

**Fiscal Year 2018** (ending March 31, 2019)

**First Quarter Results**  
(3-month results ended June 30, 2018)

**Brother Industries, Ltd.**  
**August 9, 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.

## ◆ Sales Revenue 171.1 billion yen/ + 2.0%

**Each business progressed soundly, mainly according to plan for the company overall**

- ✓ Results for China and the Asian region were strong for both LBP/IJP
- ✓ Large-scale revenue increases were noted for industrial sewing machines, which performed strongly in each region
- ✓ Increased revenue was secured for machine tools, with automobile-related orders results compensating for the decrease for IT orders

## ◆ Business Segment Profit 20.5 billion yen/ + 17.0%

- ✓ High profitability was maintained, with a business profit rate for the P&S business of 15%.
- ✓ Industrial sewing machines/ machine tools results buoyed the increase in revenue

## ◆ Operating Profit 22.3 billion yen/ + 76.6%

- ✓ Large-scale improvement in exchange contract profit/loss from valuation

Sales revenue for the first quarter of FY2018 was 171.1 billion yen, marking an increase of 2.0%, or 3.4 billion yen year-on-year. Each business performed soundly, resulting in figures that were roughly according to plan.

The three main points are as follows:

1. In terms of the printing business, both IJP/LBP recorded good results in China and the Asian region.
2. Industrial sewing machines, including garment printers, performed well in each region.
3. Machine tools results managed to cover the dip in revenue for IT by means of good results for automobile-related orders.

Business segment profit was 20.5 billion yen, marking an increase of 17%, or 3 billion yen year-on-year. The P&S business profit rate was 15%. This profit increase resulted from good progress profitability enhancement, and was also buoyed by strong results for industrial sewing machines and machine tools.

Operating profit reached 22.3 billion yen, marking an increase of 76.6%, or 9.7 billion yen year-on-year. This was mainly due to exchange contract profit or loss from valuation.

# Consolidated Results for FY2018 Q1



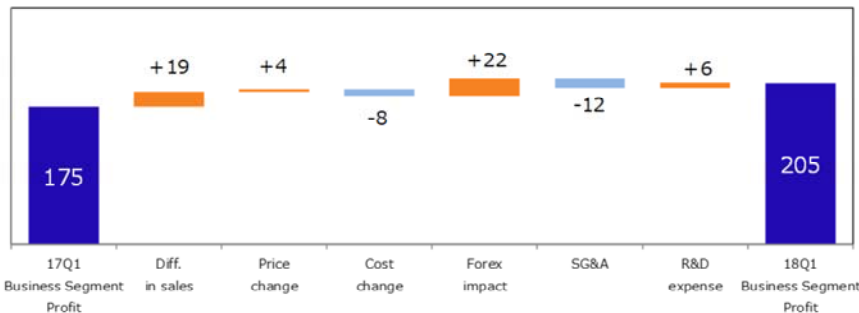
(100 Millions of Yen)

	17Q1	18Q1	Change	Rate of Change (w/o FX)
Sales Revenue	1,677	1,711	34	2.0% (+1.4%)
Business Segment Profit	175	205	30	17.0%
Business Segment Profit Ratio	10.4%	12.0%		
Other income/expense	-49	18	67	
Operating Profit	126	223	97	76.6%
Operating Profit Ratio	7.5%	13.0%		
Income before Tax	130	225	95	73.3%
Net Income	91	166	74	81.1%
USD	111.61	108.71		
EUR	123.14	129.39		

• FX impact  
 USD + 0.1 billion yen  
 EUR + 1.7 billion yen  
 Other + 0.4 billion yen

• Valuation gain related to exchange contracts +6 billion yen

### Main Factors for Changes in Business Segment Profit



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Sales increase of 1.9 billion yen was mainly a result of the machinery business. Improvements resulted from a mixture of industrial sewing machines and machine tools. Although sales did not greatly change for machine tools compared to the previous quarter, changes to customer composition and production operation factors resulted in significant improvements to profitability.

The increase of 400 million yen to profits resulting from price changes mainly arose in the P&S business.

The 800 million yen decrease in profits resulting from cost reductions also mainly affected the P&S business.

A breakdown of the increase by 2.2 billion yen resulting from the currency ex-change rate is shown in the box outside the column.

The 1.2 billion yen profit decrease resulting from an increase in SG&A was halved between the P&S business and machinery business.

The profit increase of 600 million yen resulting from decreased R&D expenditure was mainly for the P&S business.

# Highlight by business segment



(100 Millions of Yen)

Sales Revenue	17Q1	18Q1	Rate of Change	Rate of Change (w/o FX)
<b>Total</b>	<b>1,677</b>	<b>1,711</b>	<b>2.0%</b>	<b>1.4%</b>
Printing & Solutions	988	995	0.7%	0.4%
Personal & Home	93	88	-5.8%	-5.3%
Machinery	291	314	8.0%	7.1%
Network & Contents	112	115	2.8%	2.7%
Domino business	164	171	4.0%	0.7%
Other	29	28	-2.0%	-2.0%

Business Segment Profit	17Q1	18Q1	Rate of Change
<b>Total</b>	<b>175</b>	<b>205</b>	<b>17.0%</b>
Printing & Solutions	134	149	11.3%
Personal & Home	-2	-1	-
Machinery	25	42	63.6%
Network & Contents	-1	2	-
Domino business	16	12	-23.2%
Other	2	2	-27.4%
Adjustment	0	0	-

Operating Profit	17Q1	18Q1	Rate of Change
<b>Total</b>	<b>126</b>	<b>223</b>	<b>76.6%</b>
Printing & Solutions	91	160	75.1%
Personal & Home	-5	-1	-
Machinery	25	43	73.0%
Network & Contents	-1	2	-
Domino business	12	16	25.5%
Other	3	3	-7.0%
Adjustment	0	0	-

# Highlights of Consolidated forecast for FY2018



(100 Millions of Yen)

	Previous Forecast	FY18 Forecast	Change	FY17	Rate of Change (w/o FX)
Sales Revenue	6,900	6,900	-	7,130	-3.2% (-1.6%)
Business Segment Profit	710	710	-	772	-8.1%
Business Segment Profit Ratio	10.3%	10.3%		10.8%	
Other income/expense	-10	-10		-86	
Operating Profit	700	700	-	687	1.9%
Operating Profit Ratio	10.1%	10.1%		9.6%	
Income before Tax	700	700	-	697	0.5%
Net Income	520	520	-	500	4.0%
USD	107.00	107.00		110.81	
EUR	128.00	128.00		129.45	

## No change in results forecasts from previous forecast

✓ Information on segment breakdown and exchange assumptions left as is

◆ **Sales Revenue 6,900 / -3.2%**

IT-related orders are undetermined, and with the negative impact of exchange rates and the effects of application of IFRS 15, sales revenue is expected to decrease

◆ **Business Segment Profit 710 / -8.1%**

Due to the effects of lower revenue from machine tools and the negative impact of exchange rates, business segment profit is expected to decrease

Next, we will cover forecasts.

As you can see, the forecast has not changed from the previous quarter.

The exchange rate premise was 128 yen per Euro, indicating no change.

In terms of progress for each business in the first quarter, although profits were somewhat better than expected, the previous forecasts have been left as is because forecasts for exchange rate levels and machine tools at the beginning of the quarter do not need to be changed.

# Highlight by business segment



(100 Millions of Yen)

Sales Revenue	previous Forecast	FY18 Forecast	Rate of Change	FY17	Rate of Change	Rate of Change (w/o FX)
<b>Total</b>	<b>6,900</b>	<b>6,900</b>	-	<b>7,130</b>	<b>-3.2%</b>	<b>-1.6%</b>
Printing & Solutions	3,935	3,935	-	4,122	-4.5%	-2.2%
Personal & Home	449	449	-	445	1.0%	4.4%
Machinery	1,153	1,153	-	1,273	-9.4%	-8.3%
Network & Contents	490	490	-	491	-0.1%	-0.1%
Domino business	735	735	-	684	7.5%	5.5%
Other	138	138	-	116	18.7%	18.6%

Business Segment Profit	previous Forecast	FY18 Forecast	Rate of Change	FY17	Rate of Change
<b>Total</b>	<b>710</b>	<b>710</b>	-	<b>772</b>	<b>-8.1%</b>
Printing & Solutions	498	498	-	529	-5.8%
Personal & Home	30	30	-	20	51.4%
Machinery	116	116	-	144	-19.6%
Network & Contents	24	24	-	27	-9.9%
Domino business	40	40	-	46	-13.8%
Other	2	2	-	7	-72.8%
Adjustment	-	-	-	-1	-

Operating Profit	previous Forecast	FY18 Forecast	Rate of Change	FY17	Rate of Change
<b>Total</b>	<b>700</b>	<b>700</b>	-	<b>687</b>	<b>1.9%</b>
Printing & Solutions	489	489	-	474	3.3%
Personal & Home	30	30	-	11	185.4%
Machinery	117	117	-	141	-17.2%
Network & Contents	21	21	-	13	56.4%
Domino business	40	40	-	40	0.1%
Other	3	3	-	9	-66.7%
Adjustment	-	-	-	-1	-

# Printing & Solutions Sales Revenue & Profit

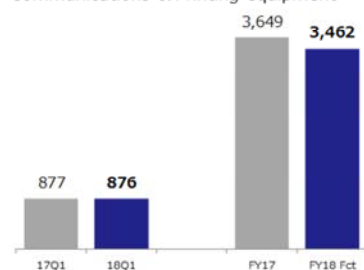


(100 Millions of Yen)

	17Q1	18Q1	Change	Change x FX	FY17	FY18 Fct	Change	Change x FX
<b>Sales Revenue</b>	<b>988</b>	<b>995</b>	0.7%	0.4%	<b>4,122</b>	<b>3,935</b>	-4.5%	-2.2%
<b>Communications &amp; Printing equipment</b>	<b>877</b>	<b>876</b>	-0.1%	-0.4%	<b>3,649</b>	<b>3,462</b>	-5.1%	-2.8%
Americas	330	314	-4.8%	-2.0%	1,335	1,263	-5.4%	-1.1%
Europe	265	273	3.1%	-0.9%	1,192	1,155	-3.1%	-2.0%
Asia & Others	157	173	10.4%	9.6%	616	615	-0.1%	2.3%
Japan	125	115	-7.7%	-7.7%	505	428	-15.2%	-15.2%
<b>Electronic stationery</b>	<b>111</b>	<b>119</b>	6.8%	7.0%	<b>473</b>	<b>473</b>	0.1%	2.5%
Americas	52	56	8.1%	11.3%	212	209	-1.4%	2.8%
Europe	32	32	-0.8%	-4.7%	146	148	1.1%	2.2%
Asia & Others	19	21	15.4%	14.1%	76	75	-0.8%	1.6%
Japan	9	9	8.5%	8.5%	39	41	5.6%	4.4%
<b>Business Segment Profit</b>	<b>134</b>	<b>149</b>	11.3%	-	<b>529</b>	<b>498</b>	-5.8%	-
<b>Operating Profit</b>	<b>91</b>	<b>160</b>	75.1%	-	<b>474</b>	<b>489</b>	3.3%	-

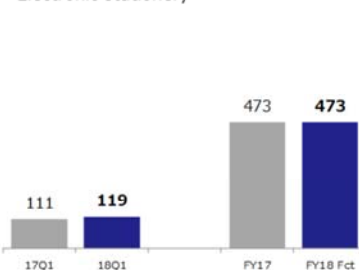
<Sales Revenue>

Communications & Printing equipment

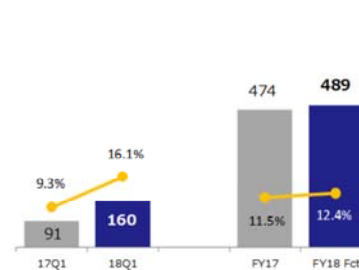


<Sales Revenue>

Electronic stationery



<Operating Profit>



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Sales revenue for the P&S business in the first quarter was 99.5 billion yen. On a local currency basis, this was a slight increase of 0.4% year-on-year.

Sales revenue for the communications and printing orders was 87.6 billion yen. On a local currency basis, this was a slight decrease of 0.4% year-on-year. See page 8 for a breakdown of the growth rate per engine.

By region, although results indicated slight decreases year-on-year in the Americas and Europe, demand was strong for both laser and inkjet products in China and Asia, resulting in large-scale increases year-on-year. While results for Europe and the Americas were somewhat weak in light of internal plans, overall, the result was somewhat better than expected, mainly as a result of the much better than expected results achieved in China and Asia.

A good start was made, as results for the large-volume ink tank model introduced as a new model also exceeded the first quarter sales plan.

Although consumables hardly exhibited any growth year-on-year, as the level was somewhat higher than planned, we consider good progress to have been made.

Sales revenue for electronic stationery was 11.9 billion yen. On a local currency basis, this was an increase of 7.0% year-on-year.

Sales of P-touch main hardware/consumables were strong in the Americas, Asia and China. Solutions businesses such as mobile printers also performed well in the US.

## Sales Revenue Growth Rate / Consumable Ratio / Growth Rate of hardware

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	17Q1	17Q2	17Q3	17Q4	18Q1	FY2017	FY2018
<b>LBP</b>							
<b>Sales revenue growth rate (JPY)</b>							
Hardware	13%	24%	23%	11%	1%	17%	-8%
Consumable	-1%	2%	9%	1%	1%	3%	-3%
<b>Sales revenue growth rate (LC)</b>							
Hardware	12%	15%	15%	10%	0%	13%	-6%
Consumable	-2%	-8%	2%	-1%	0%	-2%	0%
<b>IJP</b>							
<b>Sales revenue growth rate (JPY)</b>							
Hardware	3%	15%	3%	-1%	-6%	4%	-1%
Consumable	4%	3%	13%	3%	1%	6%	-6%
<b>Sales revenue growth rate (LC)</b>							
Hardware	3%	6%	-3%	-2%	-6%	1%	1%
Consumable	4%	-5%	6%	1%	1%	1%	-5%
<b>Cosumable Ratio</b>	57%	57%	56%	58%	57%	57%	58%
<b>Growth rate of Hardware</b>							
LBP	13%	9%	10%	3%	-1%	9%	—
IJP	-7%	-5%	-9%	3%	-1%	-5%	—



# Personal & Home Sales Revenue & Profit

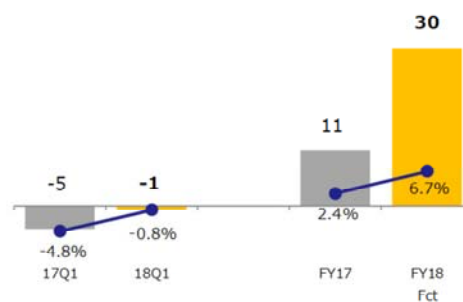
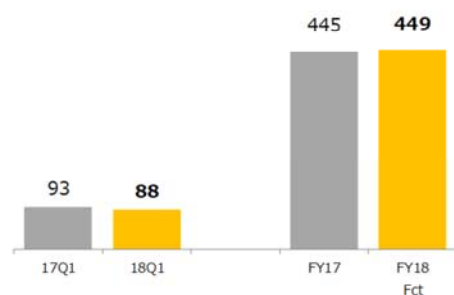


(100 Millions of Yen)

	17Q1	18Q1	Change	Change x FX	FY17	FY18 Fct	Change	Change x FX
<b>Sales Revenue</b>	<b>93</b>	<b>88</b>	-5.8%	-5.3%	<b>445</b>	<b>449</b>	1.0%	4.4%
Americas	49	43	-12.6%	-9.1%	240	240	-0.2%	4.6%
Europe	24	25	2.8%	-2.5%	113	115	2.0%	3.8%
Asia & Others	13	12	-2.8%	-3.0%	55	58	5.4%	8.1%
Japan	7	8	7.4%	7.4%	36	36	-0.9%	-0.6%
<b>Business Segment Profit</b>	<b>-2</b>	<b>-1</b>	-	-	<b>20</b>	<b>30</b>	51.4%	-
<b>Operating Profit</b>	<b>-5</b>	<b>-1</b>	-	-	<b>11</b>	<b>30</b>	185.3%	-

<Sales Revenue>

<Operating Profit>



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Sales revenue for the first quarter was 8.8 billion yen. On a local currency basis, the growth rate was a decrease of 5.3%.

By region, a particularly large dip was seen for the Americas, with a growth rate of -9.1% observed. At the beginning of August, an event announcing the highest grade sewing and embroider machine was held in the U.S. As advertising was implemented at sales outlets from the first quarter, purchasing of the existing model was somewhat re-restrained. This appears to be the reason for the weak results in the US.

As the sales season for home sewing machines is just beginning, we are aiming to achieve increased revenue and profits due to the release of the new product.

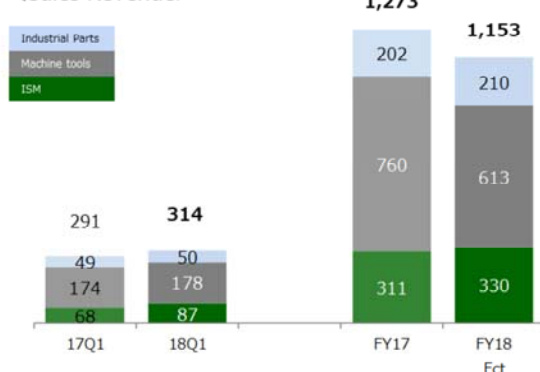
# Machinery Business Sales Revenue & Profit



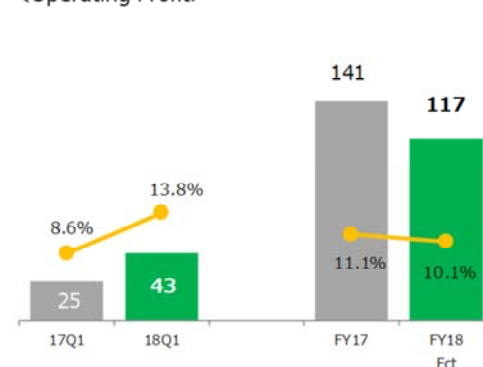
(100 Millions of Yen)

	17Q1	18Q1	Change	Change x FX	FY17	FY18 Fct	Change	Change x FX
Sales Revenue	291	314	8.0%	7.1%	1,273	1,153	-9.4%	-8.3%
Industrial sewing machines	68	87	27.8%	26.9%	311	330	6.1%	9.1%
Machine tools	174	178	2.2%	1.0%	760	613	-19.4%	-19.0%
Industrial Parts	49	50	1.4%	1.3%	202	210	4.0%	4.8%
Business Segment Profit	25	42	63.6%	-	144	116	-19.6%	-
Operating Profit	25	43	73.0%	-	141	117	-17.2%	-

<Sales Revenue>



<Operating Profit>



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Sales revenue in the first quarter was 8.7 billion yen for industrial sewing machines, 17.8 billion yen for machine tools and 5 billion yen for industrial parts.

For industrial sewing machines, strong sales are continuing in China and sound results are being seen in Bangladesh, Vietnam and Indonesia in the Asian region.

In Europe and the Americas, sound demand in Turkey and Central America as well as strong results for garment printers greatly contributed to results.

For machine tools, although there were no major IT-related orders, automobile-related sales were strong, exceeding results of the previous year.

The proportion of sales accounted for by IT dropped to 30%. However, sales for the remaining 70% accounted for by automobile/general machine-related products increased by close to 60% year-on-year, covering the IT slump.

Our forecast has been left as is as there was no change from the previous quarter for IT-related results.

Mainly in Japan, demand for industrial parts for semiconductor manufacturing orders and FA devices is stable and progressing soundly.

# Machinery Business Sales Revenue by Region



(100 Millions of Yen)

	17Q1	18Q1	Change	Change x FX	FY17	FY18 Fct	Change	Change x FX
<b>Sales Revenue</b>	<b>291</b>	<b>314</b>	<b>8.0%</b>	<b>7.1%</b>	<b>1,273</b>	<b>1,153</b>	<b>-9.4%</b>	<b>-8.3%</b>
<b>Industrial sewing machines</b>	<b>68</b>	<b>87</b>	<b>27.8%</b>	<b>26.9%</b>	<b>311</b>	<b>330</b>	<b>6.1%</b>	<b>9.1%</b>
Americas	13	17	24.5%	27.9%	64	68	6.8%	11.0%
Europe	14	21	52.1%	44.7%	63	64	2.8%	4.3%
Asia & Others	39	47	20.2%	20.2%	178	191	7.3%	10.5%
Japan	1	2	24.0%	24.0%	7	7	-0.6%	-1.4%
<b>Machine tools</b>	<b>174</b>	<b>178</b>	<b>2.2%</b>	<b>1.0%</b>	<b>760</b>	<b>613</b>	<b>-19.4%</b>	<b>-19.0%</b>
Americas	7	9	23.2%	-	33	38	16.4%	-
Europe	8	11	29.6%	-	30	33	9.1%	-
Asia & Others	142	131	-7.2%	-	608	442	-27.4%	-
Japan	17	27	59.3%	-	89	100	12.5%	-
<b>Industrial Parts</b>	<b>49</b>	<b>50</b>	<b>1.4%</b>	<b>1.3%</b>	<b>202</b>	<b>210</b>	<b>4.0%</b>	<b>4.8%</b>
Americas	7	6	-12.0%	-9.8%	25	26	6.8%	10.6%
Europe	-	-	-	-	-	-	-	-
Asia & Others	5	6	24.3%	21.2%	20	23	13.6%	15.9%
Japan	37	37	0.7%	0.7%	157	160	2.3%	2.4%

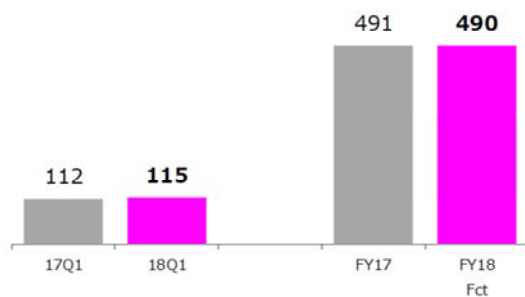
# Network & Contents Sales Revenue & Profit



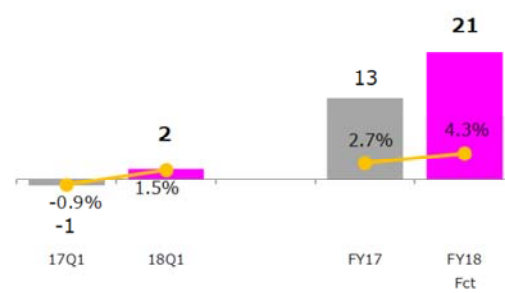
(100 Millions of Yen)

	17Q1	18Q1	Change	FY17	FY18 Fct	Change
Sales Revenue	112	115	2.8%	491	490	-0.1%
Business Segment Profit	-1	2	-	27	24	-9.9%
Operating Profit	-1	2	-	13	21	56.3%

<Sales Revenue>



<Operating Profit>



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The first quarter sales revenue increased slightly year-on-year, to 11.5 billion yen. The karaoke business and karaoke club management business both progressed generally soundly. Moreover, both sales and profits were almost as planned.

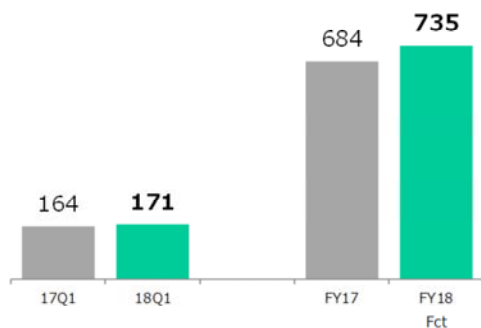
# Domino Business Sales Revenue & Profit



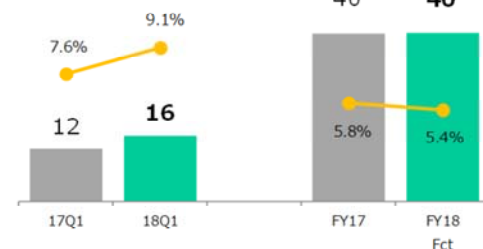
(100 Millions of Yen)

	17Q1	18Q1	Change	Change x FX	FY17	FY18 Fct	Change v LY	Change x FX
<b>Sales Revenue</b>	<b>164</b>	<b>171</b>	<b>4.0%</b>	<b>0.3%</b>	<b>684</b>	<b>735</b>	<b>7.5%</b>	<b>5.5%</b>
Americas	41	35	-13.1%	-15.8%	159	176	10.6%	8.9%
Europe	78	87	11.3%	7.8%	337	351	4.1%	2.8%
Asia & Others	46	49	6.7%	3.4%	187	207	10.5%	9.2%
<b>Business Segment Profit</b>	<b>16</b>	<b>12</b>	<b>-23.2%</b>	<b>-</b>	<b>46</b>	<b>40</b>	<b>-13.8%</b>	<b>-</b>
<b>Operating Profit</b>	<b>12</b>	<b>16</b>	<b>25.5%</b>	<b>-</b>	<b>40</b>	<b>40</b>	<b>0.0%</b>	<b>-</b>

<Sales Revenue>



<Operating Profit>



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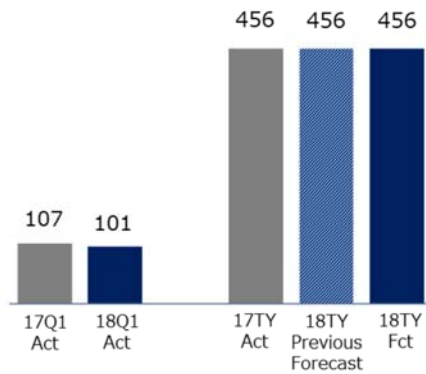
Sales revenue was 17.1 billion yen, and the pound base growth rate was almost the same as last year. By region, the major slump in the Americas resulted in a result of -15.8%.

This was due to the season mismatch in the first quarter of last year resulting in a high level being set, and the somewhat weaker than expected result for the C&M business. Conversely, results for digital printers exceeded those for last year in each region, reaching a tolerably strong level.

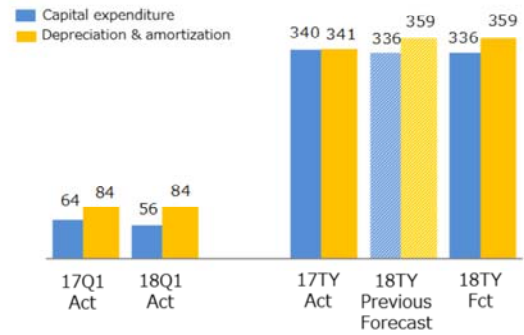
Business segment profit was 1.2 billion yen. One factor cited for this decrease of 400 million yen in profit compared to the previous period is decreased gross profit due to the season mismatch, as was the case for sales, and increased R&D expenditure.

Operating profit was increased, as a foreign exchange profit was calculated this quarter, in contrast to the foreign exchange loss of last quarter.

**R&D expenses**  
(100 Millions of Yen)



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



**Inventories**  
(100 Millions of yen)



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