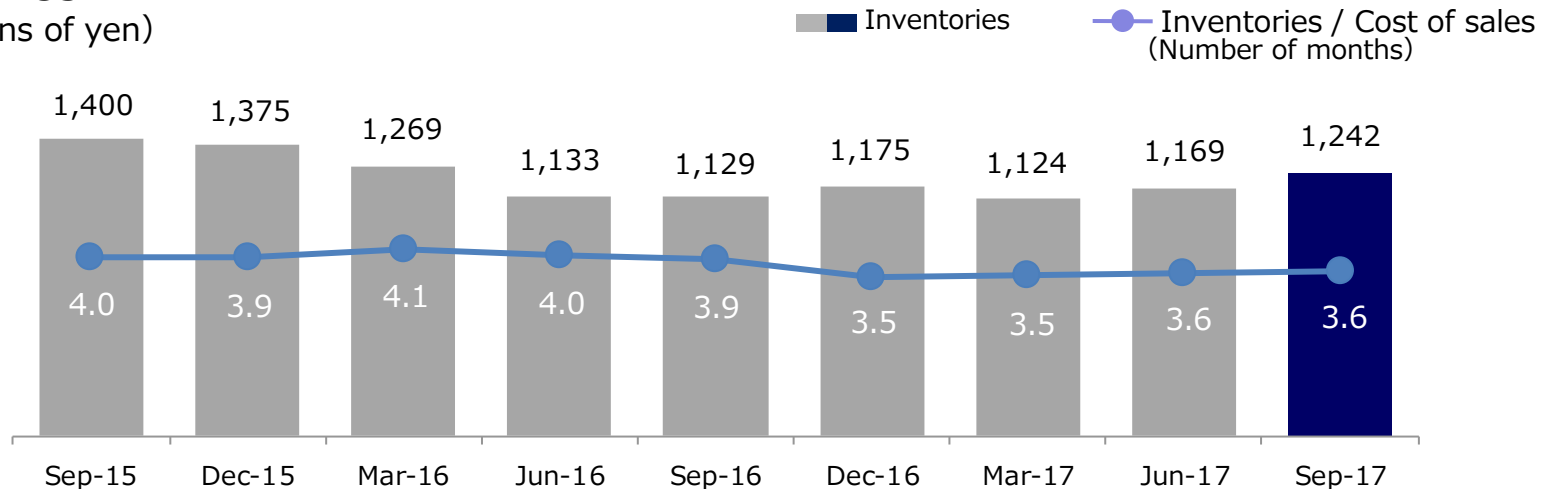
Capital expenditure / Depreciation & amortization

(100 Millions of Yen)



Inventories

(100 Millions of yen)



brother
at your side