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Fiscal Year 2020 (ending March 31, 2021)

First Quarter Results
(3-month results ended June 30, 2020)

Brother Industries, Ltd.
August 4, 2020

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.

Highlights of Results

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Results for FY2020 Q1

✓ **Revenue and profit were down mainly due to the impact of spreading COVID-19 infections**

- In communications and printing equipment, increased demand in the SOHO segment from an increase in people working from home could not make up for the decrease in PV in the SMB segment
- In the P&H business, sales increased, mainly in mass-market equipment as demand for handmade was spurred
- Demand for garment printers grew, but demand for industrial sewing machines remained sluggish
- In machine tools, despite the effects of spot orders for the IT industry, demand in the automotive and general industries was sluggish
- In the N&C business, there were considerable losses due to closure of karaoke locations and declining demand for commercial online karaoke machines

Forecast for FY2020

✓ **While results are expected to partially recover over the second half, the tough management environment will continue**

- In the P&S business, despite increased demand from more people working from home, profit is expected to decrease due to a decline in PV in offices and the effects of delays in supplies
- In the N&C business, results are expected to slowly recover in the second half, but significant losses are anticipated as demand will not recover to pre-COVID-19 levels
- Since performance is expected to deteriorate severely, the annual dividend for FY2020 will be 34 yen.

 2

The business environment for the first quarter of FY2020 was extremely challenging. Due to the effects of the spread of COVID-19, revenue and profit were down in all businesses, except the P&H business, which benefited from special demand from people making face masks and other handmade items.

・P&S business:
Increased demand in the SOHO segment from an increase in people working from home could not make up for the decrease in PV in the SMB segment.
・P&H business:
Profit increased substantially, mainly in mass-market equipment, as demand for handmade was spurred.
・Industrial sewing machine business:
Demand for garment printers grew, but demand for industrial sewing machines remained sluggish.
・Machine tools:
Despite the effects of spot orders for the IT industry, demand in the automotive and general industries was sluggish.
・N&C business:
There were considerable losses due to closure of directly managed karaoke clubs and declining demand for karaoke machines.
・Domino business:
Sales of hardware slowed, resulting in a large decrease in profit.

We forecast a significant fall in profit for FY2020 as effects from the spread of COVID-19 are likely to continue.

・P&S business:
Despite increased demand from more people working from home, profit is expected to decrease due to a decline in PV in offices and the effects of delays in supplies.
・In the N&C business, results are expected to slowly recover in the second half, but significant losses are anticipated as demand will not recover to pre-COVID-19 levels.

As for dividends, we project an annual dividend of 34 yen per share for FY2020, or a dividend payout ratio of 35%, as our business performance for FY2020 is likely to deteriorate significantly.

Consolidated Results for FY2020 Q1

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Under a harsh business environment attributable to confirmed cases of COVID-19, revenue and profit were down in Q1

(100 Millions of Yen)

	19Q1	20Q1	Change	Rate of Change (w/o FX)
Sales Revenue	1,592	**1,332**	-260	-16.4% (-13.0%)
Business Segment Profit	176	**86**	-90	-51.1%
Business Segment Profit Ratio	11.1%	**6.5%**		
Other income/expense	4	**6**	2	
Operating Profit	181	**93**	-88	-48.8%
Operating Profit Ratio	11.4%	**7.0%**		
Income before Tax	180	**95**	-86	-47.5%
Net Income	129	**66**	-63	-48.6%
USD	110.00	**107.74**		
EUR	123.29	**118.94**		

 3

Under a harsh business environment attributable to confirmed cases of COVID-19, revenue and profit were down in the first quarter of FY2020.

Sales revenue was down 26.0 billion yen year-on-year to **133.2** billion yen.

Profits decreased significantly, with business segment profit down 9.0 billion yen to **8.6** billion yen, operating profit down 8.8 billion yen to **9.3** billion yen, and net income attributable to owners of the parent down 6.3 billion yen to **6.6** billion yen.

Results for FY2020 Q1 by Business Segment

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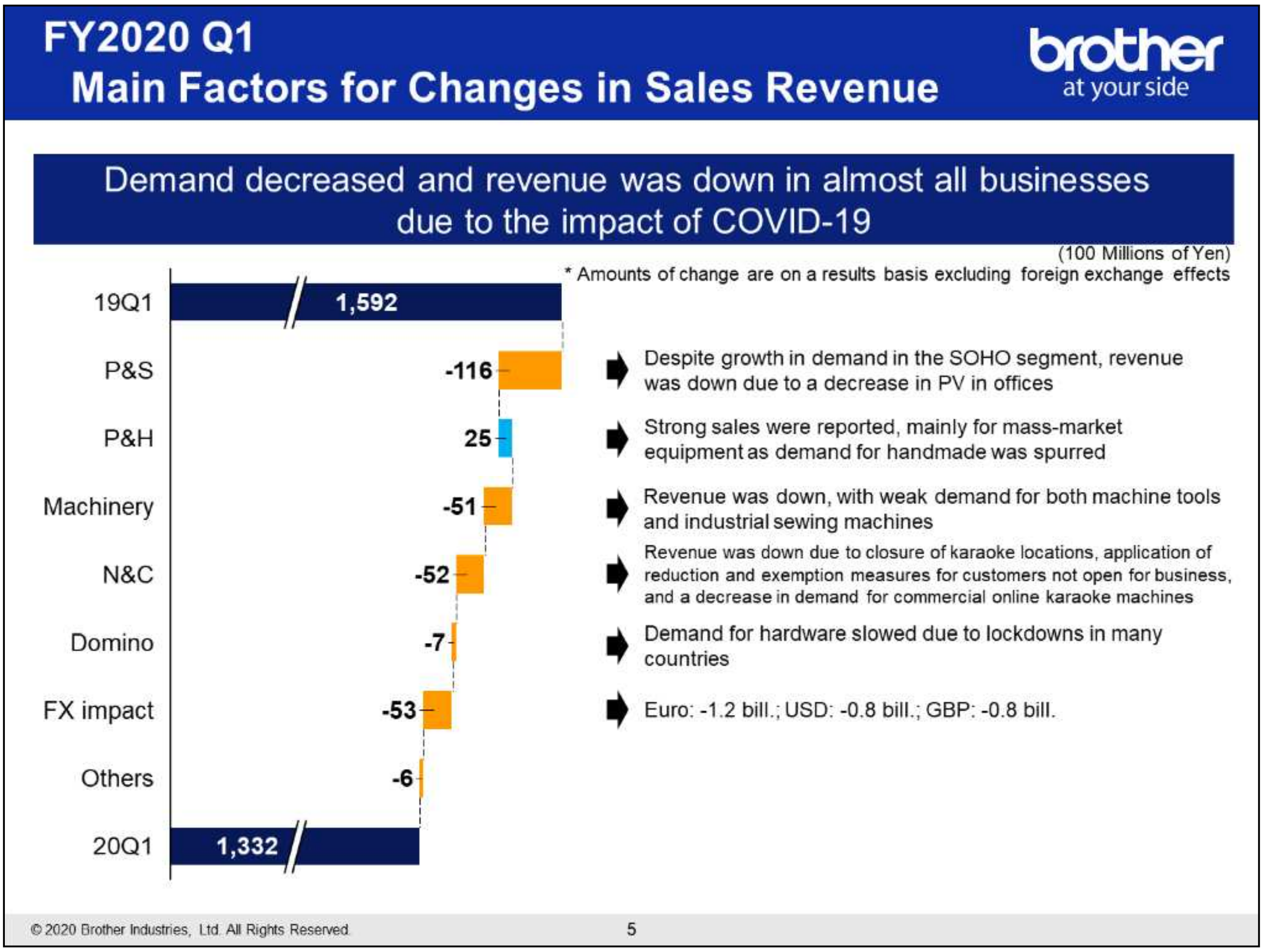
(100 Millions of Yen)

		19Q1	20Q1	change
Printing & Solutions	Sales Revenue	982	829	-153
	Business Segment Profit	164	94	-71
	Operating Profit	166	101	-65
Personal & Home	Sales Revenue	89	109	20
	Business Segment Profit	1	14	12
	Operating Profit	1	14	13
Machinery	Sales Revenue	205	150	-55
	Business Segment Profit	5	-1	-7
	Operating Profit	6	-4	-9
Network & Contents	Sales Revenue	113	62	-52
	Business Segment Profit	-6	-23	-17
	Operating Profit	-5	-23	-17
Domino business	Sales Revenue	169	154	-15
	Business Segment Profit	11	4	-7
	Operating Profit	11	2	-9
Other	Sales Revenue	34	28	-6
	Business Segment Profit	2	0	-2
	Operating Profit	4	2	-2
Total	Sales Revenue	1,592	1,332	-260
	Business Segment Profit	176	86	-90
	Operating Profit	181	93	-88

*Not including elimination amount by inter-segment transaction.

This is a list of results by business segment.



These are the main factors behind the changes in sales revenue for the first quarter of FY2020.

・In the P&S business, although demand grew in the SOHO segment due to increasingly more people working and learning from home, revenue decreased significantly to 11.6 billion yen as PV declined in offices.

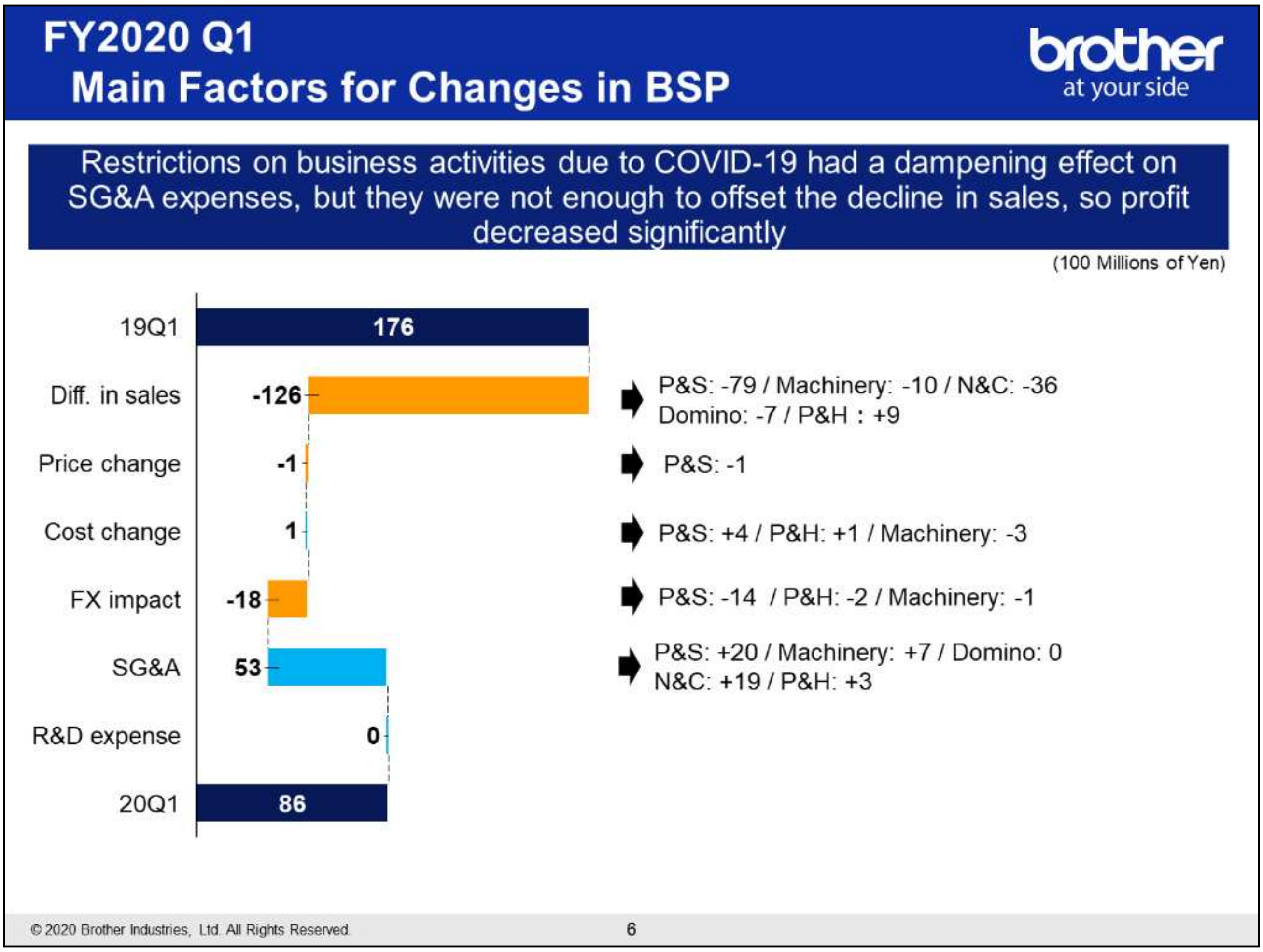
・In the P&H business, strong sales were reported, mainly for mass-market equipment as demand for handmade was spurred, resulting in a 2.5 billion yen increase in revenue.

・In the Machinery business, as demand remained weak for machine tools, industrial sewing machines, and industrial parts, revenue was down 5.1 billion yen.

・In the N&C business, revenue was down 5.2 billion yen due to closure of karaoke locations, application of reduction and exemption measures for customers not open for business, and a decrease in demand for commercial online karaoke machines.

・In the Domino business, demand for hardware slowed, mainly in Europe, due to lockdowns in many countries, resulting in a decrease of 700 million yen in revenue.

In addition, foreign exchange had a negative impact of 5.3 billion yen across the Group. Overall, sales revenue was down 26.0 billion yen to 133.2 billion yen.



These are the main factors behind the changes in business segment profit.

As you can see, there was a dampening effect on SG&A expenses in both the P&S and N&C businesses. However, such effects were not enough to offset the revenue decline of the respective businesses, and profit decreased significantly.

As a result of these factors, business segment profit for the first quarter of FY2020 was down 9.0 billion yen year-on-year to 8.6 billion yen.

Forecast for FY2020

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Revenue and profit for FY2020 are expected to decrease amid a harsh business environment

(100 Millions of Yen)

	FY19	FY20 Forecast	Change	Rate of Change (w/o FX)
Sales Revenue	6,373	**5,600**	-773	-12.1% (-9.7%)
Business Segment Profit	669	**310**	-359	-53.7%
Business Segment Profit Ratio	10.5%	**5.5%**		
Other income/expense	4	**0**	-4	
Operating Profit	673	**310**	-363	-54.0%
Operating Profit Ratio	10.6%	**5.5%**		
Income before Tax	670	**310**	-360	-53.8%
Net Income	496	**250**	-246	-49.6%
USD	109.10	**106.67**		
EUR	121.14	**119.76**		

We forecast that revenue and profit for FY2020 will decrease amid a harsh business environment.

Sales revenue for FY2020 will be **560.0** billion yen, down 77.3 billion yen year-on-year.

With regard to profits, business segment profit will be down 35.9 billion yen to **31.0** billion yen, operating profit down 36.3 billion yen to **31.0** billion yen, and net income attributable to owners of the parent down 24.6 billion yen to **25.0** billion yen.

Thus, profit is expected to fall significantly.

Forecast for FY2020 by Business Segment

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(100 Millions of Yen)

		FY19 Act	FY20 Fct	change
Printing & Solutions	Sales Revenue	3,907	3,349	-558
	Business Segment Profit	571	300	-271
	Operating Profit	571	312	-259
Personal & Home	Sales Revenue	409	406	-3
	Business Segment Profit	31	25	-6
	Operating Profit	32	25	-7
Machinery	Sales Revenue	748	715	-33
	Business Segment Profit	7	1	-6
	Operating Profit	6	0	-6
Network & Contents	Sales Revenue	491	335	-156
	Business Segment Profit	21	-47	-68
	Operating Profit	19	-45	-64
Domino business	Sales Revenue	675	636	-39
	Business Segment Profit	38	24	-14
	Operating Profit	39	22	-17
Other	Sales Revenue	142	159	17
	Business Segment Profit	4	7	3
	Operating Profit	9	-4	-13
Total	Sales Revenue	6,373	5,600	-773
	Business Segment Profit	669	310	-359
	Operating Profit	673	310	-363

*Not including elimination amount by inter-segment transaction.

FY2020 Main Factors for Changes in Sales Revenue

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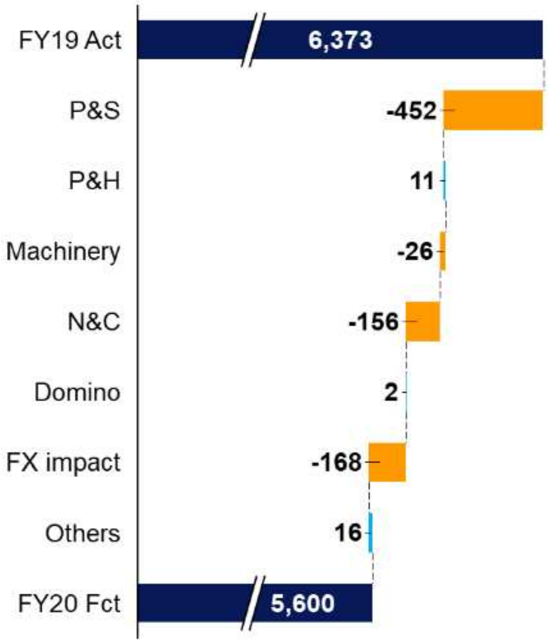
Revenue is expected to decrease significantly overall because of the impact of falling revenue in P&S and N&C as well as negative foreign exchange effects

(100 Millions of Yen)

* Amounts of change are on a results basis excluding foreign exchange effects



- P&S: Primarily, a decrease in office PV to the SMB segment. Sales are also expected to be affected by delays in supplies
- P&H: Increased demand for homemade due to more people working from home
- Machinery: Recovery in demand for machine tools and industrial sewing machines is expected to take time
- N&C: Decrease in demand due to the closure of karaoke locations in Q1 and changes in the karaoke environment
- Domino: Slowdown in capital investment among customers, especially in Europe
- FX impact: Euro: -1.8 bill.; USD: -3.0 bill.; GBP: -4.5 bill.

 9

These are the main factors causing the changes in sales revenue for FY2020.

・In the P&S business, revenue will decrease significantly due to a fall in office PV primarily in the SMB segment, along with effects from delays in supplies.

In the P&H business, revenue will increase as demand for handmade has been increasing due to more people staying at home.

・In the Machinery business, revenue will decrease as recovery in demand for machine tools and industrial sewing machines is expected to take time.

・In the N&C business, revenue will decrease significantly due to effects from the closure of karaoke locations in the first quarter as well as a fall in demand associated with changes in the karaoke environment.

・In the Domino business, capital investment demand will slow among customers, especially in Europe.

In addition, foreign exchange is expected to have a negative impact of 16.8 billion yen across the Group. Overall, sales revenue is expected to be 560 billion yen, down 77.3 billion yen.

Balance Sheet

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(100 Millions of Yen)

	FY19	FY20Q1	Change
Current assets	4,088	**4,079**	-9
Cash&Cash equivalents	1,684	**1,830**	146
Inventories	1,179	**1,156**	-23
Non-current assets	3,227	**3,229**	2
Total liabilities	2,863	**2,846**	-17
Interest-bearing debt	1,070	**1,166**	96
Equity attributable to owners of the parent company	4,285	**4,297**	11
Total assets	7,315	**7,308**	-7

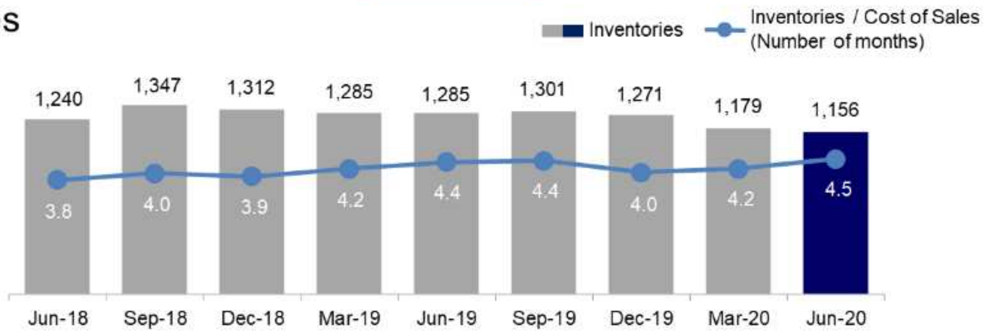
Net Cash

End of FY19 : +¥61.4 billion
End of FY20Q1 : +¥66.4 billion

Shareholders' Equity Ratio

End of FY19 : 58.6%
End of FY20Q1 : 58.8%

Inventories



There are no major changes to our financial status.

R&D Expenses / Capital Expenditure/ Depreciation and Amortization

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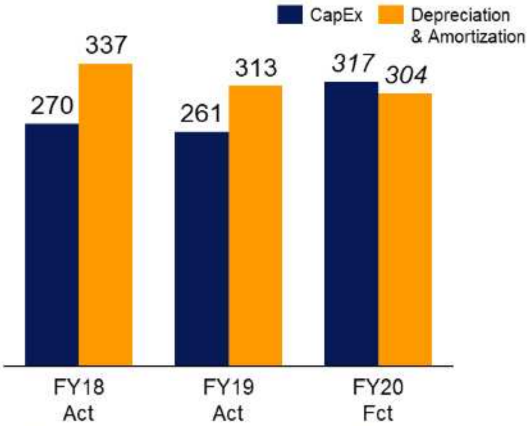
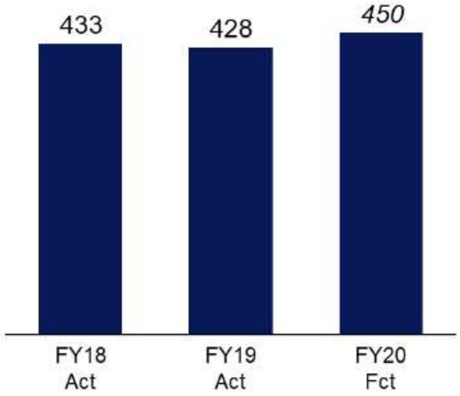
(100 Millions of Yen)

Capital Expenditure / Depreciation & Amortization



R&D Expenses



Breakdown by business(CapEx)

	FY18	FY19	FY20
P&S	95	109	155
P&H	9	5	10
Machinery	40	24	37
N&C	52	49	21
Domino	31	21	22
Others	44	52	72
Total	270	261	317

Breakdown by business(R&D)

	FY18	FY19	FY20
P&S	290	277	291
P&H	22	22	23
Machinery	50	54	57
N&C	5	9	10
Domino	38	38	40
Others	27	29	29
Total	433	428	450

Capital expenditures:

The amount of capital expenditure is expected to increase in FY2020 due in part to mold investment for launching new products in the P&S business, as well as construction costs for a machine tools showroom in Kariya City, Aichi Prefecture, construction of which has already started.

R&D expenses:

Despite worsening business performance, we will not reduce investment necessary for the future.

Dividend Forecast

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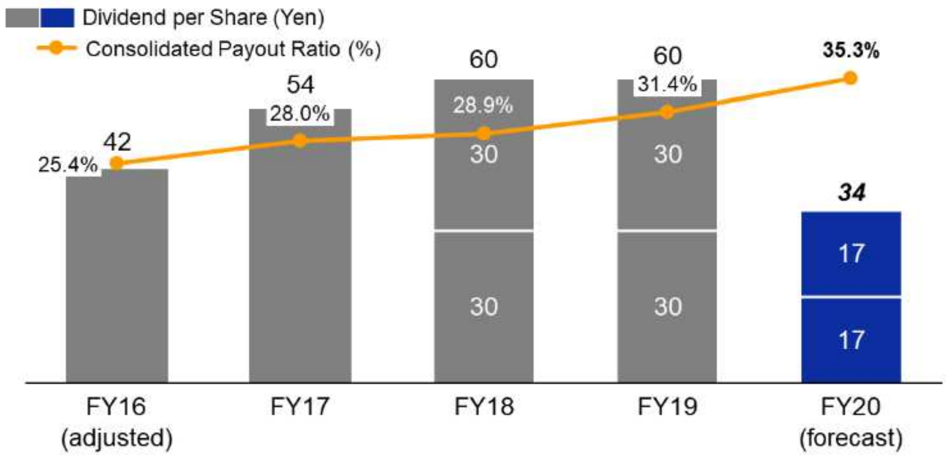
◆The company's basic policy of CS B2021:
Providing stable shareholder returns with a target consolidated payout ratio of 35%. We have also set a minimum annual dividend of 60 yen per share, except during periods when financial results decline substantially as a result of rapid deterioration in the business environment.

◆**FY2020 Annual Dividend :**
Given the severe business environment due to the effects of the spread of COVID-19, the forecast annual dividend per share for FY2020 will be 34 yen
(consolidated payout ratio:35%)



 12

With regard to shareholder returns, we have a basic policy of providing stable shareholder returns while taking into consideration maintenance of internal reserves needed for investment in future growth, the status of cash flows, and other factors.

Under CS B2021, the medium-term business strategy which ends in FY2021, we aim to make investments to build the foundations for future growth while providing stable shareholder returns with a target consolidated dividend payout ratio of 35%. In addition, we have set a minimum annual dividend of 60 yen per share, except during periods when financial results decline substantially as a result of rapid deterioration in the business environment.

At present, the business environment is rapidly deteriorating due to the effects of the spread of COVID-19, and it is not yet possible to forecast when the situation will be brought under control. As for our financial results for this fiscal year, revenue and profit are likely to decrease substantially.

Given this business environment, we project an annual dividend per share of 34 yen (consolidated dividend payout ratio of 35%) for the fiscal year ending March 31, 2021.

Business Segment Information

Printing & Solutions
Sales Revenue & Profit

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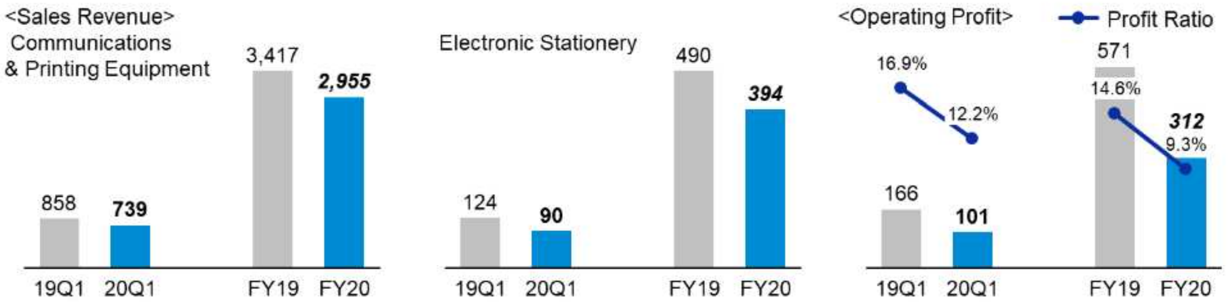
(100 Millions of Yen)

	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	982	829	-15.6%	-11.8%	3,907	3,349	-14.3%	-11.6%
Communications & Printing equipment	858	739	-13.9%	-10.0%	3,417	2,955	-13.5%	-10.8%
Americas	320	277	-13.4%	-9.1%	1,256	1,079	-14.1%	-10.1%
Europe	268	231	-13.6%	-9.9%	1,133	971	-14.3%	-12.7%
Asia & Others	165	141	-14.6%	-8.7%	591	519	-12.3%	-7.9%
Japan	105	89	-14.9%	-14.9%	437	387	-11.5%	-11.5%
Electronic stationery	124	90	-27.2%	-24.5%	490	394	-19.6%	-17.3%
Americas	58	40	-32.0%	-29.4%	226	169	-25.3%	-22.3%
Europe	34	22	-35.3%	-33.1%	144	118	-18.1%	-17.1%
Asia & Others	20	16	-17.7%	-12.1%	72	63	-12.3%	-8.4%
Japan	12	13	2.9%	2.9%	47	44	-7.6%	-7.6%
Business Segment Profit	164	94	-43.1%	-	571	300	-47.5%	-
Operating Profit	166	101	-39.3%	-	571	312	-45.3%	-



 14

Sales revenue in the P&S business in the first quarter was 82.9 billion yen, a decrease of 11.8% year-on-year on a local currency basis.

◇Communications & printing equipment
Sales revenue was 73.9 billion yen, a decrease of 10.0% year-on-year on a local currency basis.

Laser All-in-One & printers:
Demand in the SOHO segment grew significantly due to increasingly more people working and learning from home. Meanwhile, revenue from both hardware and consumables decreased in the SMB segment, affected by the closure of offices resulting from lockdowns in many countries.

Inkjet multi-function printers:
Demand grew due to increasingly more people working and learning from home. However, sales volume fell significantly as we were unable to supply products due in part to the suspension of operations associated with lockdowns. Foreign exchange also had a negative impact, and overall revenue from the business decreased.

◇Electronic stationery
Sales revenue was 9.0 billion yen, a decrease of 24.5% year-on-year on a local currency basis.
Demand was sluggish in both the labeling and solutions fields for office and business use due in part to the closure of offices and restrictions on business activities imposed in many countries, except in Japan, where sales of labeling systems remained robust. As a result, revenue decreased sharply, especially in the U.S. and Europe.

Business segment profit was 9.4 billion yen, down 43.1% year-on-year.
Although demand increased in the home and SOHO segments, it was not enough to make up for a fall in demand in the SMB segment. Besides, due to delays in supplies resulting from suspension of factory operations and negative impact from foreign exchange, profit decreased substantially.

Full-year outlook:
Outlook for communications & printing equipment will be explained in another slide.
With regard to the labeling & solutions field, although a gradual recovery is anticipated, recovery in demand for office and business use is expected to take time.

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

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	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	FY2018	FY2019	FY2020 FCT
LBP															
Sales revenue growth rate (JPY)															
Hardware	1%	-3%	-5%	-17%	-9%	-8%	-7%	-2%	6%	-	-	-	-6%	-7%	-3%
Consumable	1%	1%	-1%	-4%	2%	-6%	-2%	-3%	-18%	-	-	-	-1%	-2%	-14%
Sales revenue growth rate (LC)															
Hardware	2%	0%	-1%	-12%	-6%	-4%	-3%	2%	11%	-	-	-	-2%	-3%	1%
Consumable	1%	3%	2%	-1%	4%	-1%	3%	0%	-15%	-	-	-	1%	1%	-12%
IJP															
Sales revenue growth rate (JPY)															
Hardware	-6%	-6%	2%	-6%	-2%	8%	-7%	-3%	-37%	-	-	-	-4%	-1%	-28%
Consumable	1%	-1%	-3%	-5%	1%	-2%	-8%	4%	-23%	-	-	-	-2%	-2%	-20%
Sales revenue growth rate (LC)															
Hardware	-3%	-2%	6%	-1%	1%	13%	-4%	0%	-33%	-	-	-	-1%	2%	-25%
Consumable	1%	1%	0%	-2%	3%	3%	-5%	7%	-20%	-	-	-	0%	2%	-18%
Cosumable Ratio	58%	58%	57%	61%	60%	58%	57%	59%	55%	-	-	-	58%	58%	56%
Growth rate of Hardware															
LBP	-1%	-8%	-7%	-16%	-13%	-4%	-2%	3%	12%	-	-	-	-8%	-5%	-
IJP	-1%	-2%	-1%	-4%	0%	13%	1%	7%	-39%	-	-	-	-2%	5%	-

This shows the sales growth rates of major products and consumable ratios.

For laser printers (LBP), the sales growth rates (on a local currency basis) were 11% for hardware and minus 15% for consumables.
For inkjet printers (IJP), the sales growth rates (on a local currency basis) were minus 33% for hardware and minus 20% for consumables.

Consumable ratio:
As for hardware, the sales volume of LBP hardware grew. This growth, along with a plunge in sales of consumables resulting mainly from a decline in office PV, pushed down the consumable ratio for the first quarter to a level lower than in the past eight quarters.

Sales volume:
The sales volume of LBP increased by 12% as products for SOHO sold well.
Despite robust demand, the sales volume of IJP declined by 39%, affected by delays in supplies.

Full-year outlook:
As for LBP hardware, in the SOHO segment, demand for products targeting those working and learning from home is expected to run its course.
In the SMB segment, a gradual recovery is anticipated, but we project that sales of consumables will remain weak throughout this fiscal year due to a decline in office PV.

With regard to IJP, we forecast that sales of both hardware and consumables will remain sluggish throughout this fiscal year as infections may spread further in emerging markets and sales will be affected by delays in product supplies.

Printing & Solutions
Demand Trends & Performance Outlook

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Demand trends: Demand is expected to slowly recover over the end of the fiscal year

Q1	• Demand increased for small office equipment for home/SOHO segment, due to increasingly more people working and learning from home (mainly low-end IJP, LBP products) • Demand for both hardware and consumables was sluggish in Q1, especially for SMB segment, due to offices being closed as countries go into lockdown
Outlook for Q2-Q4 (Jul-Mar)	• While demand is expected to recover slowly as economic activity resumes following the lifting of lockdown measures, it will not recover to pre-COVID-19 levels • Growing demand from people working and learning from home is expected to run its course • PV of office printers is expected to decrease as more people work from home

Performance outlook: Decrease in revenue and profit is expected due to decline in office PV and effects of delays in supplies

Q1	• Although demand grew for the SOHO segment due to more opportunities for people to work from home, PV for the SMB segment decreased. In addition, there were delays in supplies. As a result revenue and profit decreased.
Outlook for Q2-Q4 (Jul-Mar)	• Production had recovered largely to pre-COVID-19 levels as of the end of July • It is expected that demand will gradually recover, but sales and profit in Q2 and beyond will be affected by decrease in PV of office printers and lost opportunities due to delays in supplies • In the SMB segment, severe conditions are expected for both hardware and consumables throughout the year, affected by the decrease in office PV resulting from more opportunities for people to work from home • In emerging countries (excluding China), severe conditions are expected throughout the fiscal year with projections for fragile infrastructure, a deficient e-commerce base, and an underlying spread of infection

 16

I will explain demand trends and performance outlook for the P&S business.

[Demand trends] With regard to demand trends in the industry as a whole,

in the first quarter, demand increased for small office equipment for the home/SOHO segment, while demand for both hardware and consumables was sluggish, especially in the SMB segment.

From the second quarter onwards, demand is expected to recover slowly, but we forecast that it will not recover to pre-COVID-19 levels.

Demand for hardware from people working and learning from home is expected to run its course. With regard to consumables, PV of office printers is expected to decrease as more people work from home.

[Performance outlook] As for Brother’s results for the first quarter and outlook for the second quarter and beyond,

results for the first quarter are as explained in previous slides.

Regarding outlook for the second quarter and beyond, production had recovered largely to pre-COVID-19 levels as of the end of July.

We forecast that demand will gradually recover, but revenue and profit will decrease due to decline in PV, mainly for office printers, as well as lost opportunities due to delays in supplies.

Printing & Solutions Business Segment Profit (Results for Q1 & Outlook for Q2-Q4)

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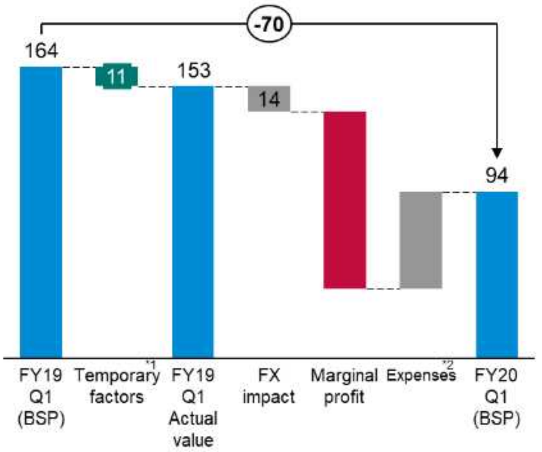
(100 Millions of Yen)

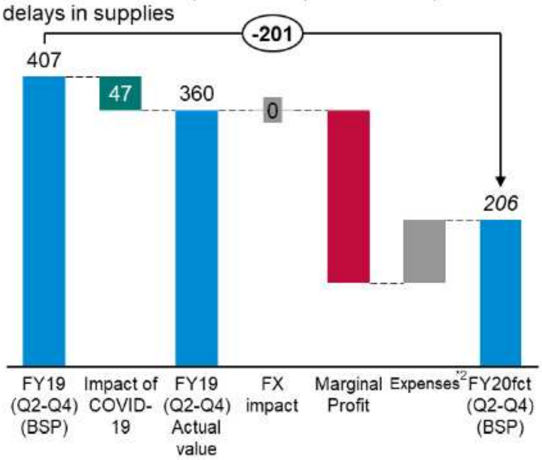
Results for Q1

- Although demand increased for the SOHO segment due to people working from home, PV for the SMB segment decreased and there were delays in supplies. As a result revenue and profit decreased.
- Although restrictions on business activities drove expenses down in Q1, sales decreased, and the resultant significant decrease in marginal profit primarily on consumables could not be absorbed



Outlook for Q2-Q4 (Jul-Mar)

- Although demand is expected to gradually recover, revenue and profit are expected to be down due to a decrease in PV primarily for the SMB segment, together with lost opportunities due to delays in supplies
- While sales promotion expenses are likely to be considerably reduced in Q2 and beyond, it is expected that expenses will be higher due to higher fixed costs associated with the resumption of business activities and an improvement in factory operation rates, as well as an increase in air transportation expenses in response to delays in supplies



*1: Cost of consumables deferred FY18/Q4 → FY19/Q1 *2: Sales deductions, fixed costs (sales companies, factories)

 17

This shows an analysis of factors causing changes in P&S business segment profit. I will explain mainly about expenses.

Q1:

Although restrictions on business activities drove expenses down substantially, the significant decrease in marginal profit resulting from a drop in sales could not be absorbed.

Outlook for Q2 and beyond:

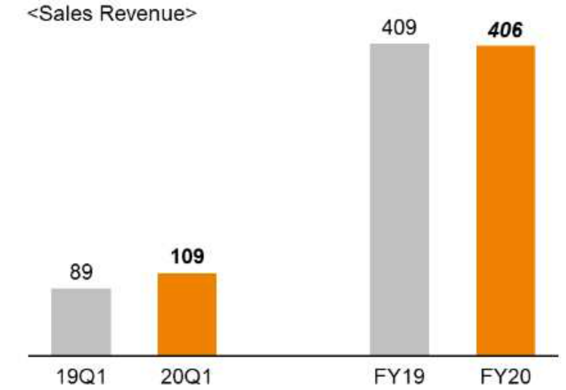
Sales promotion expenses are likely to be reduced in the second quarter and beyond. Nevertheless, expenses are expected to remain at high levels, pushing down profit, due to higher fixed costs associated with the resumption of business activities and an improvement in factory operation rates, as well as an increase in air transportation expenses in response to delays in supplies.

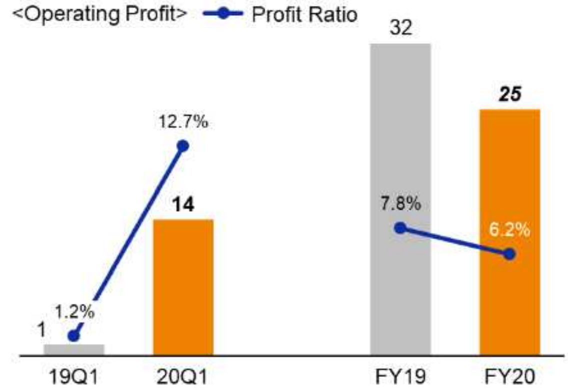
Personal & Home Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	**89**	**109**	**22.3%**	**28.3%**	**409**	**406**	**-0.6%**	**2.7%**
Americas	46	52	12.3%	19.7%	223	217	-2.6%	2.1%
Europe	24	34	41.4%	46.5%	108	110	2.2%	3.4%
Asia & Others	12	13	9.4%	15.5%	46	46	-1.0%	3.5%
Japan	7	10	44.1%	44.1%	32	33	3.7%	3.7%
Business Segment Profit	**1**	**14**	**847.7%**	-	**31**	**25**	**-20.1%**	-
Operating Profit	**1**	**14**	**1220.7%**	-	**32**	**25**	**-21.2%**	-





Sales revenue in the P&H business was 10.9 billion yen in the first quarter. On a local currency basis, this represents a significant growth in revenue of 28.3%.

Sales of home sewing machines, particularly mass-market equipment, were robust as demand was spurred by customers making face masks and other handmade items as a result of more people spending time at home due to lockdowns in many countries and increased teleworking.

As for profit, compared to 100 million yen in the same period of the previous year, profit increased substantially, up 1.3 billion yen to 1.4 billion yen.

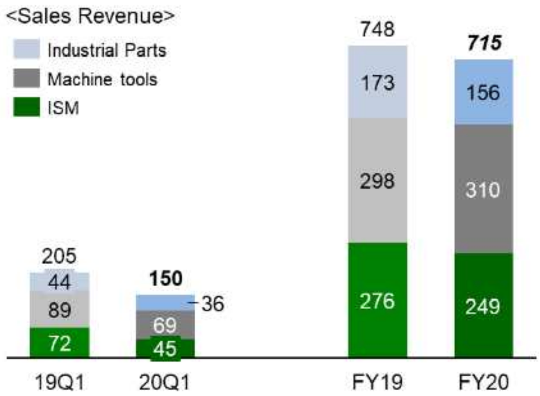
With regard to the full-year outlook, sales are likely to remain on a par with the previous year’s level due to growing demand for handmade. However, profit is expected to decrease due to changes in the product composition.

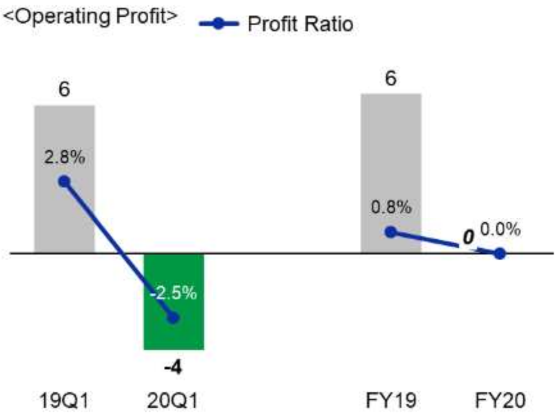
Machinery
Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	205	150	-26.7%	-24.9%	748	715	-4.4%	-3.5%
Industrial sewing machines	72	45	-37.7%	-35.8%	276	249	-9.9%	-8.5%
Machine tools	89	69	-22.2%	-20.0%	298	310	3.9%	4.7%
Industrial Parts	44	36	-17.9%	-17.0%	173	156	-10.0%	-9.7%
Business Segment Profit	5	-1	–	–	7	1	-85.6%	–
Operating Profit	6	-4	–	–	6	0	-100.0%	–





Sales revenue in the Machinery business was 15.0 billion yen in the first quarter. On a local currency basis, this represents a significant fall in revenue of 26.7%.

◇Industrial sewing machines:
Demand for garment printers continued to grow, with a lot of inquiries received from customers using e-commerce sites. However, overall revenue in the business decreased substantially due to the effects of the spread of COVID-19, along with sluggish trends in the market for sewing machines.

◇Machine tools:
Sales to the IT industry increased due in part to spot orders for notebook computers. However, sales to the automotive and general industries were significantly affected by customers' restrictions on large-scale capital investment in response to a decline in the sales volume of automobiles worldwide, resulting in a large decline in revenue.

◇Industrial parts:
Revenue decreased due to the slowdown in manufacturing activities and restrictions on capital investment that occurred in the Japanese manufacturing industry as a whole, as well as weak demand overseas, especially in Asia.

The breakdown of sales revenue was as follows: 4.5 billion yen for industrial sewing machines, 6.9 billion yen for machine tools, and 3.6 billion yen for industrial parts.
As for profit in the business overall, a business segment loss of 100 million yen and an operating loss of 400 million yen were recorded.

With regard to full-year outlook, while solid demand is anticipated for garment printers, profit is expected to decrease as demand for machine tools, industrial sewing machines, and industrial parts will be weak due to ongoing sluggishness in the business environment, along with the effects from COVID-19.

Machinery
Sales Revenue by Region

(100 Millions of Yen)

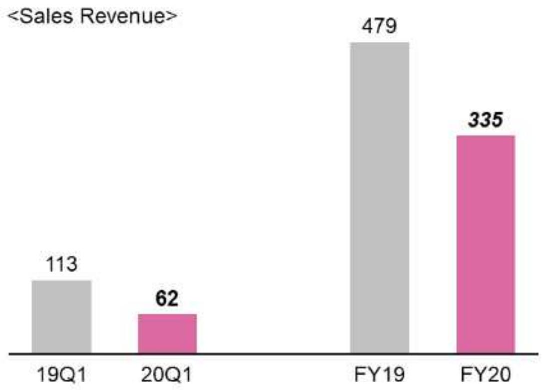
	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	**205**	**150**	**-26.7%**	**-24.9%**	**748**	**715**	**-4.4%**	**-3.5%**
Industrial sewing machines	**72**	**45**	**-37.7%**	**-35.8%**	**276**	**249**	**-9.9%**	**-8.6%**
Americas	15	18	18.5%	21.2%	70	77	9.1%	11.5%
Europe	18	11	-39.6%	-37.5%	68	57	-16.1%	-15.3%
Asia & Others	37	14	-62.4%	-60.8%	129	106	-17.6%	-16.1%
Japan	2	2	11.7%	11.7%	9	9	-3.2%	-3.2%
Machine tools	**89**	**69**	**-22.2%**	**-20.0%**	**298**	**310**	**3.9%**	**4.7%**
Americas	8	6	-25.1%	-	20	12	-40.4%	-
Europe	8	3	-57.4%	-	21	14	-34.4%	-
Asia & Others	49	49	0.8%	-	168	223	33.0%	-
Japan	25	11	-56.2%	-	89	61	-31.4%	-
Industrial Parts	**44**	**36**	**-17.9%**	**-17.0%**	**173**	**156**	**-10.0%**	**-9.7%**
Americas	7	5	-26.8%	-25.2%	23	18	-24.1%	-22.4%
Europe	-	-	-	-	-	-	-	-
Asia & Others	5	4	-23.4%	-18.2%	18	19	3.2%	6.6%
Japan	33	28	-15.2%	-15.2%	132	120	-9.4%	-9.4%

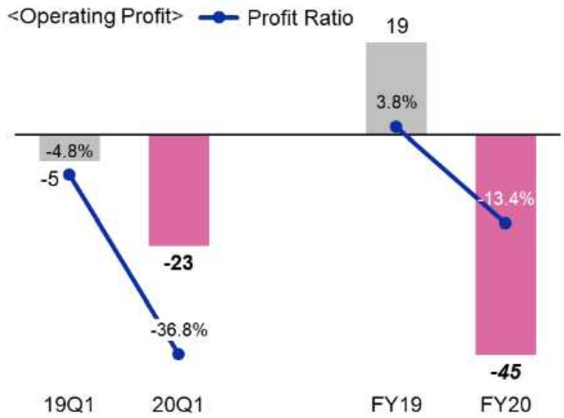
Network & Contents
Sales Revenue & Profit

brother
at your side

(100 Millions of Yen)

	19Q1	20Q1	Change	FY19	FY20	Change v LY
Sales Revenue	113	62	-45.6%	491	335	-31.8%
Business Segment Profit	-6	-23	–	21	-47	–
Operating Profit	-5	-23	–	19	-45	–





The business environment in the Network & Contents business was extremely adverse due to major changes in the karaoke environment.

Sales revenue for the first quarter was 6.2 billion yen, a substantial decrease of 45.6% year-on-year.

With regard to profit, the business fell into the red, with a business segment loss of 2.3 billion yen and an operating loss of 2.3 billion yen.
Massive losses were recorded due to a decrease in sales resulting from the effects of closure of karaoke clubs and a plunge in sales of karaoke machines.

Details will be explained on the next page.

Network & Contents (Results for Q1 & Forecast for FY2020)

brother at your side

(100 Millions of Yen)

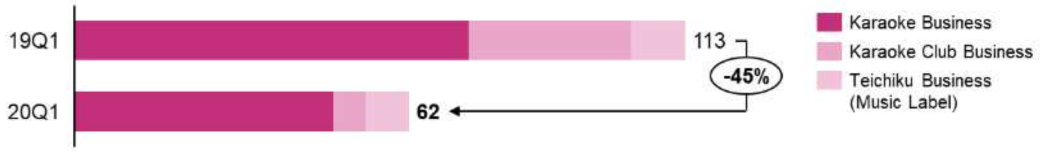
Results for Q1

Karaoke Business
Revenue: about -40% vs 19Q1

- Revenue decreased by about 40% as reduction and exemption measures associated with the voluntary suspension of operations kept sales below target, and as revenue from equipment sales, rentals and information provision were sluggish due to weak demand for karaoke

Karaoke Club Business
Revenue: about -80% vs 19Q1

- Revenue decreased significantly as a result of the almost complete closure of all directly managed karaoke clubs in April and May in response to a request for closure following the state-of-emergency declaration.
- Karaoke club operations have gradually resumed since the end of May, but customers have been hesitant to return



Forecast for FY2020

Karaoke Business
Revenue fct: about -30% vs FY19

- From July, when the reduction and exemption measures associated with the voluntary suspension of operations will be lifted, both the number of operating units and fixed sales (information/rental fees) are projected to recover to about 90% of FY2019 by the end of FY2020
- As profits deteriorate, large-scale cost reductions will be carried out

Karaoke Club Business
Revenue fct: about -40% Vs FY19

- Sales at directly managed karaoke clubs in June recovered to about 50% of average
- In Q2 and beyond, sales are projected to gradually recover to about 80% of FY2019
- Standards for karaoke clubs to continue operations is set, and karaoke clubs that are unprofitable in view of these standards will be closed

 22

I will explain the first quarter results and full-year forecast for the N&C business by dividing the business into the karaoke business and the karaoke club business.

Q1 results:

Revenue in the karaoke business declined by approximately 40% year-on-year. The substantial fall in revenue is attributable to the application of measures for reducing and exempting information fees to customers voluntarily suspending operations, as well as a decline in equipment sales and revenue from rental and information fees caused by weak demand for karaoke.

Revenue in the karaoke club business decreased by approximately 80% year-on-year. Revenue decreased significantly as a result of the almost complete closure of all directly managed karaoke clubs in April and May in response to a request for closure following the state-of-emergency declaration. We have gradually resumed karaoke club operations since the end of May after putting infection prevention measures in place. On average, 50% of customers returned in June.

Full-year forecast:

Revenue in the karaoke business is expected to decrease by approximately 30% year-on-year. The reduction and exemption measures associated with the voluntary suspension of operations were lifted at the end of June, and from July onwards, both the number of operating units and fixed sales (information/rental fees) are projected to recover to about 90% of FY2019 by the end of FY2020. We will carry out large-scale cost reductions in response to profit deterioration.

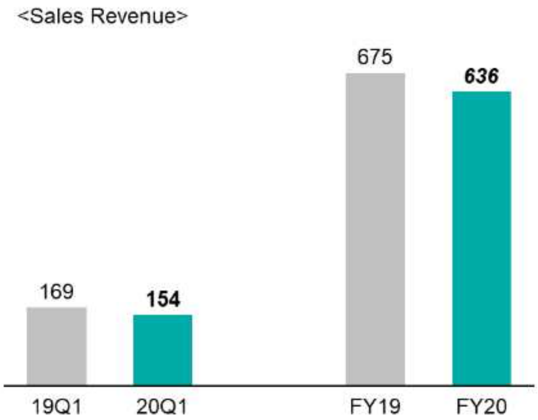
Revenue in the karaoke club business is likely to decrease by approximately 40% year-on-year. Sales at directly managed karaoke clubs in June recovered to about 50% on average. In the second quarter and beyond, with a slow recovery of the market, sales are projected to gradually recover to approximately 80% of FY2019. We will establish standards for karaoke clubs to continue operations, and in view of these standards, we will close unprofitable karaoke clubs.

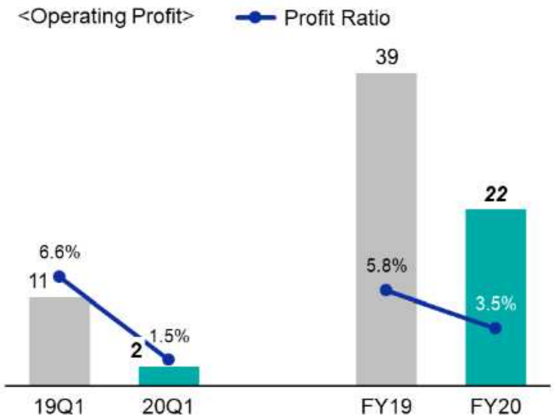
Domino
Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	**169**	**154**	**-8.8%**	**-4.2%**	**675**	**636**	**-5.8%**	**0.3%**
Americas	39	42	7.8%	14.6%	165	159	-3.6%	4.9%
Europe	84	68	-19.0%	-16.1%	329	299	-9.2%	-4.7%
Asia & Others	46	44	-4.0%	1.6%	182	179	-1.8%	4.6%
Business Segment Profit	**11**	**4**	**-67.5%**	-	**38**	**24**	**-36.6%**	-
Operating Profit	**11**	**2**	**-78.8%**	-	**39**	**22**	**-43.8%**	-





 23

Sales revenue in the Domino business was 15.4 billion yen in the first quarter. The year-on-year growth rate on a pound basis was minus 4.2%.
Due to the effects from COVID-19, demand was sluggish, primarily in Europe.

Sales of hardware slowed down in response to sluggish demand for capital investment, while sales activities, such as installation and inspection at customers' factories, were restricted. As a result, overall revenue in the business decreased.

Due to the decrease in revenue and changes in sales composition, profit decreased substantially, with business segment profit standing at 400 million yen and operating profit at 200 million yen.

Recovery of demand for capital investment will take time, and demand is projected to remain weak. Due to these factors, along with changes in sales composition, profit for FY2020 is expected to decrease.

In the first quarter of FY2020, Domino's first corrugated cardboard printing press was launched.

This has enabled us to expand into corrugated cardboard printing, which is another package printing market, in addition to label printing.

By offering high-speed on-demand printing services for corrugated cardboard, we aim to contribute to customers in terms of cost and environmental aspects and expand sales in the digital printing business.

◆Reference:
VIDEO: Domino X630i digital aqueous inkjet corrugated press
https://www.youtube.com/watch?v=YqIhlYcKy4I

Topics: ESG

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Brother Industries, Ltd. Included in "FTSE4Good Index Series" and "FTSE Blossom Japan Index" for the First Time

Brother Industries, Ltd. Included in "MSCI Japan Empowering Women (WIN) Select Index" for the First Time

FTSE4Good

FTSE Blossom Japan

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

✓ Brother has been included in three ESG indexes adopted by Japan's Government Pension Investment Fund (GPIF): the FTSE Blossom Japan Index, MSCI Japan Empowering Women (WIN) Select Index, and S&P/JPX Carbon Efficient Index.

As a result of stepping up information disclosure regarding the Brother Group’s policies and ESG activities, our ESG rating scores have improved, and we have been included for the first time in FTSE and MSCI Indexes, which are among ESG indexes adopted by GPIF.

The Brother Group will continue to actively carry out ESG activities going forward and build a long-term relationship of trust with all stakeholders through business growth and the fulfillment of social responsibilities.

brother

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