

FY2019 Q2 Results

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Brother Industries, Ltd.

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.

1. Consolidated results

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change (w/o fx impact)	2018 2Q YTD	2019 2Q YTD	Change (w/o fx impact)
Sales Revenue	172,594	159,255	-7.7% (-3.6%)	343,689	318,487	-7.3% (-4.2%)
Business Segment profit	17,885	18,523	3.6%	38,363	36,164	-5.7%
Operating profit	15,776	18,438	16.9%	38,031	36,526	-4.0%
Net Income	11,988	14,403	20.1%	28,553	27,275	-4.5%
ROS(Business Segment profit)	10.4%	11.6%	-	11.2%	11.4%	-
ROS(Operating profit)	9.1%	11.6%	-	11.1%	11.5%	-
Yen-USD	111.55	107.70	-	110.07	109.00	-
Yen-Euro	129.89	119.83	-	129.88	121.43	-
Yen-GBP	145.84	132.73	-	146.99	136.84	-

	2018 Full Year Act	2019 Full Year Fct	Change (w/o fx impact)	2019 Previous Forecast	2019 Revised Forecast	Change (w/o fx impact)
Sales Revenue	683,972	642,000	-6.1% (-2.5%)	690,000	642,000	-7.0% (-4.4%)
Business Segment profit	71,973	60,000	-16.6%	66,500	60,000	-9.8%
Operating profit	71,925	60,500	-15.9%	65,000	60,500	-6.9%
Net Income	53,902	44,500	-17.4%	48,500	44,500	-8.2%
ROS(Business Segment profit)	10.5%	9.3%	-	9.6%	9.3%	-
ROS(Operating profit)	10.5%	9.4%	-	9.4%	9.4%	-
Yen-USD	110.69	108.53	-	110.00	108.53	-
Yen-Euro	128.43	120.62	-	125.00	120.62	-
Yen-GBP	145.68	133.89	-	145.00	133.89	-

2. Balance sheet

(Millions of yen)

	2018 Full Year Act	2019 2Q Act	Change
Current assets	384,930	362,667	- 22,263
Non-current assets	323,673	329,823	6,150
Current liabilities	149,844	120,964	- 28,879
Non-current liabilities	117,166	135,413	18,246
Equity attributable to owners of the parent company	424,759	419,391	- 5,368
Total assets	708,604	692,490	- 16,113
Cash & cash equivalents	131,152	107,554	-23,597
Interest-bearing debt	96,792	76,997	-19,795
DER*	0.23	0.18	—
Equity ratio attributable to owners of the parent company	59.9%	60.6%	—

* DER = Interest-bearing debt / Equity attributable to owners of the parent company

3. Cash flows

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change	2018 2Q YTD	2019 2Q YTD	Change
Net cash provided by operating activities	10,982	18,730	7,748	27,582	31,174	3,592
Net cash used in investing activities	- 1,567	- 5,891	- 4,324	- 8,967	- 15,298	- 6,331
Net cash used in financing activities	- 387	- 22,453	- 22,066	- 10,098	- 32,087	- 21,988
Cash and cash equivalents at end of period	131,153	107,554	- 23,599	131,153	107,554	- 23,599

4. Sales Revenue by business segment

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change (w/o fx impact)
Printing & Solutions	99,151	95,052	-4.1% (+0.8%)
Communications and Printing equipment	86,855	83,225	-4.2% (+0.7%)
Electronic stationery	12,295	11,826	-3.8% (+1.2%)
Personal & Home	12,604	10,997	-12.7% (-8.6%)
Machinery	27,922	18,773	-32.8% (-31.0%)
Industrial sewing machines	7,589	7,145	-5.8% (-1.4%)
Machine tools	15,400	7,311	-52.5% (-51.8%)
Industrial Parts	4,933	4,316	-12.5% (-11.4%)
Network & Contents	11,753	13,867	18.0% (+18.0%)
Domino	17,611	16,662	-5.4% (+1.7%)
Others	3,550	3,902	9.9% (+9.9%)
G. total	172,594	159,255	-7.7% (-3.6%)

	2018 2Q YTD	2019 2Q YTD	Change (w/o fx impact)
	198,605	193,246	-2.7% (+1.0%)
	174,419	168,985	-3.1% (+0.6%)
	24,186	24,261	0.3% (+3.9%)
	21,415	19,881	-7.2% (-3.8%)
	59,318	39,314	-33.7% (-32.4%)
	16,249	14,372	-11.5% (-8.7%)
	33,182	16,186	-51.2% (-50.6%)
	9,886	8,754	-11.4% (-10.7%)
	23,282	25,186	8.2% (+8.2%)
	34,717	33,515	-3.5% (+1.8%)
	6,349	7,343	15.6% (+15.6%)
	343,689	318,487	-7.3% (-4.2%)

	2018 Full Year Act	2019 Full Year Fct	Change (w/o fx impact)
Printing & Solutions	403,036	387,300	-3.9% (+0.2%)
Communications and Printing equipment	353,120	338,600	-4.1% (+0.0%)
Electronic stationery	49,916	48,700	-2.4% (+1.6%)
Personal & Home	45,445	41,800	-8.0% (-4.3%)
Machinery	104,130	79,800	-23.4% (-21.6%)
Industrial sewing machines	32,626	29,600	-9.3% (-5.8%)
Machine tools	51,768	31,900	-38.4% (-37.4%)
Industrial Parts	19,735	18,300	-7.3% (-6.1%)
Network & Contents	47,926	50,600	5.6% (+5.6%)
Domino	71,234	67,400	-5.4% (+0.8%)
Others	12,198	15,100	23.8% (+24.1%)
G. total	683,972	642,000	-6.1% (-2.5%)

	2019 Previous Forecast	2019 Revised Forecast	Change (w/o fx impact)
	397,500	387,300	-2.6% (+0.1%)
	347,500	338,600	-2.6% (+0.1%)
	49,900	48,700	-2.4% (+0.3%)
	45,200	41,800	-7.5% (-5.2%)
	107,900	79,800	-26.0% (-24.9%)
	34,400	29,600	-14.0% (-11.4%)
	52,500	31,900	-39.2% (-38.6%)
	21,000	18,300	-12.9% (-12.8%)
	50,200	50,600	0.8% (+0.8%)
	73,900	67,400	-8.8% (-2.9%)
	15,200	15,100	-0.7% (-0.4%)
	690,000	642,000	-7.0% (-4.4%)

5. Business Segment profit by business segment

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change
Printing & Solutions	11,901	14,789	24.3%
Personal & Home	1,160	788	-32.1%
Machinery	2,920	319	-89.1%
Network & Contents	384	1,691	339.5%
Domino	1,222	819	-33.0%
Others	340	121	-64.2%
Adjustment	-44	-6	-
G. total	17,885	18,523	3.6%

	2018 2Q YTD	2019 2Q YTD	Change
	26,765	31,229	16.7%
	1,014	934	-7.9%
	7,081	855	-87.9%
	607	1,100	81.2%
	2,445	1,923	-21.4%
	512	323	-36.8%
	-64	-203	-
	38,363	36,164	-5.7%

	2018 Full Year Act	2019 Full Year Fct	Change
Printing & Solutions	52,181	50,400	-3.4%
Personal & Home	4,037	2,700	-33.1%
Machinery	9,753	1,500	-84.6%
Network & Contents	1,778	1,900	6.8%
Domino	3,948	3,700	-6.3%
Others	436	-200	-
Adjustment	-161	0	-
G. total	71,973	60,000	-16.6%

	2019 Previous Forecast	2019 Revised Forecast	Change
	48,100	50,400	4.8%
	3,200	2,700	-15.6%
	8,800	1,500	-83.0%
	2,200	1,900	-13.6%
	3,900	3,700	-5.1%
	300	-200	-
	0	0	-
	66,500	60,000	-9.8%

6. Operating profit by business segment

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change
Printing & Solutions	10,237	14,482	41.5%
Personal & Home	994	765	-23.0%
Machinery	2,896	319	-89.0%
Network & Contents	358	1,685	370.1%
Domino	928	863	-7.0%
Others	404	327	-19.0%
Adjustment	-44	-6	-
G. total	15,776	18,438	16.9%

	2018 2Q YTD	2019 2Q YTD	Change
	26,248	31,108	18.5%
	924	870	-5.9%
	7,243	889	-87.7%
	534	1,147	114.8%
	2,488	1,974	-20.7%
	656	739	12.6%
	-64	-203	-
	38,031	36,526	-4.0%

	2018 Full Year Act	2019 Full Year Fct	Change
Printing & Solutions	52,903	50,800	-4.0%
Personal & Home	4,028	2,700	-33.0%
Machinery	9,910	1,400	-85.9%
Network & Contents	1,593	1,700	6.7%
Domino	2,864	3,900	36.1%
Others	786	0	-
Adjustment	-161	-	-
G. total	71,925	60,500	-15.9%

	2019 Previous Forecast	2019 Revised Forecast	Change
	47,400	50,800	7.2%
	3,200	2,700	-15.6%
	8,700	1,400	-83.9%
	2,000	1,700	-15.0%
	3,900	3,900	-
	-200	0	-
	-	-	-
	65,000	60,500	-6.9%

7. Sales revenue by region

(Millions of yen)

	2017 Full Year Act	2018 Full Year Act	Change
The Americas	209,602	208,916	-0.3%
Europe	181,224	180,341	-0.5%
Asia & Others	201,162	170,293	-15.3%
Japan	121,008	124,421	2.8%
G. total	712,997	683,972	-4.1%

8. R&D Expenses / Capex / Depreciation & Amortization

(Millions of yen)

	2018 2Q Act	2019 2Q Act	Change
R&D Expenses	10,657	10,595	- 62
Capex	6,147	6,759	612
Depreciation & Amortization	8,359	7,854	- 505

	2017 2Q YTD	2018 2Q YTD	Change
	20,743	20,872	128
	11,742	11,363	- 379
	16,781	15,942	- 839

	2018 Full Year Act	2019 Full Year Fct	Change
R&D Expenses	43,259	44,900	1,640
Capex	27,030	34,000	6,969
Depreciation & Amortization	33,674	31,300	- 2,374

	2019 Previous Forecast	2019 Revised Forecast	Change
	45,800	44,900	- 900
	36,600	34,000	- 2,600
	33,600	31,300	- 2,300

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

9. Other Financial Data

	2017 Full Year Act	2018 Full Year Act
ROE	13.5%	13.1%
ROA	7.2%	7.6%
EPS	192.63	207.54
Dividend per Share	54.0	60.0
Dividend payout ratio	28.0%	28.9%

10. Exchange rates

	2018 2Q Act	2019 2Q Act
Yen-USD	111.55	107.70
Yen-Euro	129.89	119.83
Yen-GBP	145.84	132.73

	2017 Full Year Act	2018 Full Year Act	2019 Full Year Fct
	110.81	110.69	108.53
	129.45	128.43	120.62
	147.27	145.68	133.89