

Fiscal Year 2019 (ending March 31, 2020)

2nd Quarter Results
(3-month results ended September 30, 2019)

Brother Industries, Ltd.
November 5, 2019

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.

Main Points of Results for FY2019 Q2

Results for FY2019 Q2

- ✓ **Despite a harsh business environment, P&S profit improved and consolidated profit was up**
 - The communications and printing equipment product mix improved and global sales of consumables were strong
 - Demand for machines tools was sluggish in the automotive, general, and IT fields
 - The N&C business reported strong sales of new online karaoke machine models
 - In the Domino business, global sales of consumables were firm.

Forecast for FY2019

- ✓ **The P&S business is performing well but cannot make up for the decline in the Machinery business, and the forecast has been revised downward since the previous forecast**
 - Foreign exchange assumptions in the P&S business were revised to a higher yen, but the forecast was revised upward in light of results for the first half
 - The forecast for Machinery business was revised downward in response to continued sluggish demand in conjunction with the global economic slowdown centered on China
 - The results forecast was revised downward and the forecast dividend per share was reduced from 66 yen to 60 yen based on the shareholder return policy (consolidated payout ratio of 35%).

Consolidated Results for FY2019 Q2



Despite a harsh business environment,
P&S profit improved and consolidated profit was up

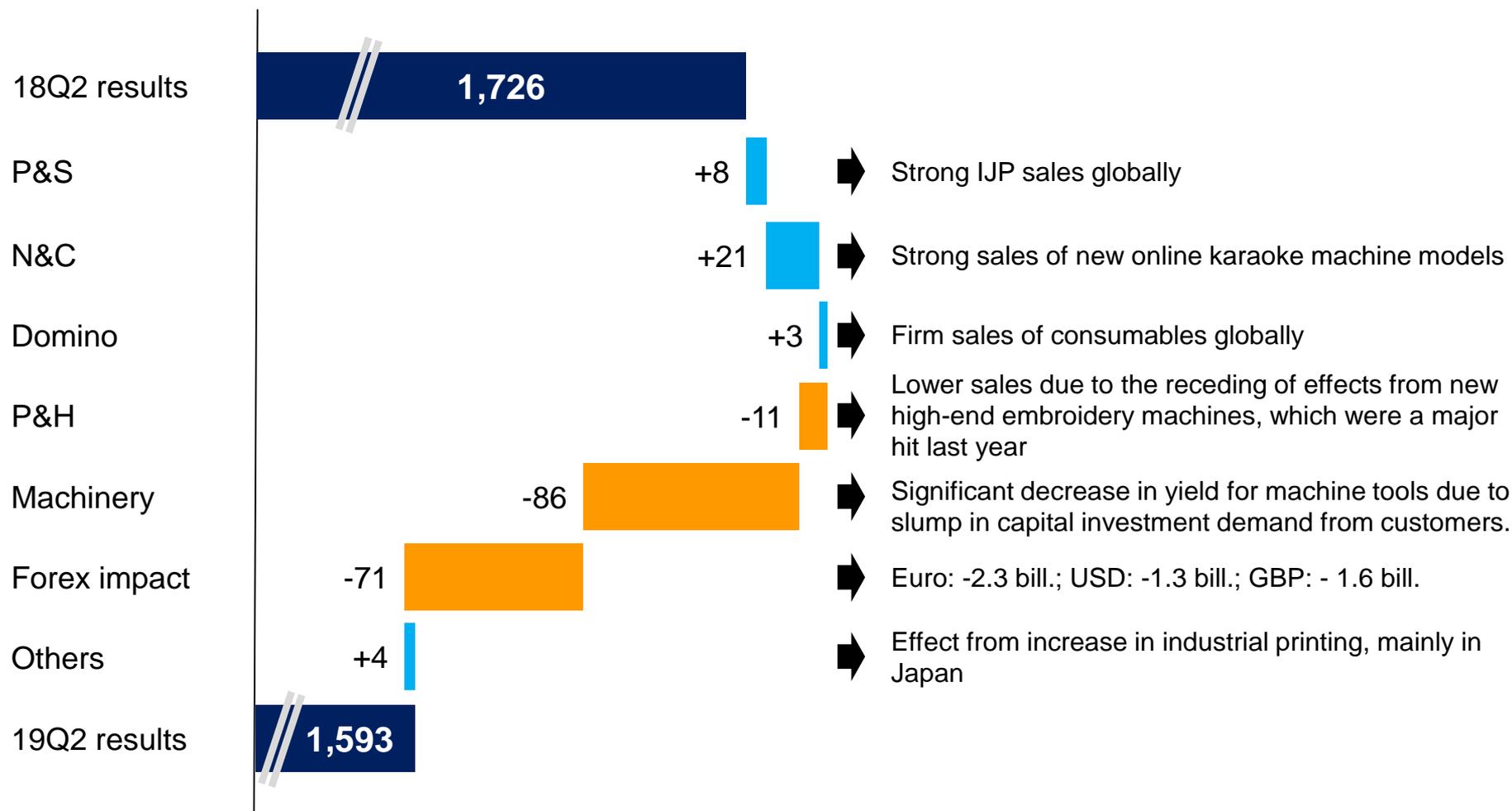
(100 Millions of Yen)

	18Q2	19Q2	Change	Rate of Change (w/o FX)
Sales Revenue	1,726	1,593	-133	-7.7% (-3.6%)
Business Segment Profit	179	185	6	3.6%
Business Segment Profit Ratio	10.4%	11.6%		
Other income/expense	-21	-1	20	
Operating Profit	158	184	27	16.9%
Operating Profit Ratio	9.1%	11.6%		
Income before Tax	159	183	24	15.3%
Net Income	120	144	24	20.1%
USD	111.55	107.70		
EUR	129.89	119.83		

Main Factors of Changes in Sales Revenue FY19Q2

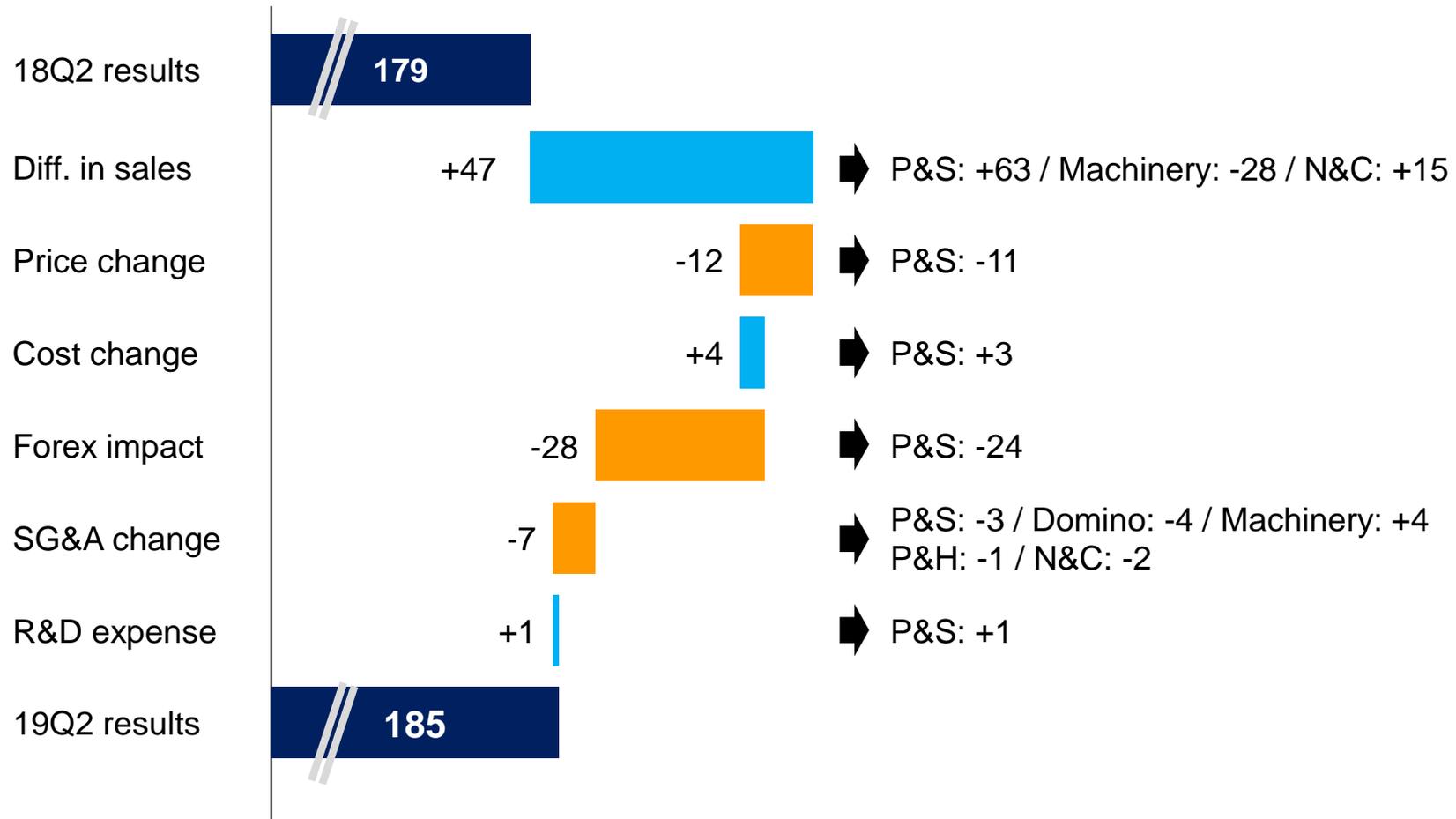
(100 Millions of Yen)

Sales revenue was down due to sluggish sales in the Machinery business and negative foreign exchange effects



Main Factors of Changes in Business Segment Profit FY19Q2

Higher profit was achieved due to increased profit in the P&S business



Results for FY2019 Q2 by Business Segment

(100 Millions of Yen)

		18Q2	19Q2	change
Printing & Solutions	Sales Revenue	992	951	-41
	Business Segment Profit	119	148	29
	Operating Profit	102	145	42
Personal & Home	Sales Revenue	126	110	-16
	Business Segment Profit	12	8	-4
	Operating Profit	10	8	-2
Machinery	Sales Revenue	279	188	-91
	Business Segment Profit	29	3	-26
	Operating Profit	29	3	-26
Network & Contents	Sales Revenue	118	139	21
	Business Segment Profit	4	17	13
	Operating Profit	4	17	13
Domino business	Sales Revenue	176	167	-9
	Business Segment Profit	12	8	-4
	Operating Profit	9	9	-1
Other	Sales Revenue	36	39	4
	Business Segment Profit	3	1	-2
	Operating Profit	4	3	-1
Total	Sales Revenue	1,726	1,593	-133
	Business Segment Profit	179	185	6
	Operating Profit	158	184	27

*Not including elimination amount by inter-segment transaction.

Forecast for FY2019

(100 Millions of Yen)

	Previous Forecast	FY19 Forecast	Change	FY18	Change	Rate of Change (w/o FX)
Sales Revenue	6,900	6,420	-480	6,840	-420	-6.1% (-2.5%)
Business Segment Profit	665	600	-65	720	-120	-16.6%
Business Segment Profit Ratio	9.6%	9.3%		10.5%		
Other income/expense	-15	5	20	-0	5	
Operating Profit	650	605	-45	719	-114	-15.9%
Operating Profit Ratio	9.4%	9.4%		10.5%		
Income before Tax	650	598	-52	723	-125	-17.3%
Net Income	485	445	-40	539	-94	-17.4%
USD	110.00	108.53		110.69		
EUR	125.00	120.62		128.43		
Dividend per Share (Yen)	66.00	60.00		60.00		
Consolidated payout ratio	35.3%	35.0%		28.9%		

✓ **The P&S business is performing well but cannot make up for the decline in the Machinery business, and the forecast has been revised downward since the previous forecast**

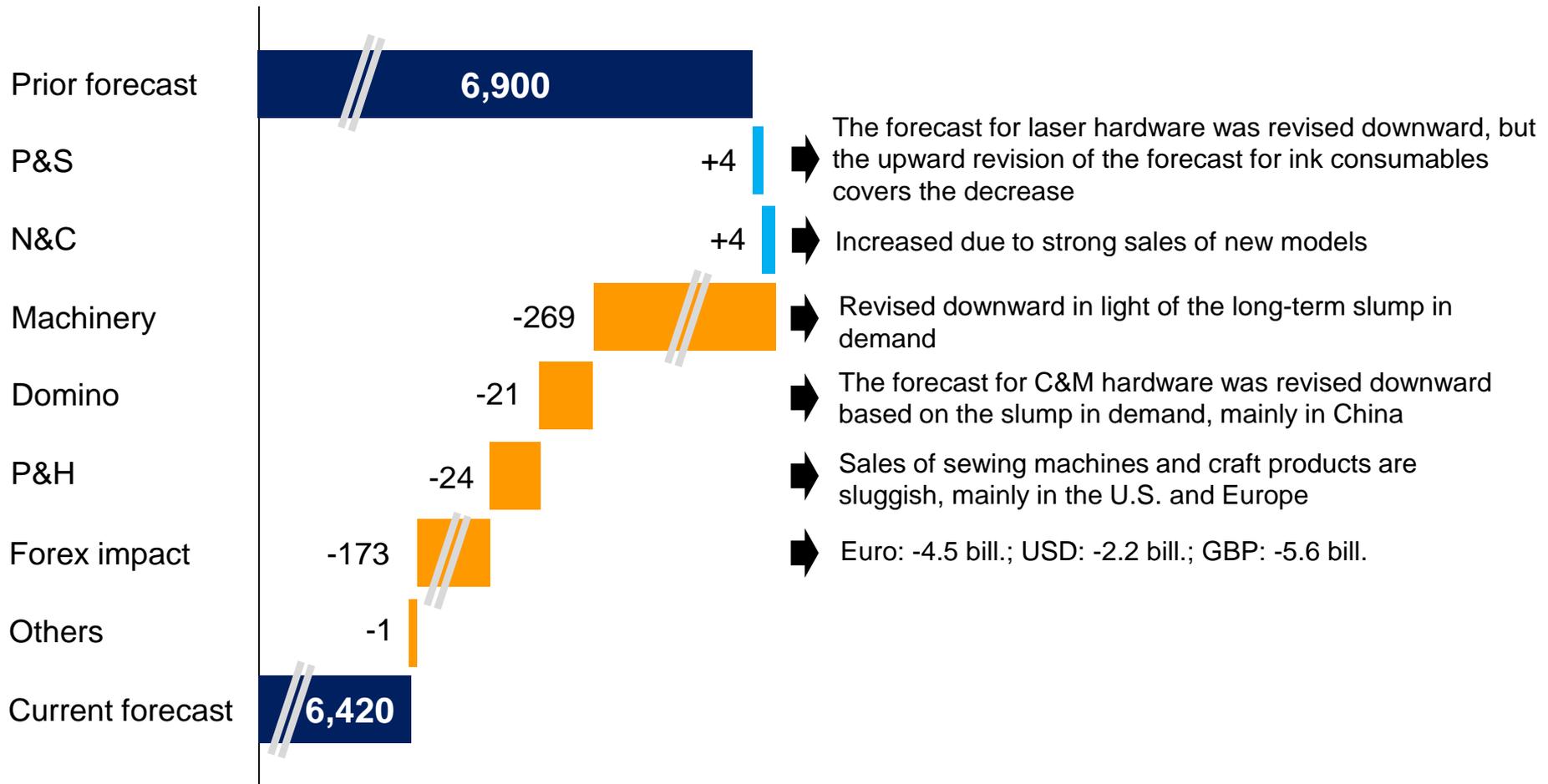
- Foreign exchange assumptions in the P&S business were revised to a higher yen, but the forecast was revised upward in light of results for the first half
- The forecast for Machinery business was revised downward in response to prolonged sluggish demand in conjunction with the global economic slowdown centered in China
- The results forecast was revised downward and the forecast dividend per share was reduced from 66 yen to 60 yen based on the shareholder return policy (consolidated payout ratio of 35%).

Main Factors of Changes in Sales Revenue

(100 Millions of Yen)

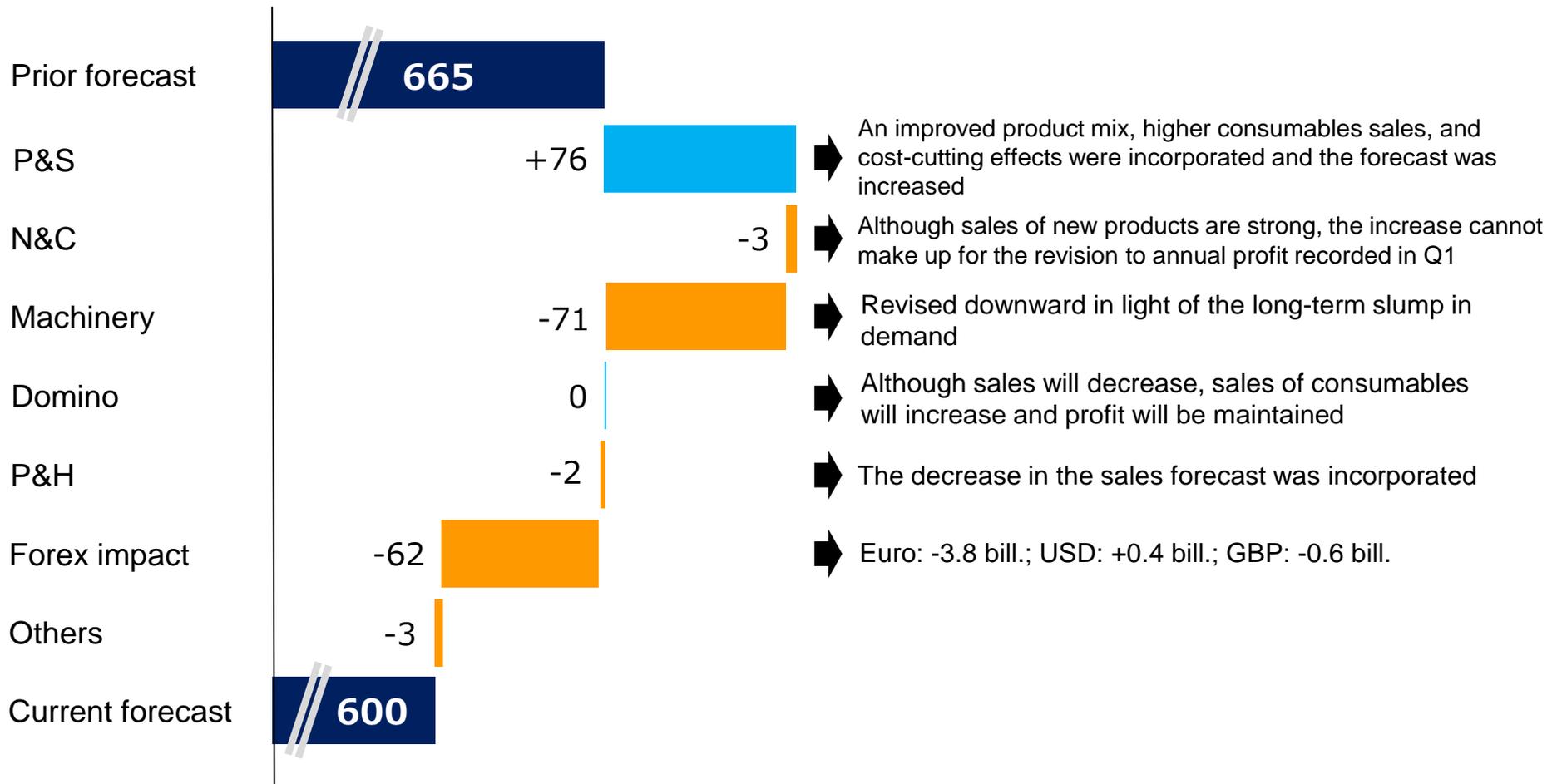
The forecast was revised downward, mainly in the Machinery business, and the negative effects of foreign exchange were incorporated

* Amounts of change are on an actual basis excluding foreign exchange effects



Main Factors for Changes in Business Segment Profit

Strong sales in the P&S business, lower sales mainly in Machinery (machine tools), and foreign exchange impacts were incorporated



Forecast for FY2019 by Business Segment



(100 Millions of Yen)

	FY18 Act	FY19 Fct	change	Previous Fct	FY19 Fct	change	
Printing & Solutions	Sales Revenue	4,030	3,873	-157	3,975	3,873	-102
	Business Segment Profit	522	504	-18	481	504	23
	Operating Profit	529	508	-21	474	508	34
Personal & Home	Sales Revenue	454	418	-36	452	418	-34
	Business Segment Profit	40	27	-13	32	27	-5
	Operating Profit	40	27	-13	32	27	-5
Machinery	Sales Revenue	1,041	798	-243	1,079	798	-281
	Business Segment Profit	98	15	-83	88	15	-73
	Operating Profit	99	14	-85	87	14	-73
Network & Contents	Sales Revenue	479	506	27	502	506	4
	Business Segment Profit	18	19	1	22	19	-3
	Operating Profit	16	17	1	20	17	-3
Domino business	Sales Revenue	712	674	-38	739	674	-65
	Business Segment Profit	39	37	-2	39	37	-2
	Operating Profit	29	39	10	39	39	0
Other	Sales Revenue	122	151	29	152	151	-1
	Business Segment Profit	4	-2	-6	3	-2	-5
	Operating Profit	8	0	-8	-2	0	2
Total	Sales Revenue	6,840	6,420	-420	6,900	6,420	-480
	Business Segment Profit	720	600	-120	665	600	-65
	Operating Profit	719	605	-114	650	605	-45

*Not including elimination amount by inter-segment transaction.

Printing & Solutions Sales Revenue & Profit

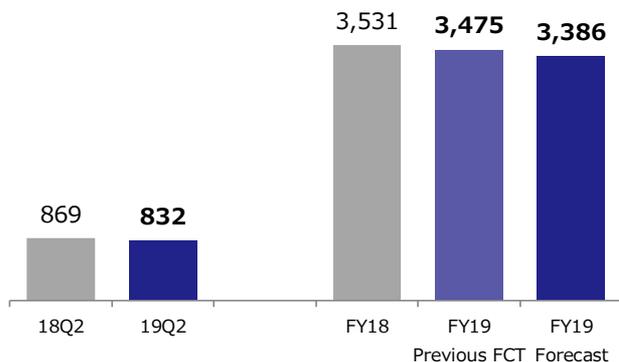
brother
at your side

(100 Millions of Yen)

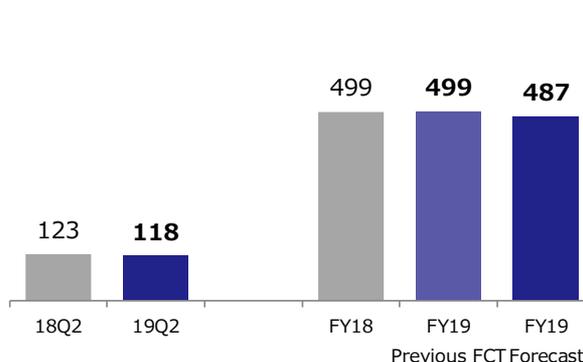
	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	992	951	-4.1%	0.8%	4,030	3,975	3,873	-3.9%	0.2%
Communications & Printing equipment	869	832	-4.2%	0.7%	3,531	3,475	3,386	-4.1%	0.0%
Americas	331	307	-7.4%	-3.1%	1,300	1,256	1,252	-3.7%	-0.3%
Europe	275	262	-4.7%	3.0%	1,162	1,146	1,101	-5.2%	1.0%
Asia & Others	159	150	-5.9%	-1.3%	620	652	599	-3.4%	1.3%
Japan	104	114	10.1%	10.1%	448	421	433	-3.4%	-3.5%
Electronic stationery	123	118	-3.8%	1.2%	499	499	487	-2.4%	1.6%
Americas	60	56	-6.0%	-2.0%	225	226	223	-1.1%	2.2%
Europe	33	34	2.2%	10.5%	145	147	143	-1.3%	5.2%
Asia & Others	20	19	-6.2%	-0.9%	79	82	74	-5.7%	0.4%
Japan	10	9	-6.3%	-6.3%	50	45	48	-5.2%	-9.0%

Business Segment Profit	119	148	24.3%	-	522	481	504	-3.4%	-
Operating Profit	102	145	41.5%	-	529	474	508	-4.0%	-

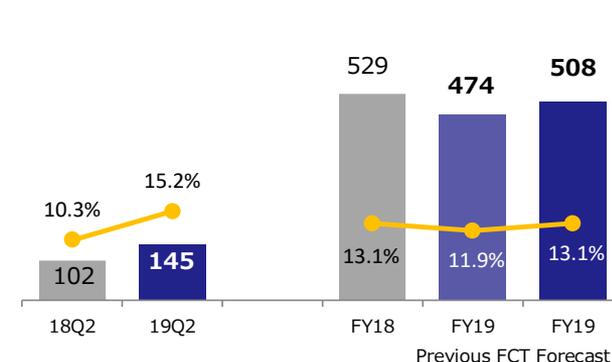
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Operating Profit>



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

brother
at your side

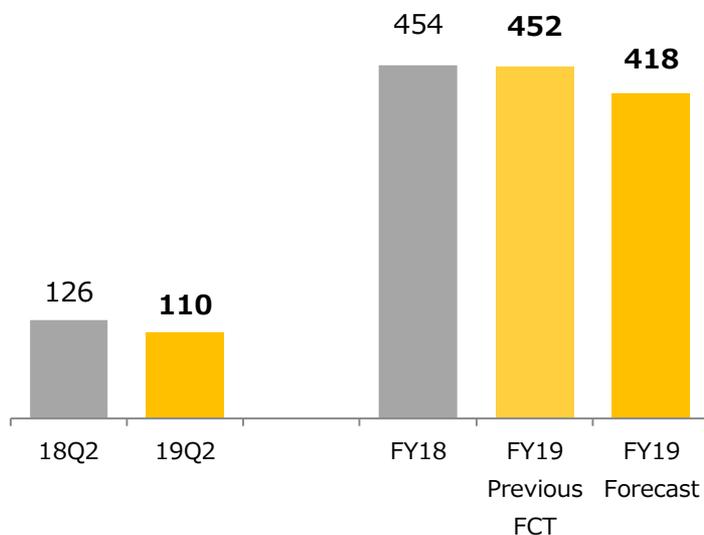
	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	FY2017	FY2018	FY2019 Forecast	FY2019 Forecast
LBP														
Sales revenue growth rate (JPY)														
Hardware	13%	24%	23%	11%	1%	-3%	-5%	-17%	-9%	-8%	17%	-6%	0%	-6%
Consumable	-1%	2%	9%	1%	1%	1%	-1%	-4%	2%	-6%	3%	-1%	-1%	-3%
Sales revenue growth rate (LC)														
Hardware	12%	15%	15%	10%	2%	0%	-1%	-12%	-6%	-4%	13%	-2%	2%	-2%
Consumable	-2%	-8%	2%	-1%	1%	3%	2%	-1%	4%	-1%	-2%	1%	1%	1%
IJP														
Sales revenue growth rate (JPY)														
Hardware	3%	15%	3%	-1%	-6%	-6%	2%	-6%	-2%	8%	4%	-4%	3%	2%
Consumable	4%	3%	13%	3%	1%	-1%	-3%	-5%	1%	-2%	6%	-2%	-8%	-5%
Sales revenue growth rate (LC)														
Hardware	3%	6%	-3%	-2%	-3%	-2%	6%	-1%	1%	13%	1%	-1%	5%	6%
Consumable	4%	-5%	6%	1%	1%	1%	0%	-2%	3%	3%	1%	0%	-7%	-1%
Cosumable Ratio														
	57%	57%	56%	58%	58%	58%	57%	61%	60%	58%	57%	58%	58%	58%
Growth rate of Hardware														
LBP	13%	9%	10%	3%	-1%	-8%	-7%	-16%	-13%	-4%	9%	-8%	-	-
IJP	-7%	-5%	-9%	3%	-1%	-2%	-1%	-4%	0%	13%	-5%	-2%	-	-

Personal & Home Sales Revenue & Profit

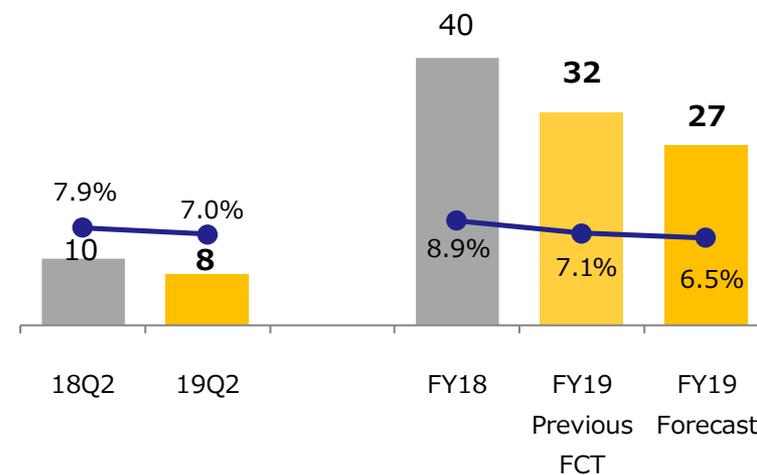
(100 Millions of Yen)

	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	126	110	-12.7%	-8.6%	454	452	418	-8.0%	-4.3%
Americas	81	69	-15.4%	-12.0%	258	250	234	-9.4%	-5.8%
Europe	25	22	-11.4%	-3.9%	111	113	101	-8.7%	-3.2%
Asia & Others	12	11	-3.9%	1.0%	50	54	49	-1.2%	1.5%
Japan	8	8	-2.2%	-2.2%	36	35	33	-6.3%	-4.6%
Business Segment Profit	12	8	-32.1%	-	40	32	27	-33.1%	-
Operating Profit	10	8	-23.0%	-	40	32	27	-33.0%	-

<Sales Revenue>



<Operating Profit>



Machinery Business Sales Revenue & Profit

(100 Millions of Yen)

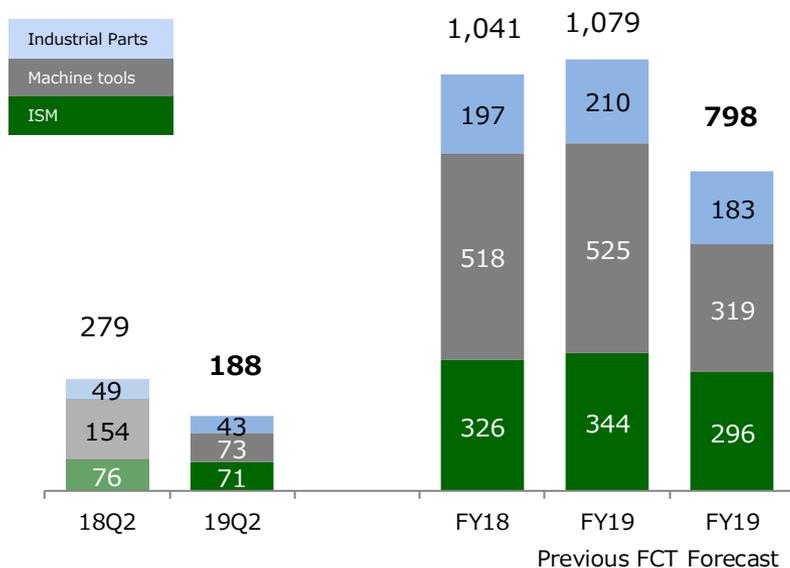
	18Q2	19Q2	Change	Change x FX
Sales Revenue	279	188	-32.8%	-31.0%
Industrial sewing machines	76	71	-5.8%	-1.4%
Machine tools	154	73	-52.5%	-51.8%
Industrial Parts	49	43	-12.5%	-11.4%

	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	1,041	1,079	798	-23.4%	-21.6%
Industrial sewing machines	326	344	296	-9.3%	-5.8%
Machine tools	518	525	319	-38.4%	-37.4%
Industrial Parts	197	210	183	-7.3%	-6.1%

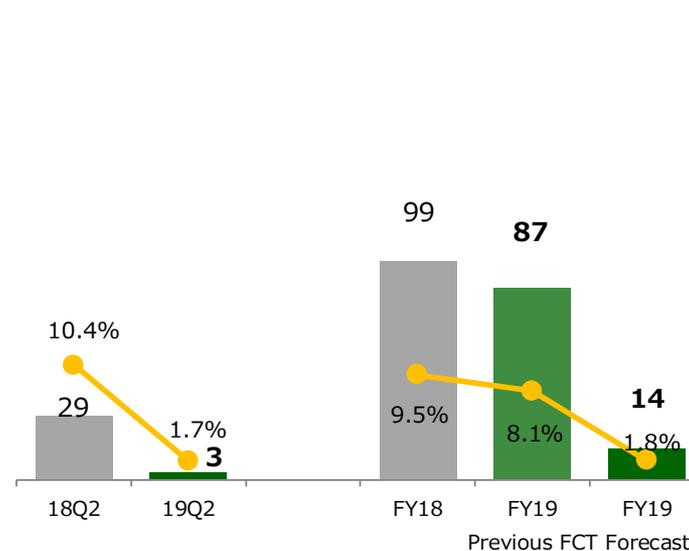
Business Segment Profit	29	3	-89.1%	-
Operating Profit	29	3	-89.0%	-

Business Segment Profit	98	88	15	-84.6%	-
Operating Profit	99	87	14	-85.9%	-

<Sales Revenue>



<Operating Profit>



Machinery Business Sales Revenue by Region

brother
at your side

(100 Millions of Yen)

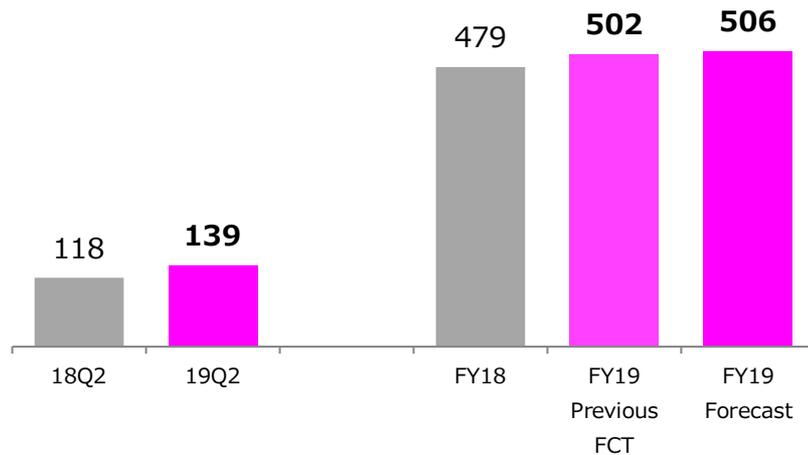
	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	279	188	-32.8%	-31.0%	1,041	1,079	798	-23.4%	-21.6%
Industrial sewing machines	76	71	-5.8%	-1.4%	326	344	296	-9.3%	-5.8%
Americas	16	21	27.4%	32.0%	65	71	73	11.5%	14.0%
Europe	16	15	-10.0%	-2.5%	71	75	71	-1.3%	5.9%
Asia & Others	41	33	-18.7%	-15.2%	181	190	143	-20.9%	-17.9%
Japan	2	3	15.7%	15.7%	8	8	9	10.2%	3.6%
Machine tools	154	73	-52.5%	-51.8%	518	525	319	-38.4%	-37.4%
Americas	11	3	-70.5%	-	33	40	21	-35.2%	-
Europe	9	6	-36.3%	-	30	32	24	-18.6%	-
Asia & Others	102	38	-63.2%	-	341	324	178	-47.7%	-
Japan	32	27	-16.2%	-	114	129	95	-16.4%	-
Industrial Parts	49	43	-12.5%	-11.4%	197	210	183	-7.3%	-6.1%
Americas	6	6	-4.6%	-1.4%	25	25	24	-0.5%	0.0%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	5	4	-23.9%	-17.7%	22	24	20	-8.0%	-1.5%
Japan	38	33	-12.2%	-12.2%	150	161	139	-7.9%	-7.8%

Network & Contents Sales Revenue & Profit

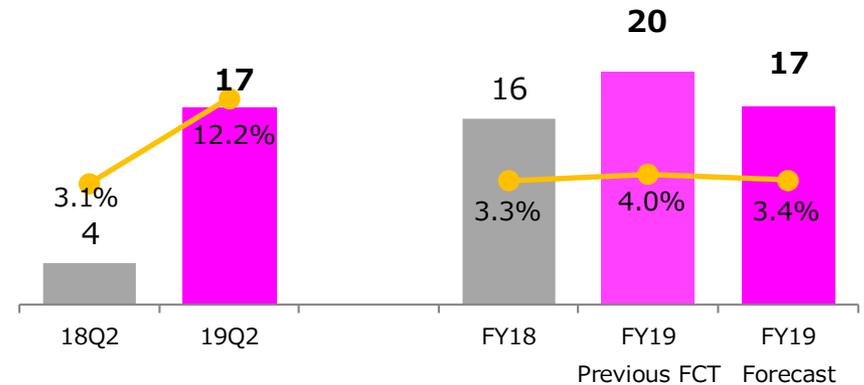
(100 Millions of Yen)

	18Q2	19Q2	Change	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY
Sales Revenue	118	139	18.0%	479	502	506	5.6%
Business Segment Profit	4	17	339.5%	18	22	19	6.8%
Operating Profit	4	17	370.1%	16	20	17	6.7%

<Sales Revenue>



<Operating Profit>



Domino Business Sales Revenue & Profit

(100 Millions of Yen)

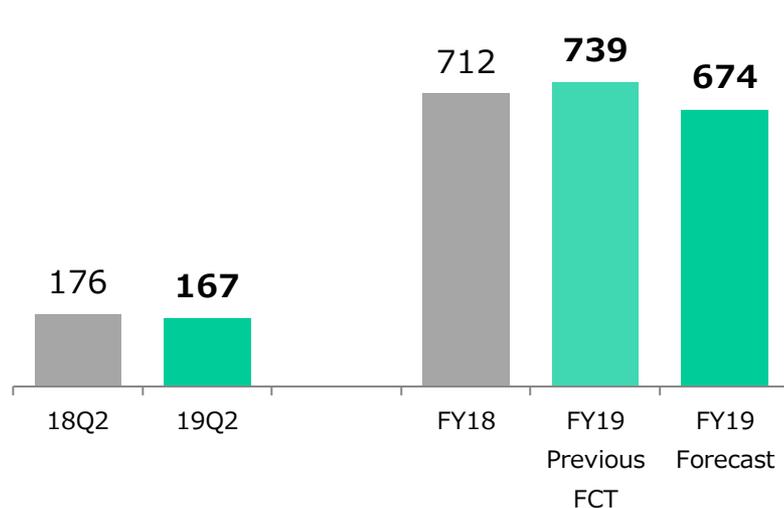
	18Q2	19Q2	Change	Change x FX
Sales Revenue	176	167	-5.4%	1.7%
Americas	41	42	3.8%	8.8%
Europe	84	77	-9.2%	1.4%
Asia & Others	51	47	-6.5%	-2.0%

	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	712	739	674	-5.4%	0.8%
Americas	159	174	158	-0.9%	5.9%
Europe	358	359	336	-6.2%	0.0%
Asia & Others	195	207	180	-7.6%	3.8%

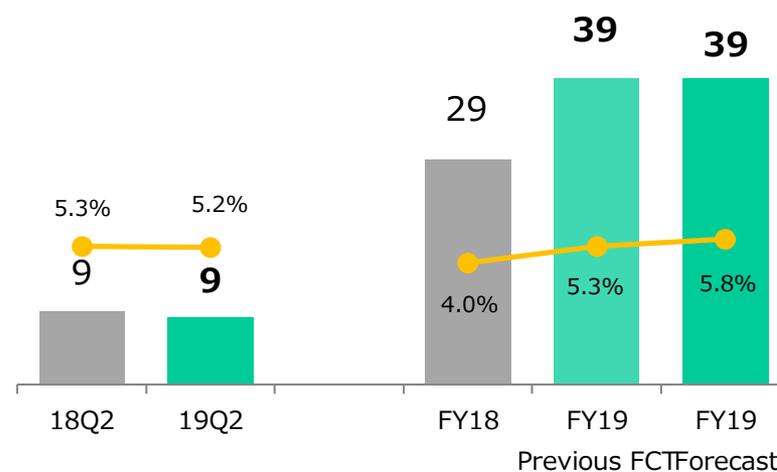
Business Segment Profit	12	8	-33.0%	-
Operating Profit	9	9	-7.0%	-

Business Segment Profit	39	39	37	-6.3%	-
Operating Profit	29	39	39	36.1%	-

<Sales Revenue>

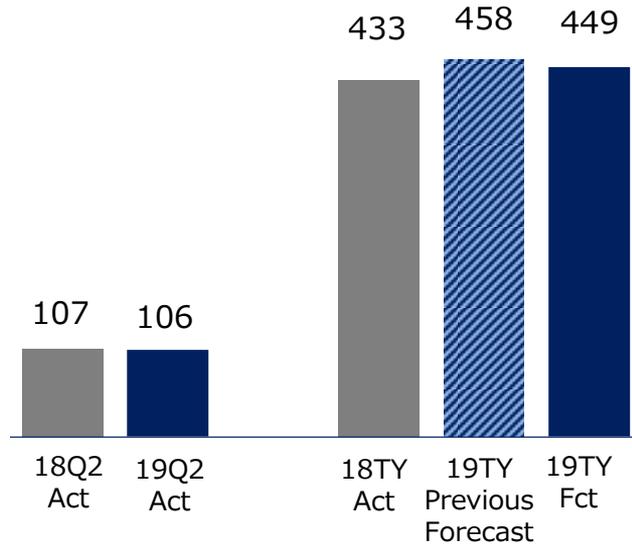


<Operating Profit>



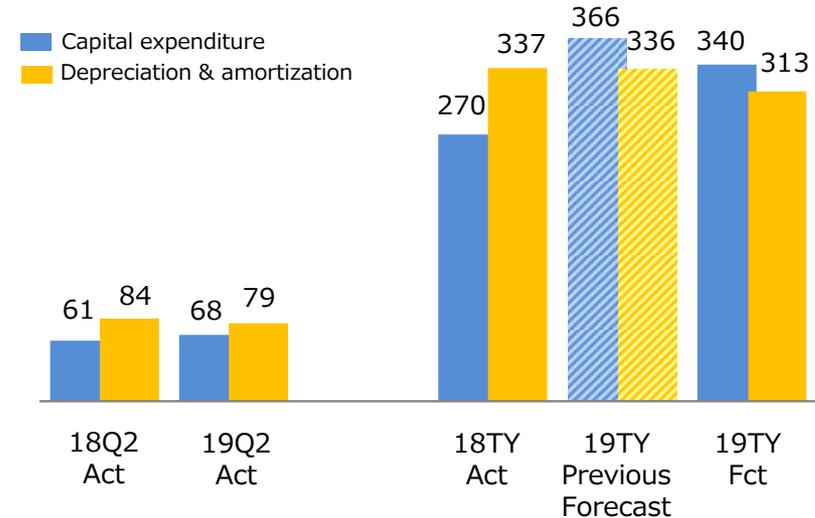
R&D expenses

(100 Millions of Yen)



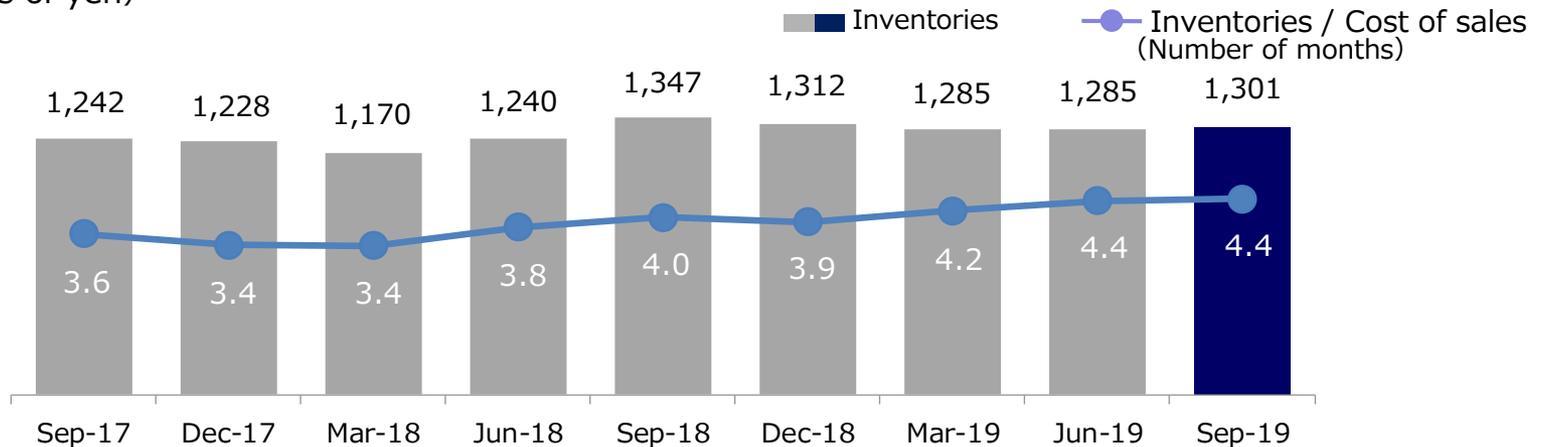
Capital expenditure / Depreciation & amortization

(100 Millions of Yen)



Inventories

(100 Millions of yen)



* Excluding acquisition and depreciation of right-of-use assets pursuant to application of IFRS 16 Leases.

brother
at your side