

110TH
ANNIVERSARY

Embrace the past. Create the future.

Fiscal Year 2018 (ending March 31, 2019)

First Half & Second Quarter Results
(ended September 30, 2018)

Brother Industries, Ltd.

November 6, 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 FY2018 1H

(100 Millions of Yen)

	171H	181H	Change	Rate of Change (w/o FX)
Sales Revenue	3,464	3,437	-27 *	-0.8% (-0.4%)
Business Segment Profit	391	384	-8	-1.9%
Business Segment Profit Ratio	11.3%	11.2%		
Other income/expense	-78	-3	75	
Operating Profit	313	380	67	21.5%
Operating Profit Ratio	9.0%	11.1%		
Income before Tax	316	384	68	21.6%
Net Income	227	286	59	25.9%
USD	111.42	110.07		
EUR	126.63	129.88		

* Including negative impact of 2.3 billion yen due to application of IFRS 15

Highlight by business segment FY2018 1H

(100 Millions of Yen)

Sales Revenue	171H	181H	Rate of Change	Rate of Change (w/o FX)
Total	3,464	3,437	-0.8%	-0.4%
Printing & Solutions	1,992	1,986	-0.3%	0.3%
Personal & Home	207	214	3.3%	4.3%
Machinery	635	593	-6.6%	-6.9%
Network & Contents	240	233	-2.9%	-2.9%
Domino business	330	347	5.2%	5.0%
Other	60	63	6.3%	6.3%

Business Segment Profit	171H	181H	Rate of Change
Total	391	384	-1.9%
Printing & Solutions	269	268	-0.5%
Personal & Home	4	10	135.1%
Machinery	76	71	-6.9%
Network & Contents	11	6	-43.1%
Domino business	25	24	-3.0%
Other	6	5	-19.1%
Adjustment	-1	-1	-

Operating Profit	171H	181H	Rate of Change
Total	313	380	21.5%
Printing & Solutions	203	262	29.0%
Personal & Home	-0	9	-
Machinery	75	72	-2.8%
Network & Contents	9	5	-42.6%
Domino business	19	25	28.4%
Other	7	7	-8.4%
Adjustment	-1	-1	-

◆ Sales Revenue 34.4 billion yen/ -0.8%

- ✓ Sales of communications & printing equipment hardware remained strong in China and Asia
- ✓ In home sewing machines, orders for premium sewing & embroidery machines were strong
- ✓ Sales of industrial sewing machines were strong in each region
- ✓ In machine tools, automobile-related and general orders were strong, but IT-related orders decreased significantly
- ✓ The Domino business maintained steady growth

◆ Business Segment Profit 38.4 billion yen/ -1.9%

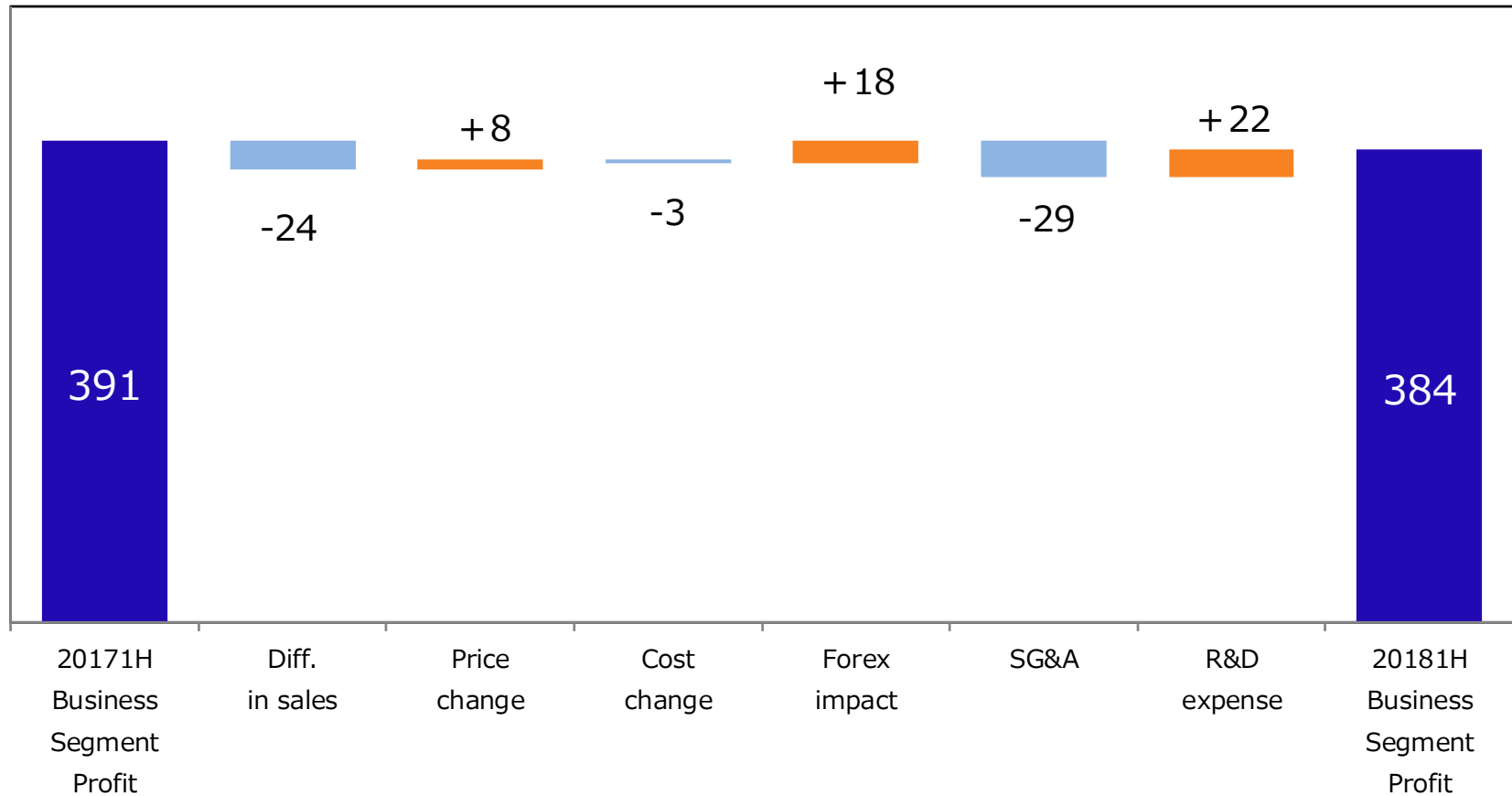
- ✓ A high level of overall profit ratio of 11.2% was maintained

◆ Operating Profit 38 billion yen/ +21.5%

- ✓ Valuation gain/loss on exchange contracts improved significantly

Main Factors for Changes in Business Segment Profit 181H

(100 Millions of Yen)





Printing & Solutions

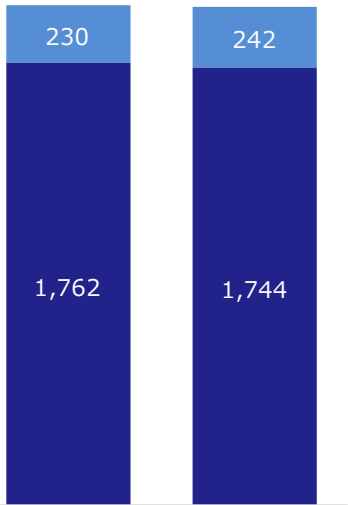
Communications & Printing equipment /Electronic stationery

(100 Millions of Yen)

Sales Revenue

Business Segment Profit

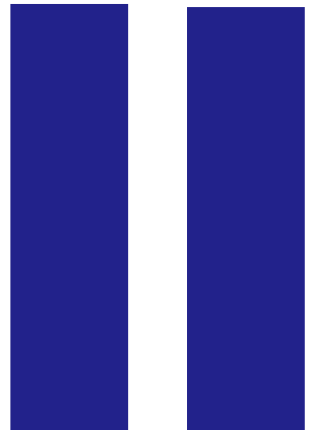
1,992 **1,986**



17 1H

18 1H

269 **268**



17 1H

18 1H

Communications & Printing equipment

- ◆ Mono LBP
 - Global sales of hardware, excluding OEM, decreased slightly compared to the previous year
 - Sales remained strong in Asia and China
- ◆ Color LBP
 - Global sales are expanding steadily
- ◆ IJP
 - Sales of the models with high-yield ink tanks have increased faster than planned

Electronic Stationery

- Labeling business is tracking above plan on a global basis
- Solutions business is performing well in the US



DCP-J988N



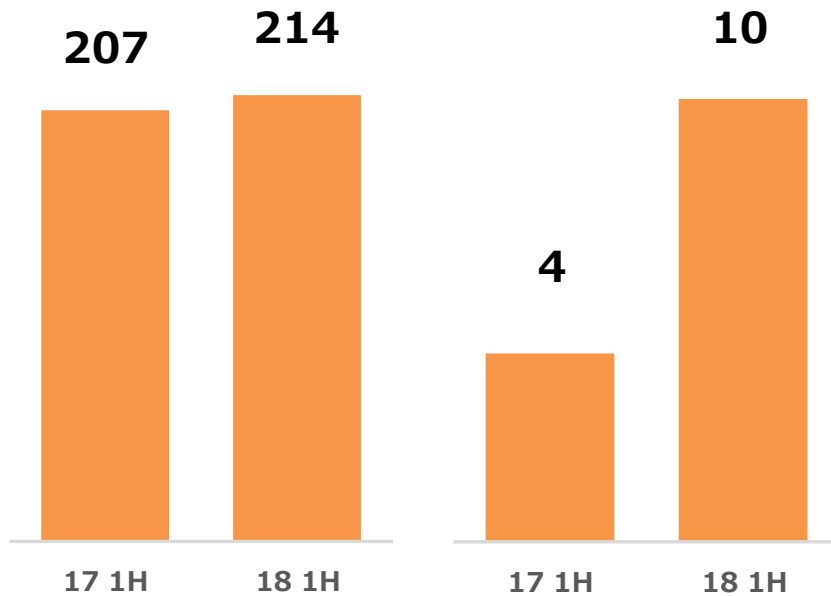
Personal & Home

Home Sewing Machines / Craft

(100 Millions of Yen)

Sales Revenue

Business Segment Profit



- ✓ The Luminaire Innov-ís XP1 sewing & embroidery machine, which launched in the US in August, has been a great hit, with orders far exceeding plan
- ✓ Featuring automatic blade depth adjustment (an industry first), the ScanNCut DX has been well received in Europe and the US



Luminaire Innov-ís XP1
©Disney



ScanNCut DX

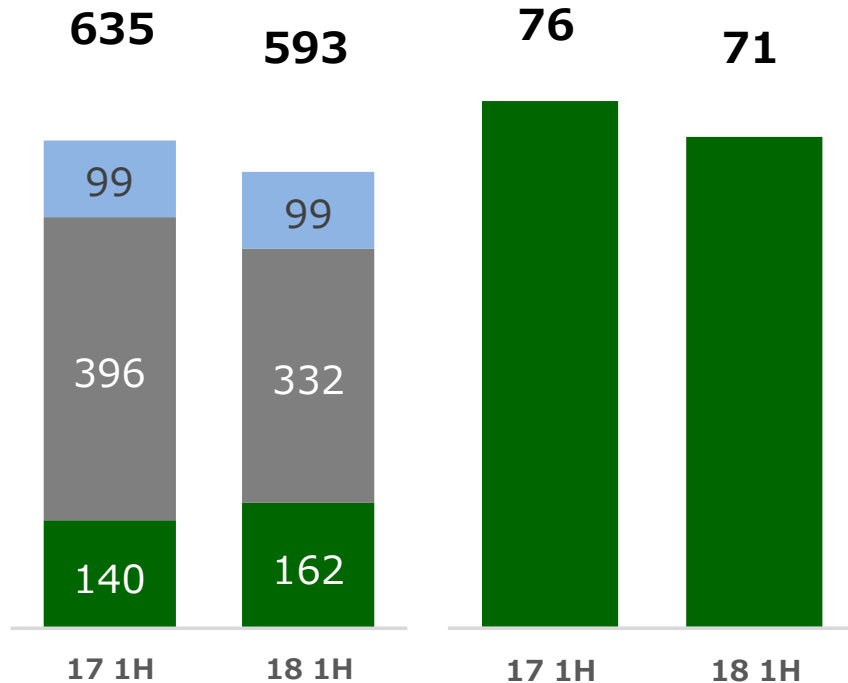
Machinery

Industrial sewing machines/Machine tools/ Industrial Parts

(100 Millions of Yen)

Sales Revenue

Business Segment Profit



Industrial Sewing Machines

- ✓ Demand for products targeting the apparel industry grew steadily in China
- ✓ In the Asian market, demand in India and Vietnam picked up
- ✓ The BAS-360/365 Bridge type programmable electronic pattern sewer was released
- ✓ The GTX garment printer has been popular in Europe and the US

Machine tools

- ✓ Revenue for IT-related orders decreased as demand ran its course
- ✓ Automobile-related and general orders remained steady, except in China

Industrial Parts

- ✓ Despite slump in the US and Japan, orders for Asia showed steady growth



BAS-365H



F600X1



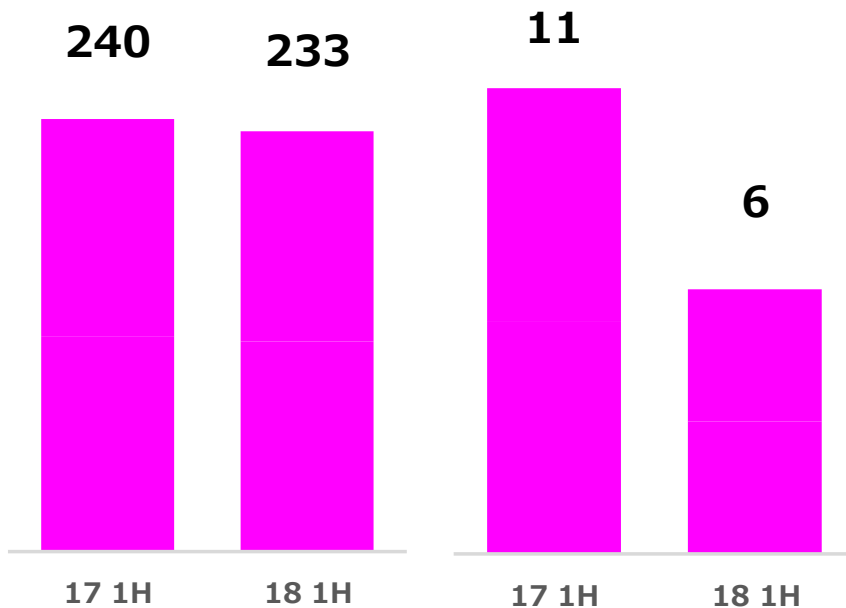
Network & Contents

Online Karaoke machines

(100 Millions of Yen)

Sales Revenue

Business Segment Profit



- ✓ Shipments of the new JOYSOND MAX2, which was launched last year, remained steady
- ✓ An increase in rental agreements was a factor in revenue and profit decreasing compared to the previous year
- ✓ In the directly managed stores business, aiming to increase the ability to attract customers, Brother collaborated with JETSTAR in the 2nd step of the “Non-Singing Karaoke” series



Jetstar★
飛行機カラオケ配信!

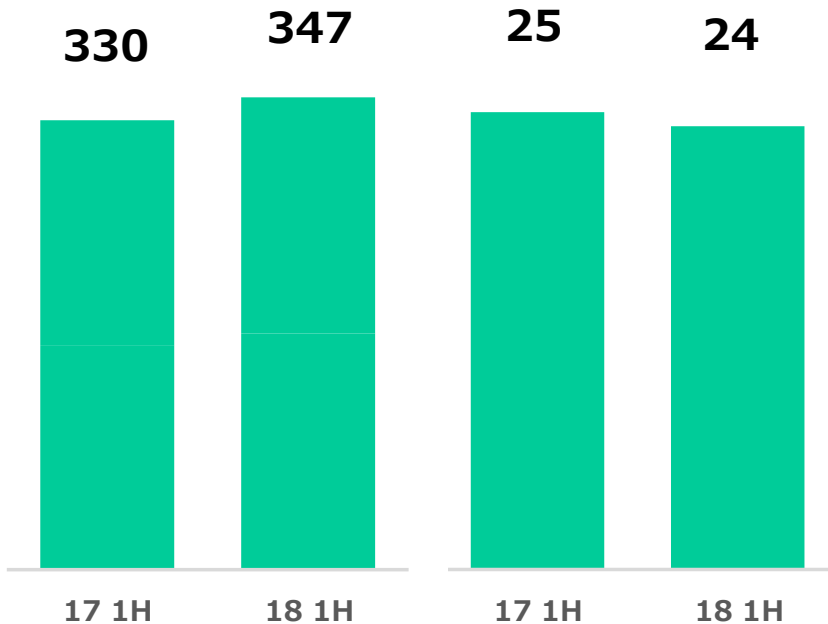
DOMINO

Domino Business

(100 Millions of Yen)

Sales Revenue

Business Segment Profit



Coding and marking

- ✓ Except for the Americas, there has been steady growth in each region
Overall, sales are trending above plan and above last year's actual results

Digital Printing Equipment

- ✓ A delay in product launch has meant sales have been below plan
However, with no major changes in demand in any region, sales are on track to exceed last year's actual results



Continuous Inkjet
Ax350i



Full color digital label press
N610i

Forecast for FY2018

(100 Millions of Yen)

	Previous Forecast	FY18 Forecast	Change	FY17	Change	Rate of Change (w/o FX)
Sales Revenue	6,900	6,900	-	7,130	-230*	-3.2% (-1.5%)
Business Segment Profit	710	690	-20	772	-82	-10.7%
Business Segment Profit Ratio	10.3%	10.0%		10.8%		
Other income/expense	-10	10	20	-86	96	
Operating Profit	700	700	-	687	13	1.9%
Operating Profit Ratio	10.1%	10.1%		9.6%		
Income before Tax	700	700	-	697	3	0.5%
Net Income	520	520	-	500	20	4.0%
USD	107.00	109.16		110.81		
EUR	128.00	129.33		129.45		

* Including negative impact of 5.6 billion yen due to application of IFRS 15

Forecast for 2018 by business segment

(100 Millions of Yen)

Sales Revenue	previous Forecast	FY18 Forecast	Rate of Change
Total	6,900	6,900	-
Printing & Solutions	3,935	4,012	2.0%
Personal & Home	449	463	3.1%
Machinery	1,153	1,090	-5.5%
Network & Contents	490	487	-0.6%
Domino business	735	714	-2.9%
Other	138	134	-2.9%

FY17	Rate of Change	Rate of Change (w/o FX)
7,130	-3.2%	-1.5%
4,122	-2.7%	-0.3%
445	4.1%	7.2%
1,273	-14.4%	-14.0%
491	-0.7%	-0.7%
684	4.4%	5.4%
116	15.3%	15.3%

Business Segment Profit	previous Forecast	FY18 Forecast	Rate of Change
Total	710	690	-2.8%
Printing & Solutions	498	485	-2.6%
Personal & Home	30	37	23.3%
Machinery	116	100	-13.8%
Network & Contents	24	24	-
Domino business	40	40	-
Other	2	4	100.0%
Adjustment	-	-	-

FY17	Rate of Change
772	-10.7%
529	-8.3%
20	86.8%
144	-30.7%
27	-9.9%
46	-13.8%
7	-45.7%
-1	-

Operating Profit	previous Forecast	FY18 Forecast	Rate of Change
Total	700	700	-
Printing & Solutions	489	493	0.8%
Personal & Home	30	37	23.3%
Machinery	117	103	-12.0%
Network & Contents	21	21	-
Domino business	40	40	-
Other	3	6	100.0%
Adjustment	-	-	-

FY17	Rate of Change
687	1.9%
474	4.1%
11	252.0%
141	-27.1%
13	56.4%
40	0.0%
9	-33.4%
-1	-

Appendix

Consolidated Results for FY2018 Q2

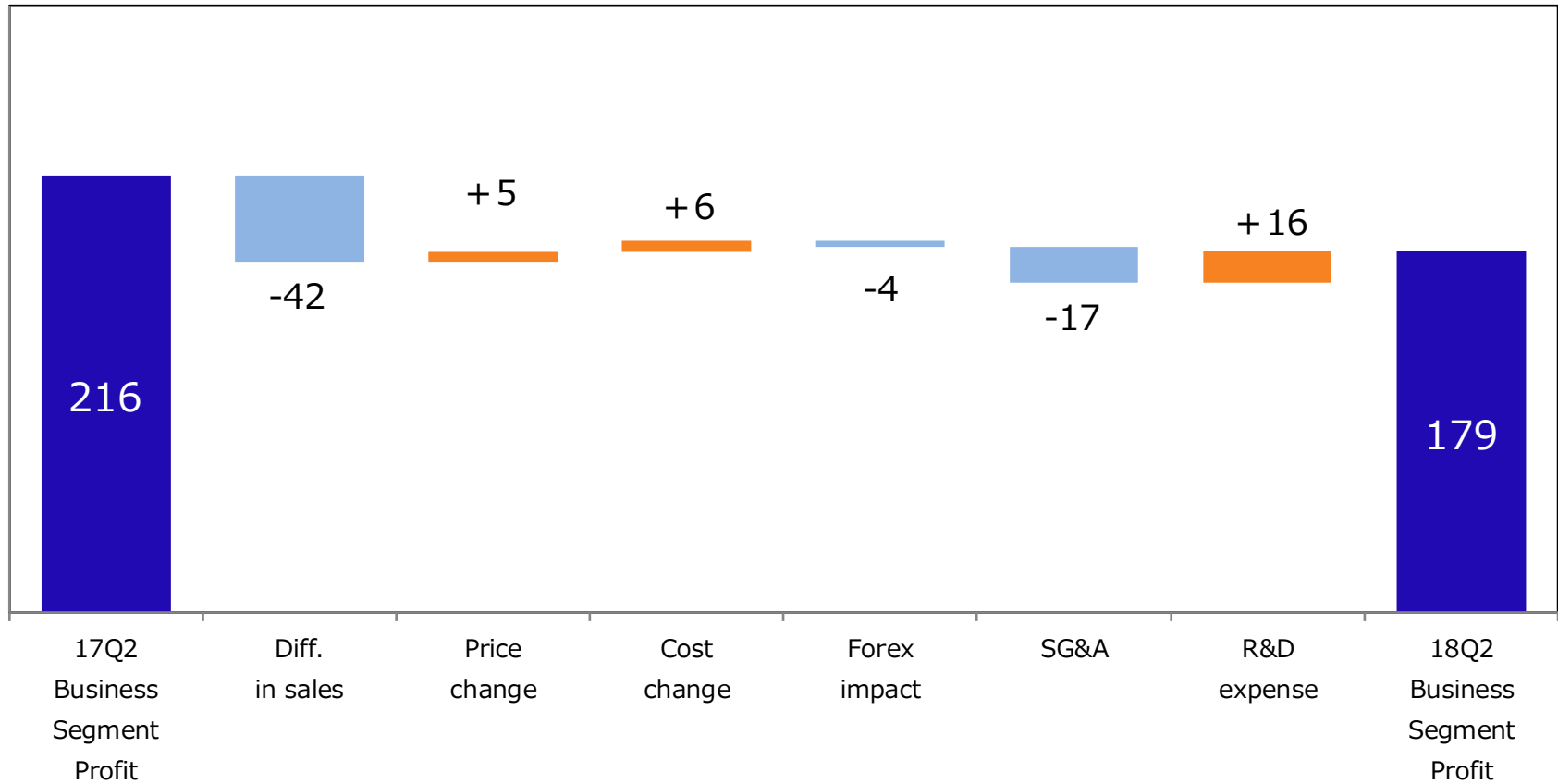
(100 Millions of Yen)

	17Q2	18Q2	Change	Rate of Change (w/o FX)
Sales Revenue	1,787	1,726	-61 *	-3.4% (-2.3%)
Business Segment Profit	216	179	-37	-17.3%
Business Segment Profit Ratio	12.1%	10.4%		
Other income/expense	-29	-21	8	
Operating Profit	187	158	-29	-15.7%
Operating Profit Ratio	10.5%	9.1%		
Income before Tax	186	159	-27	-14.5%
Net Income	135	120	-15	-11.4%
USD	111.38	111.55		
EUR	130.45	129.89		

* Including negative impact of 1.2 billion yen due to application of IFRS 15

Main Factors for Changes in Business Segment Profit 18Q2

(100 Millions of Yen)



Highlight by business segment 18Q2

(100 Millions of Yen)

Sales Revenue	17Q2	18Q2	Rate of Change	Rate of Change (w/o FX)
Total	1,787	1,726	-3.4%	-2.3%
Printing & Solutions	1,004	992	-1.3%	0.3%
Personal & Home	114	126	10.8%	12.2%
Machinery	344	279	-18.9%	-18.7%
Network & Contents	128	118	-7.9%	-7.9%
Domino business	166	176	6.4%	7.8%
Other	31	36	13.9%	13.9%

Business Segment Profit	17Q2	18Q2	Rate of Change
Total	216	179	-17.3%
Printing & Solutions	135	119	-12.2%
Personal & Home	6	12	95.2%
Machinery	51	29	-42.4%
Network & Contents	11	4	-65.9%
Domino business	9	12	31.8%
Other	4	3	-14.2%
Adjustment	-0	-0	-

Operating Profit	17Q2	18Q2	Rate of Change
Total	187	158	-15.7%
Printing & Solutions	112	102	-8.6%
Personal & Home	4	10	127.8%
Machinery	49	29	-41.4%
Network & Contents	10	4	-65.3%
Domino business	7	9	33.6%
Other	4	4	-9.2%
Adjustment	-0	-0	-

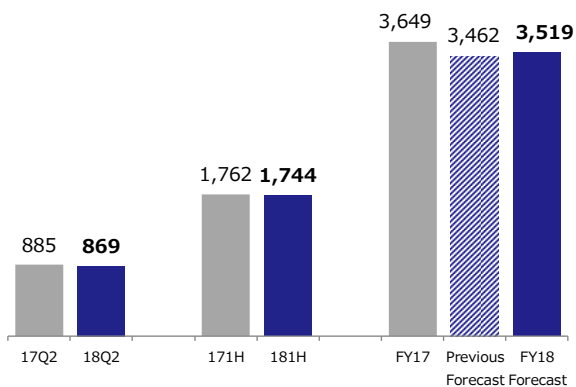
Printing & Solutions Sales Revenue & Profit

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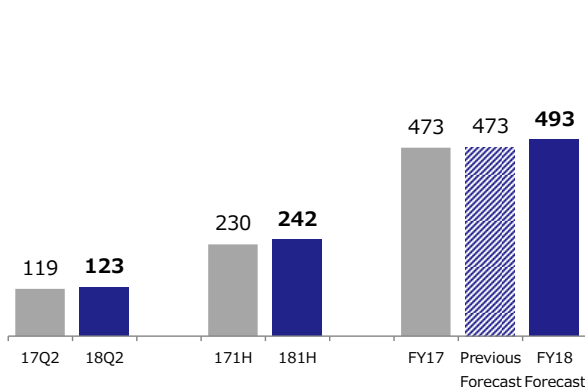
(100 Millions of Yen)

	17Q2	18Q2	Change	Change x FX	171H	181H	Change	Change x FX	FY17	Previous Forecast	FY18 Forecast	Change v LY	Change x FX
Sales Revenue	1,004	992	-1.3%	0.3%	1,992	1,986	-0.3%	0.3%	4,122	3,935	4,012	-2.7%	-0.3%
Communications & Printing equipment	885	869	-1.9%	-0.3%	1,762	1,744	-1.0%	-0.4%	3,649	3,462	3,519	-3.6%	-1.3%
Americas	335	331	-1.1%	1.0%	665	646	-2.9%	-0.5%	1,335	1,263	1,276	-4.4%	-0.7%
Europe	274	275	0.0%	0.8%	539	548	1.6%	0.0%	1,192	1,155	1,164	-2.4%	-1.4%
Asia & Others	158	159	0.6%	3.6%	315	332	5.5%	6.6%	616	615	630	2.3%	5.9%
Japan	118	104	-12.1%	-12.1%	243	219	-9.8%	-9.8%	505	428	448	-11.2%	-11.2%
Electronic stationery	119	123	3.3%	4.6%	230	242	5.0%	5.7%	473	473	493	4.3%	6.7%
Americas	56	60	7.6%	9.3%	108	116	7.9%	10.3%	212	209	220	3.9%	7.5%
Europe	35	33	-5.4%	-4.9%	67	65	-3.2%	-4.8%	146	148	148	1.0%	1.9%
Asia & Others	19	20	3.2%	5.4%	38	41	9.2%	9.7%	76	75	78	2.9%	5.9%
Japan	9	10	10.5%	10.5%	18	19	9.5%	9.5%	39	41	47	21.7%	21.7%
Business Segment Profit	135	119	-12.2%	-	269	268	-0.5%	-	529	498	485	-8.3%	-
Operating Profit	112	102	-8.6%	-	203	262	29.0%	-	474	489	493	4.1%	-

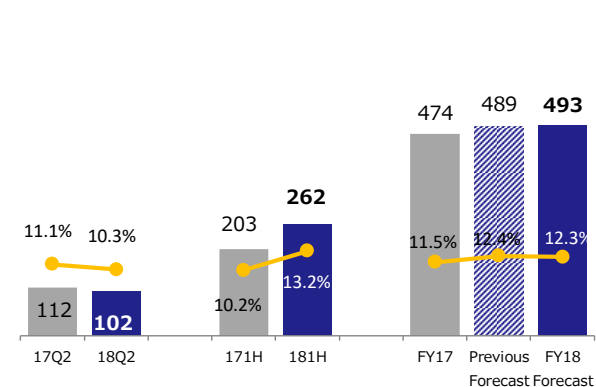
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Operating Profit>



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

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	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	FY2017	Previous Forecast	FY18 Forecast
LBP									
Sales revenue growth rate (JPY)									
Hardware	13%	24%	23%	11%	1%	-3%	17%	-8%	-7%
Consumable	-1%	2%	9%	1%	1%	1%	3%	-3%	-2%
Sales revenue growth rate (LC)									
Hardware	12%	15%	15%	10%	0%	-1%	13%	-6%	-4%
Consumable	-2%	-8%	2%	-1%	0%	2%	-2%	0%	0%
IJP									
Sales revenue growth rate (JPY)									
Hardware	3%	15%	3%	-1%	-6%	-6%	4%	-1%	-2%
Consumable	4%	3%	13%	3%	1%	-1%	6%	-6%	-5%
Sales revenue growth rate (LC)									
Hardware	3%	6%	-3%	-2%	-6%	-4%	1%	1%	1%
Consumable	4%	-5%	6%	1%	1%	0%	1%	-5%	-4%
Cosumable Ratio	57%	57%	56%	58%	57%	56%	57%	58%	57%
Growth rate of Hardware									
LBP	13%	9%	10%	3%	-1%	-8%	9%	—	—
IJP	-7%	-5%	-9%	3%	-1%	-2%	-5%	—	—

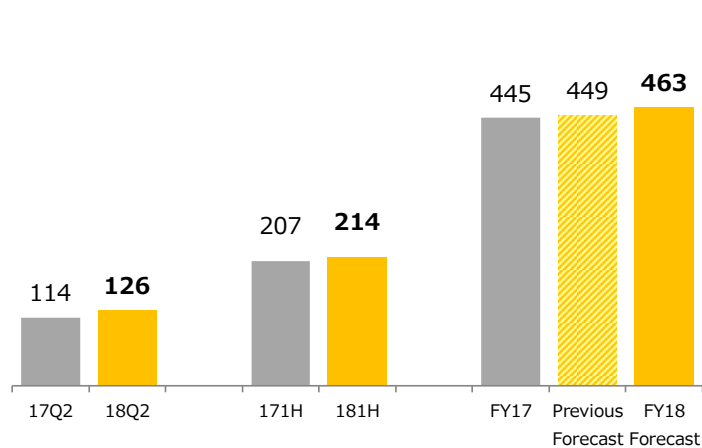
Personal & Home Sales Revenue & Profit

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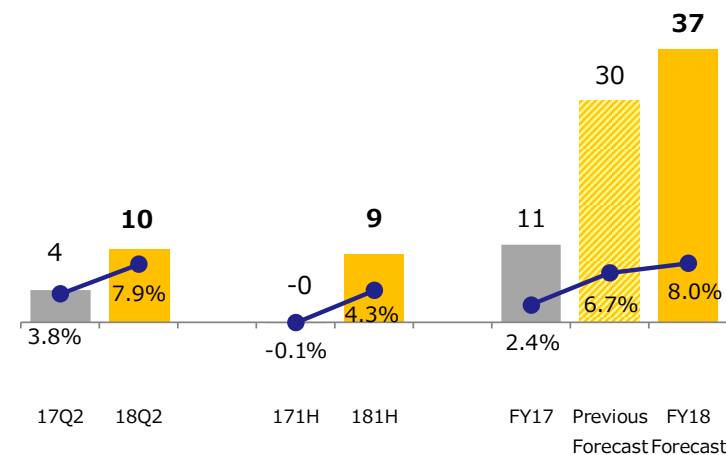
(100 Millions of Yen)

	17Q2	18Q2	Change	Change x FX	171H	181H	Change	Change x FX	FY17	Previous Forecast	FY18 Forecast	Change v LY	Change x FX
Sales Revenue	114	126	10.8%	12.2%	207	214	3.3%	4.3%	445	449	463	4.1%	7.2%
Americas	67	81	20.8%	22.4%	117	124	6.6%	9.1%	240	240	264	9.6%	14.1%
Europe	26	25	-3.2%	-2.5%	50	50	-0.3%	-2.5%	113	115	111	-1.5%	-0.8%
Asia & Others	12	12	-4.9%	-2.3%	25	24	-3.8%	-2.7%	55	58	51	-7.2%	-3.7%
Japan	8	8	-3.1%	-3.1%	15	16	1.9%	1.9%	36	36	37	2.3%	2.3%
Business Segment Profit	6	12	95.2%	-	4	10	135.1%	-	20	30	37	86.8%	-
Operating Profit	4	10	127.8%	-	- 0	9	-	-	11	30	37	252.0%	-

<Sales Revenue>



<Operating Profit>

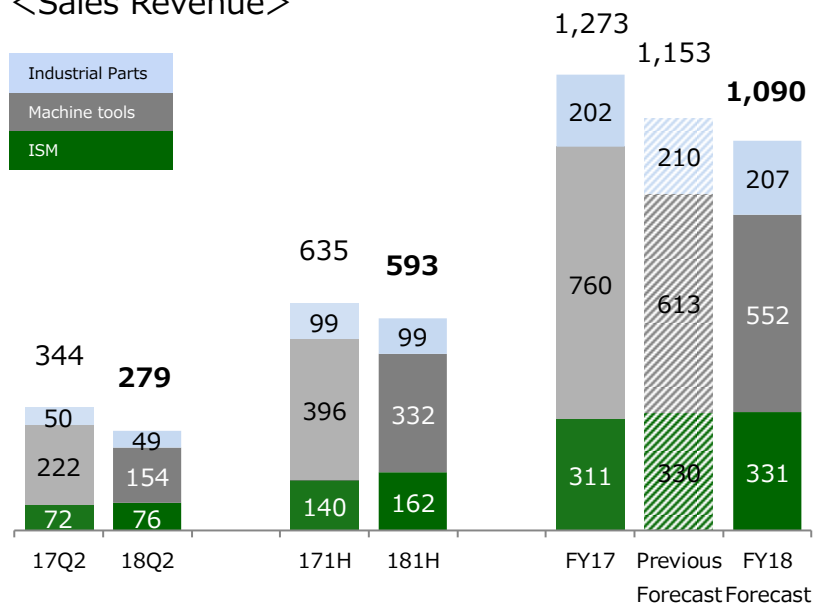


Machinery Business Sales Revenue & Profit

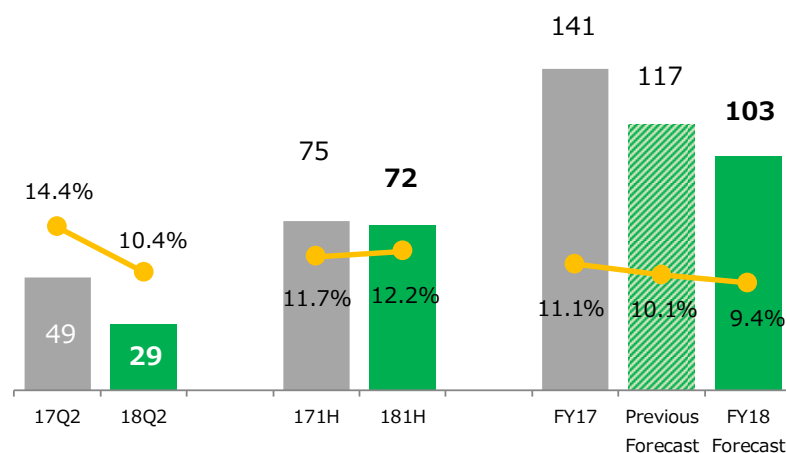
(100 Millions of Yen)

	17Q2	18Q2	Change	Change x FX	171H	181H	Change	Change x FX	FY17	Previous Forecast	FY18 Forecast	Change v LY	Change x FX
Sales Revenue	344	279	-18.9%	-18.7%	635	593	-6.6%	-6.9%	1,273	1,153	1,090	-14.4%	-14.0%
Industrial sewing machines	72	76	4.9%	5.3%	140	162	16.0%	15.7%	311	330	331	6.5%	8.0%
Machine tools	222	154	-30.5%	-30.3%	396	332	-16.1%	-16.6%	760	613	552	-27.4%	-27.4%
Industrial Parts	50	49	-1.8%	-1.9%	99	99	-0.3%	-0.3%	202	210	207	2.5%	2.9%
Business Segment Profit	51	29	-42.4%	-	76	71	-6.9%	-	144	116	100	-30.7%	-
Operating Profit	49	29	-41.4%	-	75	72	-2.8%	-	141	117	103	-27.1%	-

<Sales Revenue>



<Operating Profit>



Machinery Business Sales Revenue by Region

brother
at your side

(100 Millions of Yen)

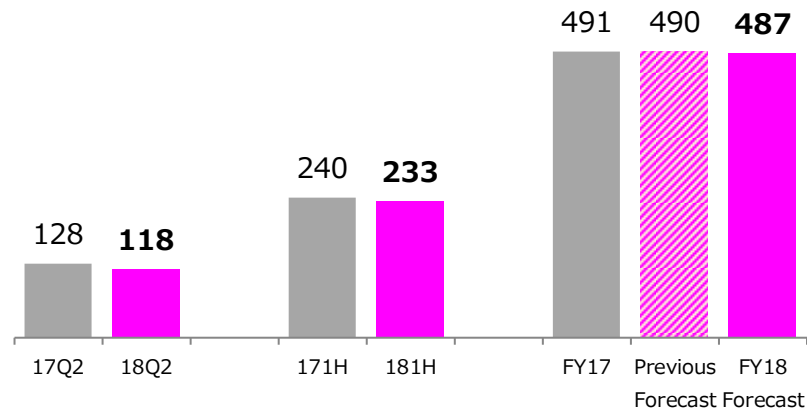
	17Q2	18Q2	Change	Change x FX	171H	181H	Change	Change x FX	FY17	Previous Forecast	FY18 Forecast	Change v LY	Change x FX
Sales Revenue	344	279	-18.9%	-18.7%	635	593	-6.6%	-6.9%	1,273	1,153	1,090	-14.4%	-14.0%
Industrial sewing machines	72	76	4.9%	5.3%	140	162	16.0%	15.7%	311	330	331	6.5%	8.0%
Americas	15	16	6.3%	6.3%	29	33	14.7%	16.3%	64	68	67	5.4%	8.1%
Europe	14	16	17.8%	18.3%	28	38	35.2%	31.7%	63	64	71	12.9%	13.0%
Asia & Others	42	41	-1.7%	-1.2%	81	88	8.9%	9.1%	178	191	188	5.4%	7.2%
Japan	2	2	52.5%	52.5%	3	4	39.0%	39.0%	7	7	6	-16.4%	-16.4%
Machine tools	222	154	-30.5%	-30.3%	396	332	-16.1%	-16.6%	760	613	552	-27.4%	-27.4%
Americas	6	11	75.5%	-	14	20	47.8%	-	33	38	34	5.7%	-
Europe	6	9	38.4%	-	15	20	33.4%	-	30	33	30	1.5%	-
Asia & Others	189	102	-45.9%	-	331	234	-29.3%	-	608	442	361	-40.6%	-
Japan	20	32	60.2%	-	36	58	59.8%	-	89	100	126	41.2%	-
Industrial Parts	50	49	-1.8%	-1.9%	99	99	-0.3%	-0.3%	202	210	207	2.5%	2.9%
Americas	6	6	2.7%	2.2%	13	12	-5.0%	-4.1%	25	26	26	3.8%	5.6%
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia & Others	5	5	7.4%	6.9%	10	12	15.8%	14.0%	20	23	23	11.2%	12.8%
Japan	39	38	-3.7%	-3.7%	76	75	-1.6%	-1.6%	157	160	159	1.2%	1.2%

Network & Contents Sales Revenue & Profit

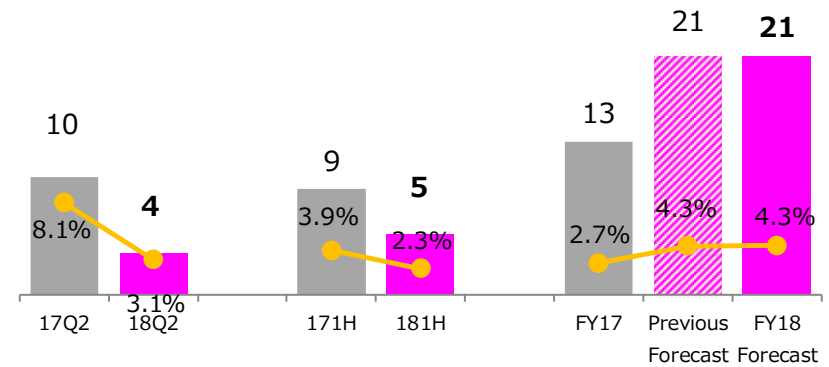
(100 Millions of Yen)

	17Q2	18Q2	Change	171H	181H	Change	FY17	Previous Forecast	FY18 Forecast	Change v LY
Sales Revenue	128	118	-7.9%	240	233	-2.9%	491	490	487	-0.7%
Business Segment Profit	11	4	-65.9%	11	6	-43.1%	27	24	24	-9.9%
Operating Profit	10	4	-65.3%	9	5	-42.6%	13	21	21	56.4%

<Sales Revenue>



<Operating Profit>

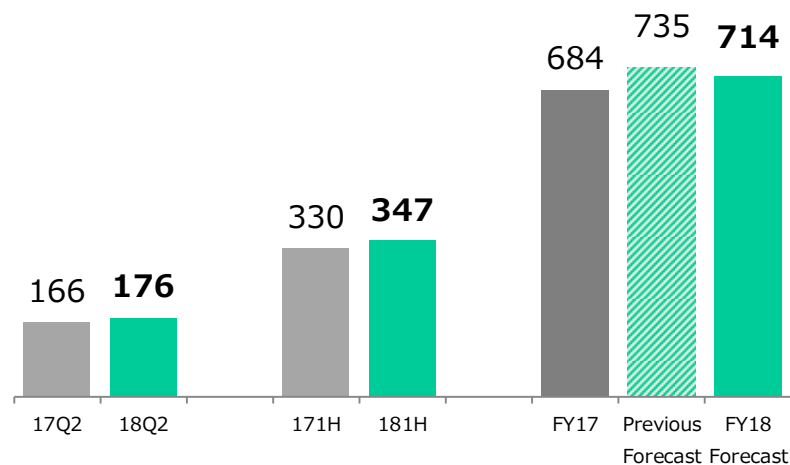


Domino Business Sales Revenue & Profit

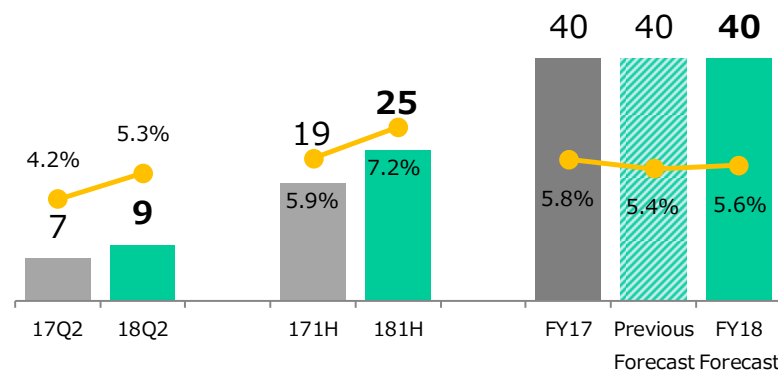
(100 Millions of Yen)

	17Q2	18Q2	Change	Change x FX	171H	181H	Change	Change x FX	FY17	Previous Forecast	FY18 Forecast	Change v LY	Change x FX
Sales Revenue	166	176	6.4%	7.8%	330	347	5.2%	5.0%	684	735	714	4.4%	5.4%
Americas	42	41	-2.2%	-1.7%	82	76	-7.6%	-8.9%	159	176	165	3.9%	5.0%
Europe	77	84	9.9%	10.2%	155	171	10.6%	9.0%	337	351	345	2.3%	3.7%
Asia & Others	47	51	8.2%	8.4%	93	100	7.5%	5.9%	187	207	204	8.6%	10.0%
Business Segment Profit	9	12	31.8%	-	25	24	-3.0%	-	46	40	40	-13.8%	-
Operating Profit	7	9	33.6%	-	19	25	28.4%	-	40	40	40	0.0%	-

<Sales Revenue>

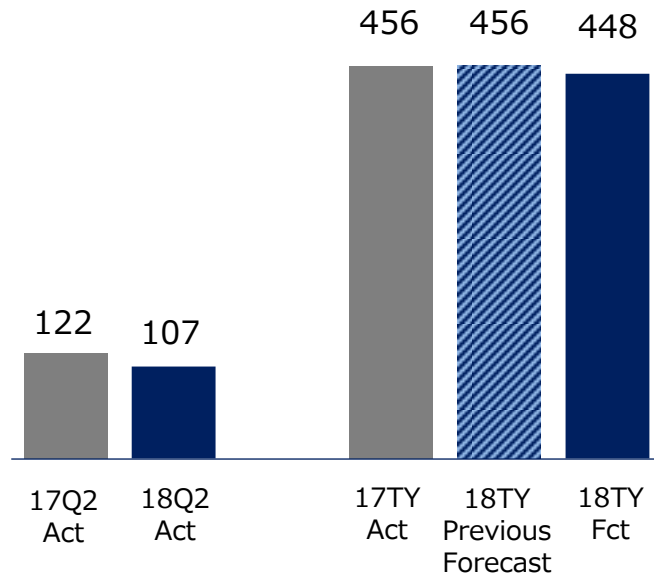


<Operating Profit>



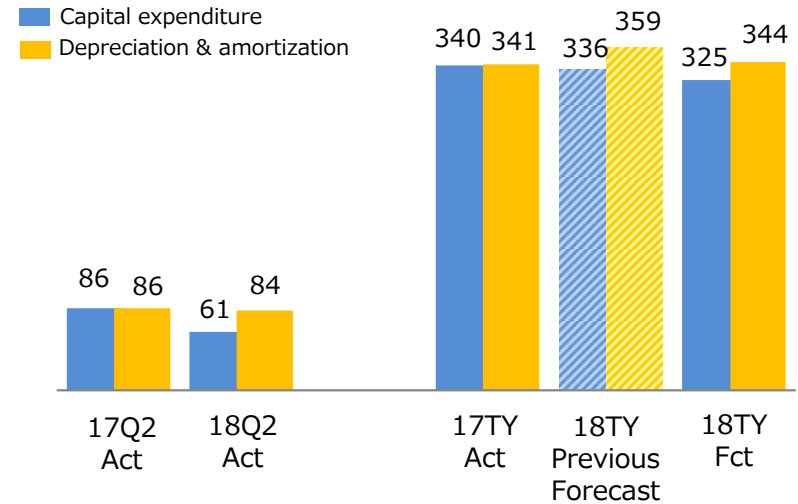
R&D expenses

(100 Millions of Yen)



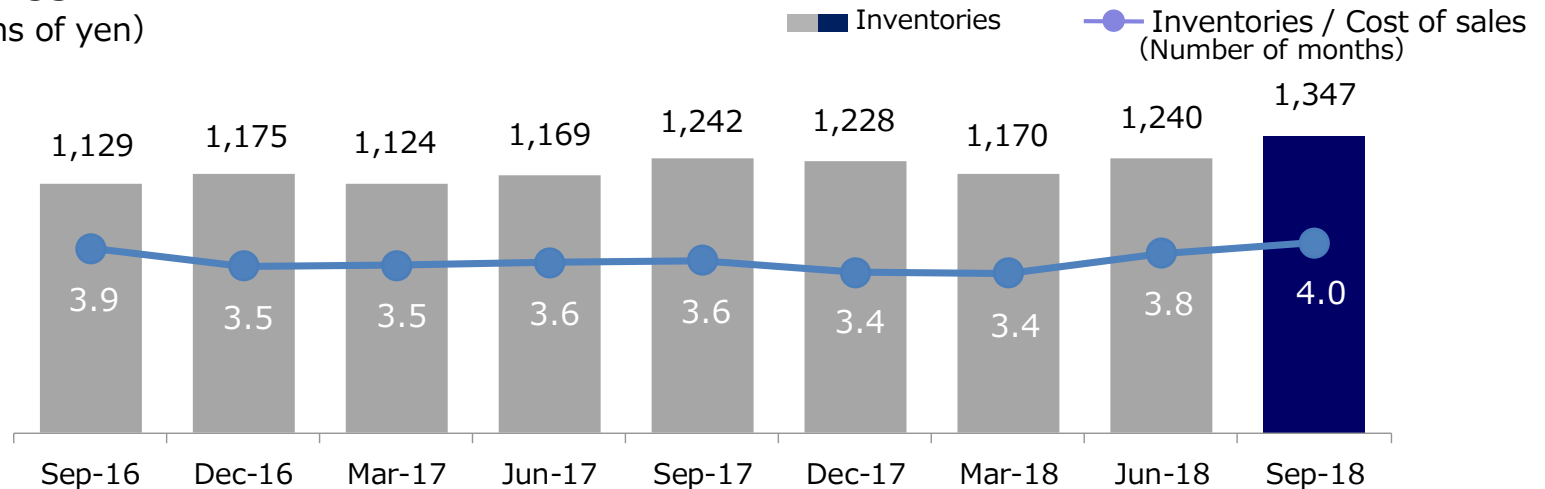
Capital expenditure / Depreciation & amortization

(100 Millions of Yen)



Inventories

(100 Millions of yen)



brother
at your side