

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.

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.

Consolidated Results for FY2020 Q1



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		

Results for FY2020 Q1 by Business Segment



(100 Millions of Yen)

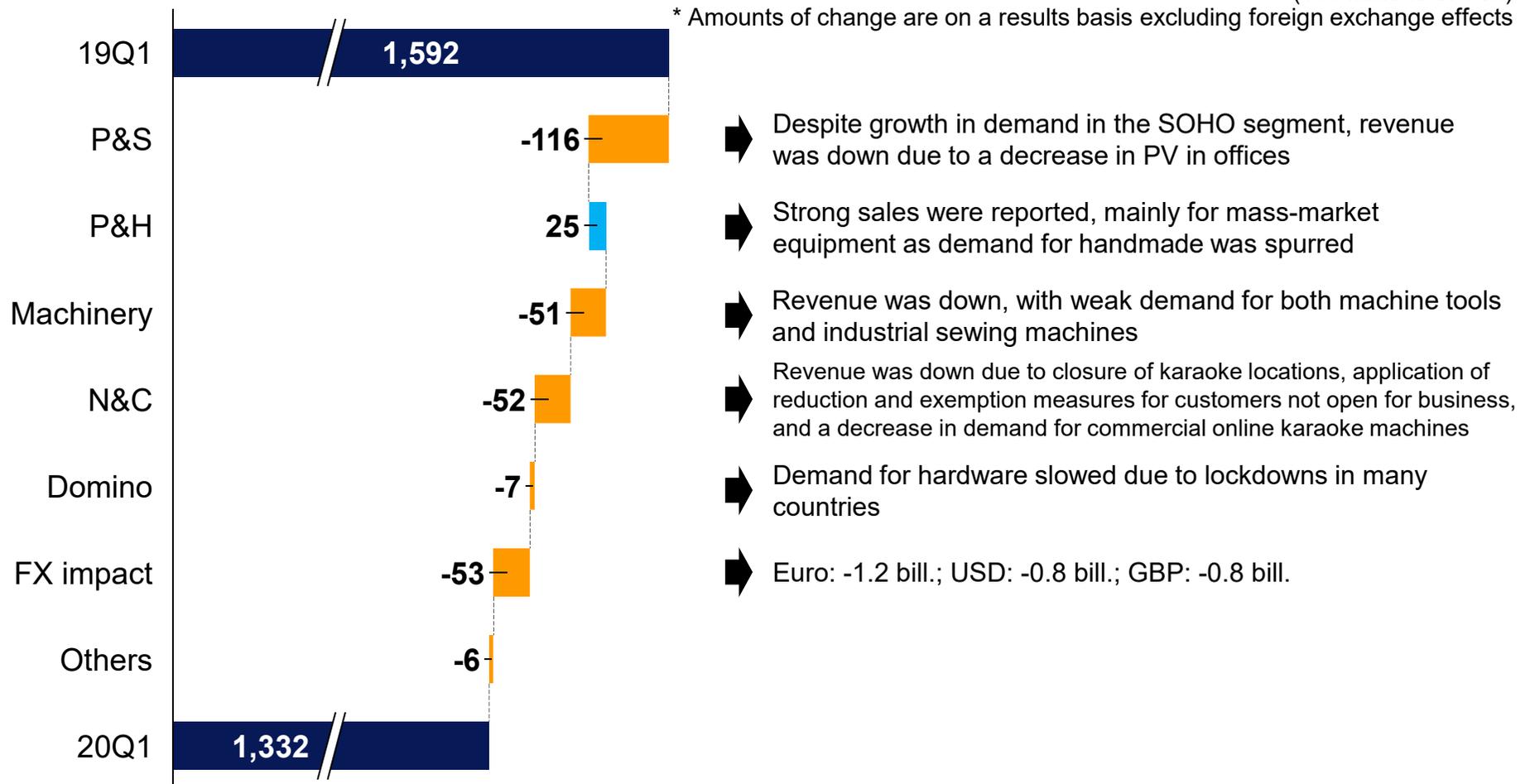
		19Q1	20Q1	change
Printing & Solutions	Sales Revenue	982	829	-153
	Business Segment Profit	164	94	-71
	Operating Profit	166	101	-65
Personal & Home	Sales Revenue	89	109	20
	Business Segment Profit	1	14	12
	Operating Profit	1	14	13
Machinery	Sales Revenue	205	150	-55
	Business Segment Profit	5	-1	-7
	Operating 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.

Demand decreased and revenue was down in almost all businesses due to the impact of COVID-19

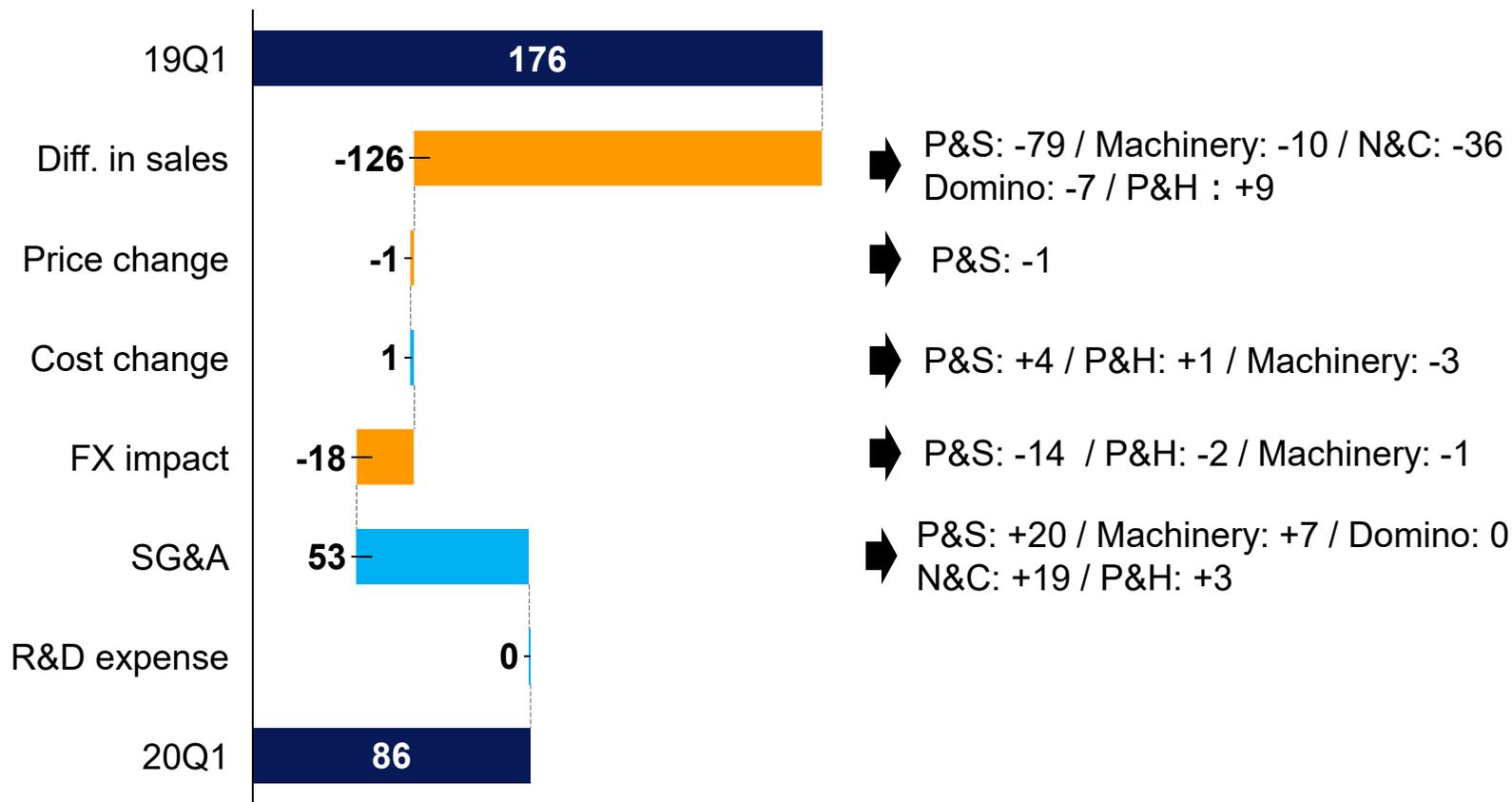
(100 Millions of Yen)

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



Restrictions on business activities due to COVID-19 had a dampening effect on SG&A expenses, but they were not enough to offset the decline in sales, so profit decreased significantly

(100 Millions of Yen)



Forecast for FY2020



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		

Forecast for FY2020 by Business Segment

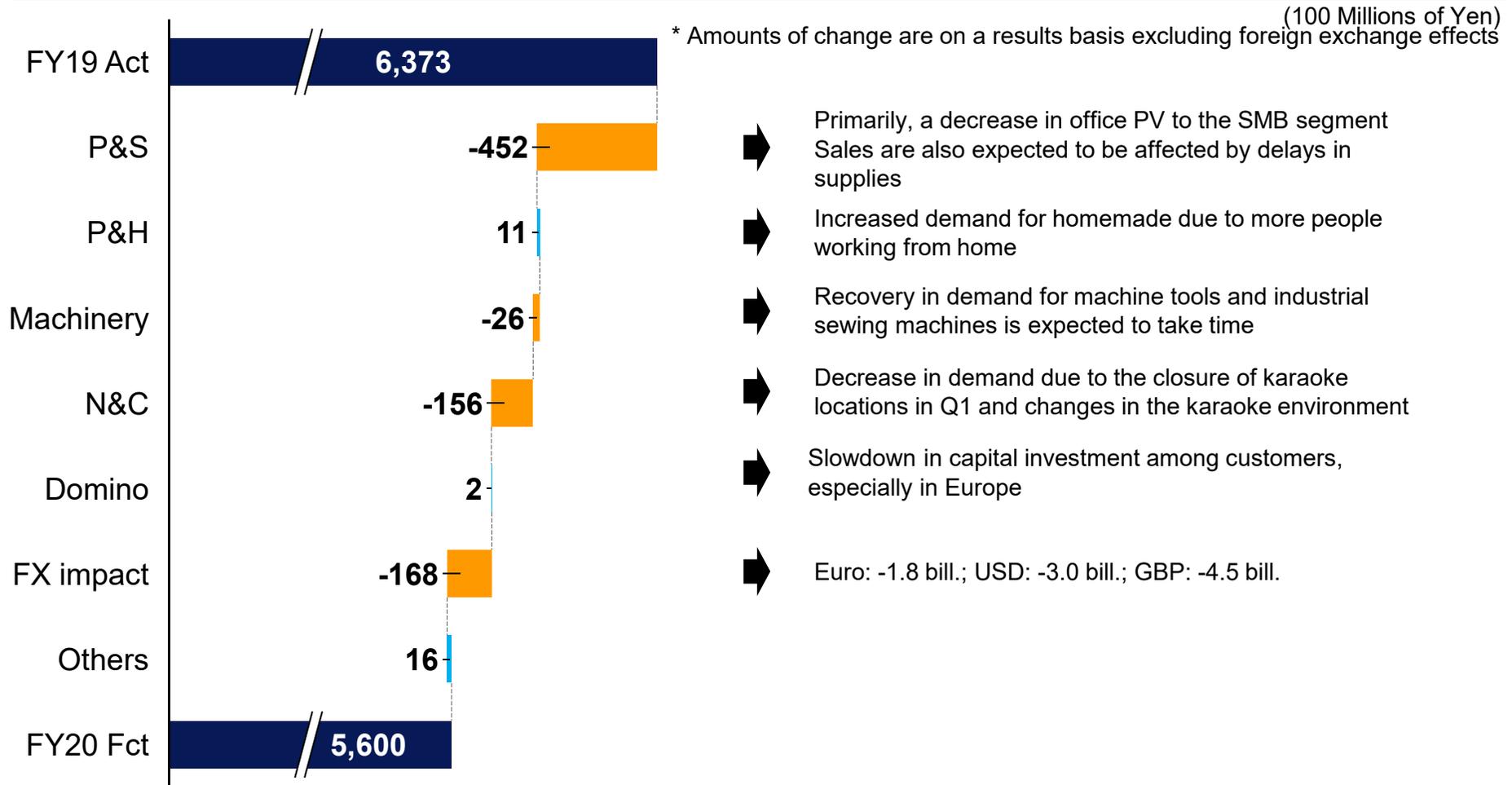


(100 Millions of Yen)

		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.

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



Balance Sheet

(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

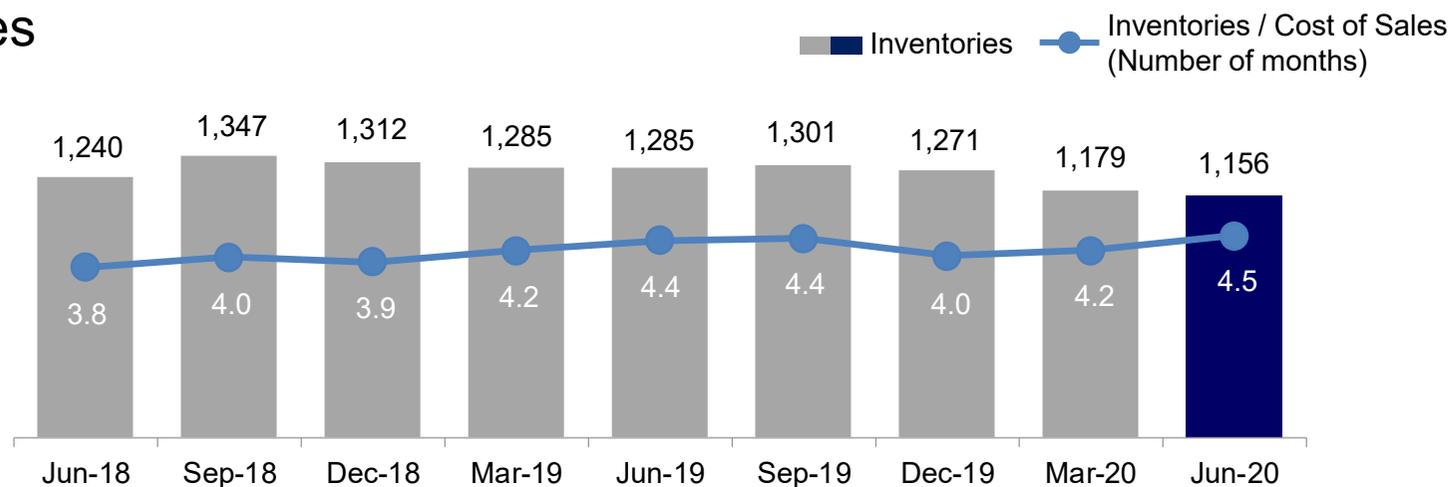
Net Cash

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%

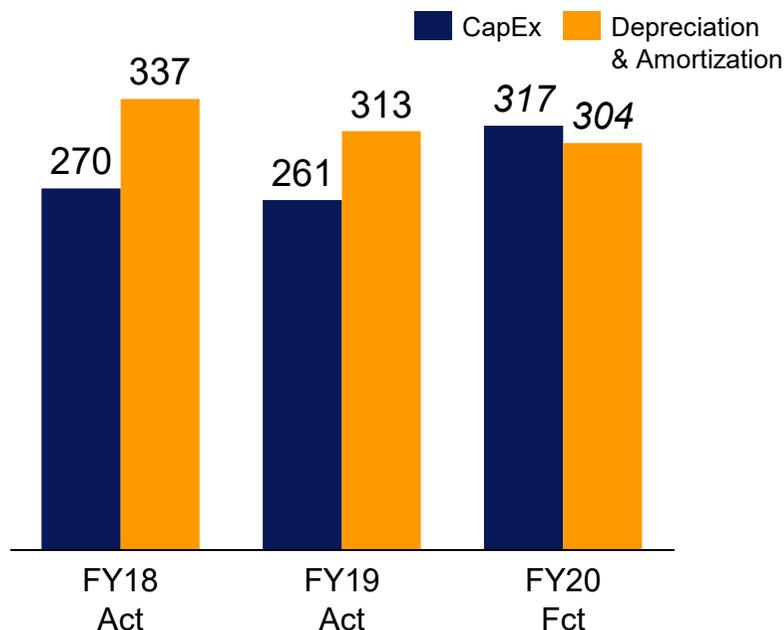
Inventories



R&D Expenses / Capital Expenditure/ Depreciation and Amortization



Capital Expenditure / Depreciation & Amortization

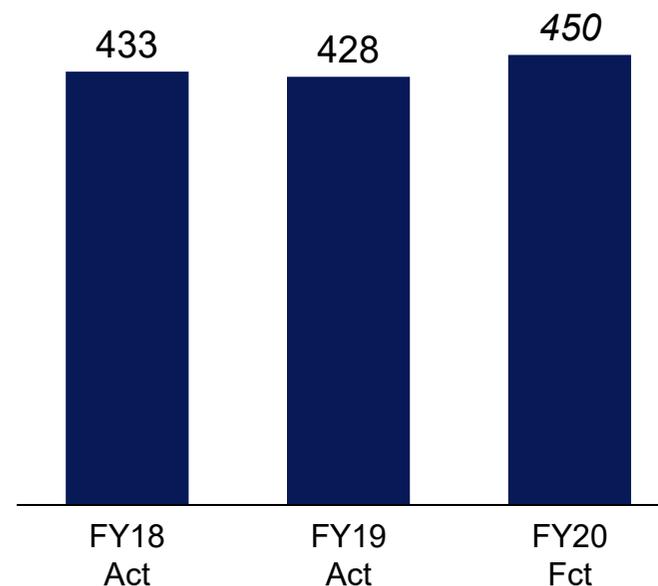


Breakdown by business(CapEx)

	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

R&D Expenses

(100 Millions of Yen)



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

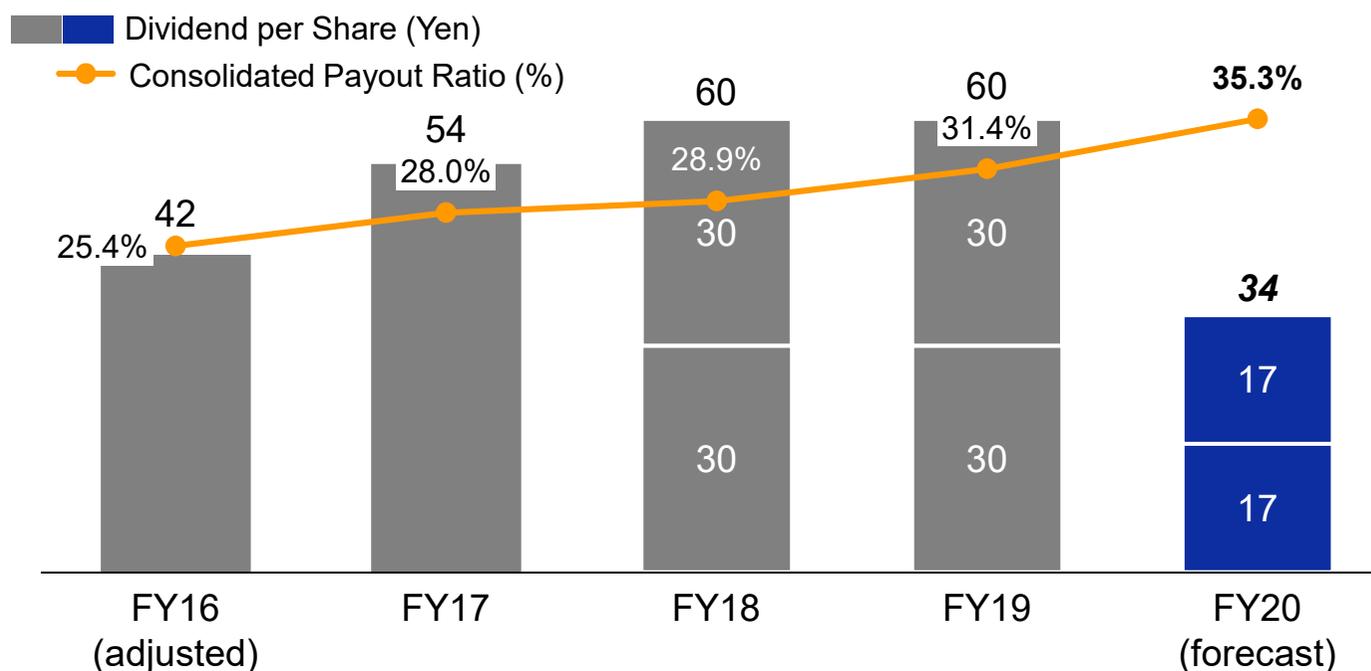
Dividend Forecast

◆ 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%)



Business Segment Information

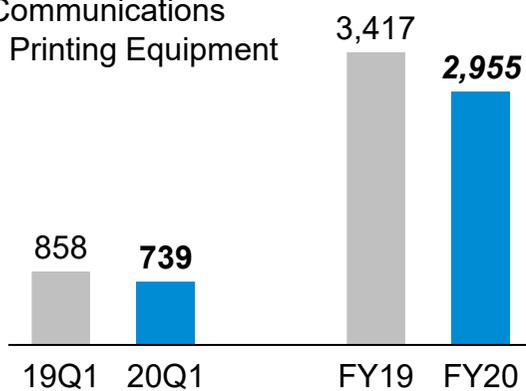
Printing & Solutions Sales Revenue & Profit



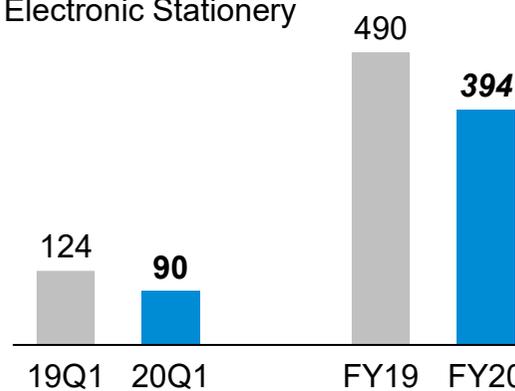
(100 Millions of Yen)

	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%	-

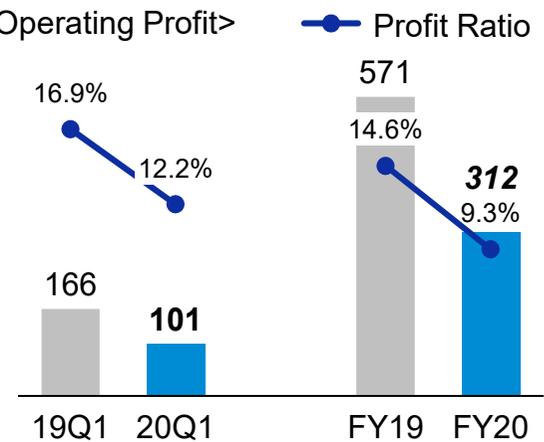
<Sales Revenue>
Communications
& Printing Equipment



Electronic Stationery



<Operating Profit>



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



	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%	-

Printing & Solutions

Demand Trends & Performance Outlook



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

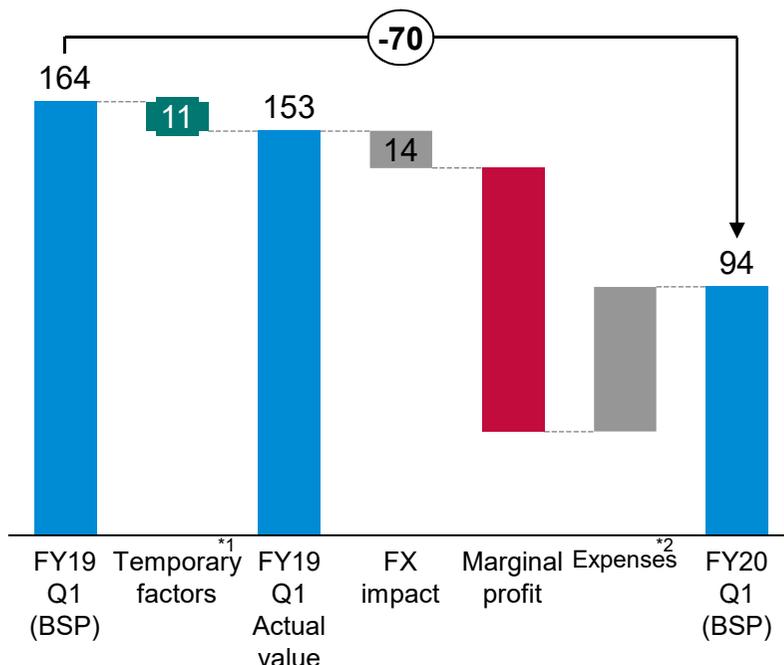
Printing & Solutions Business Segment Profit (Results for Q1 & Outlook for Q2-Q4)



(100 Millions of Yen)

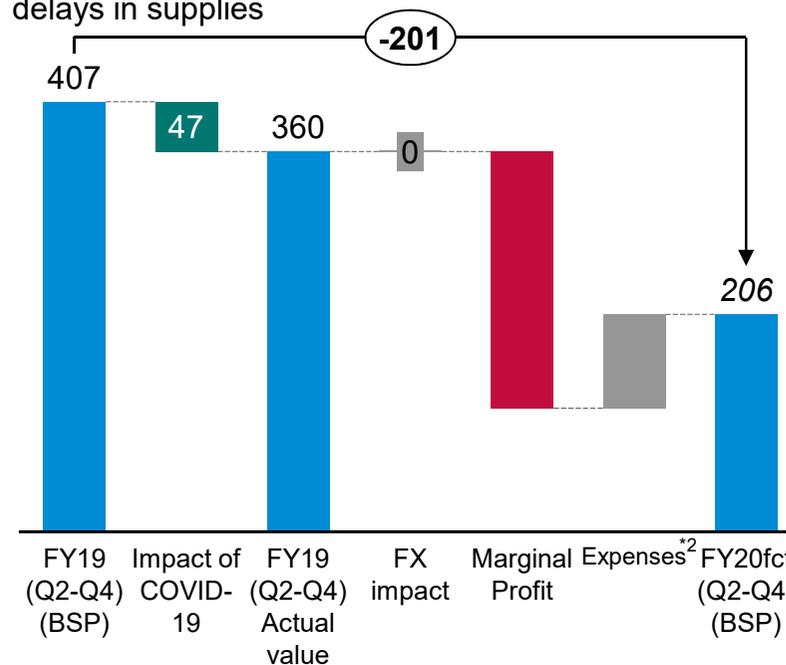
Results for Q1

- 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)

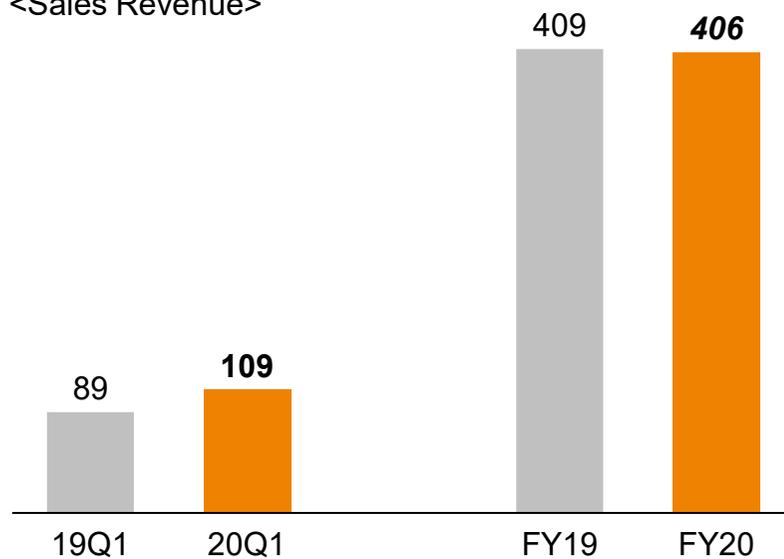
Personal & Home Sales Revenue & Profit

brother
at your side

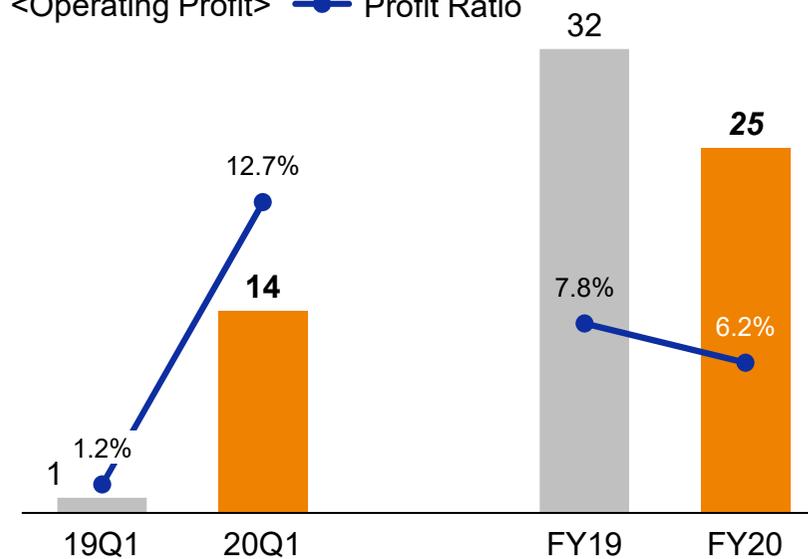
(100 Millions of Yen)

	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>



<Operating Profit> Profit Ratio



Machinery Sales Revenue & Profit

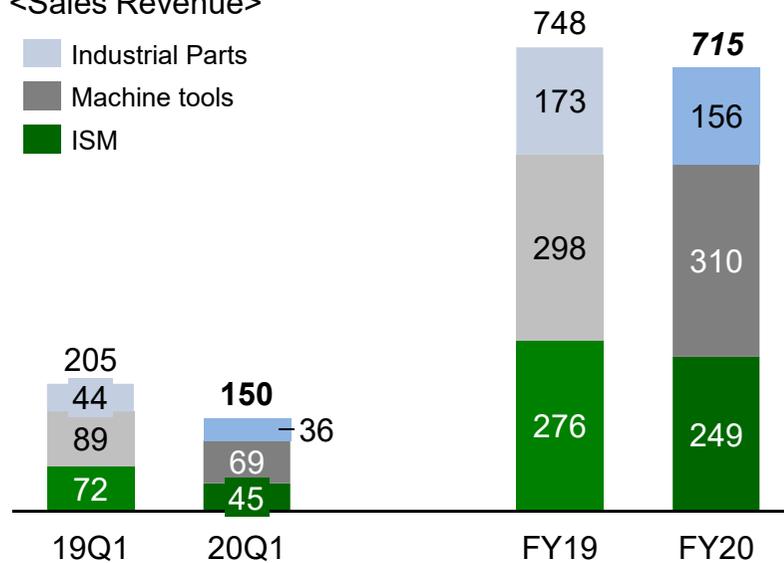


(100 Millions of Yen)

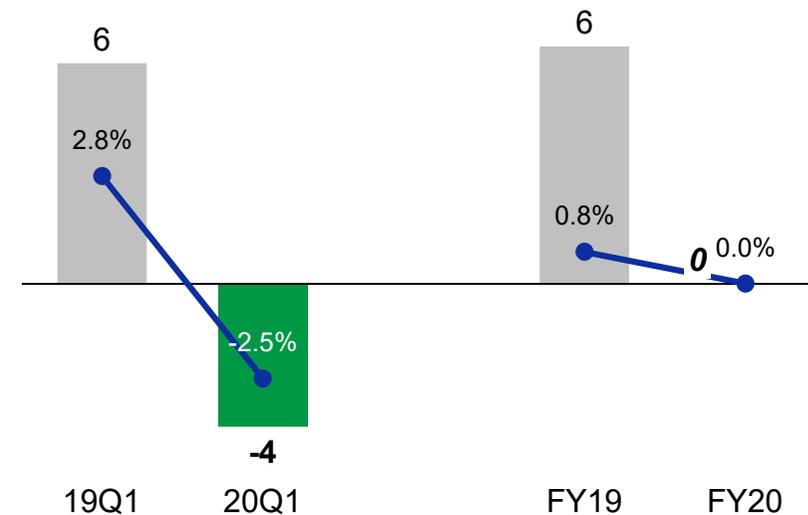
	19Q1	20Q1	Change	Change x FX	FY19	FY20	Change v LY	Change x FX
Sales Revenue	205	150	-26.7%	-24.9%	748	715	-4.4%	-3.5%
Industrial sewing machines	72	45	-37.7%	-35.8%	276	249	-9.9%	-8.5%
Machine tools	89	69	-22.2%	-20.0%	298	310	3.9%	4.7%
Industrial Parts	44	36	-17.9%	-17.0%	173	156	-10.0%	-9.7%
Business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

<Sales Revenue>

- Industrial Parts
- Machine tools
- ISM



<Operating Profit> ●— Profit Ratio



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%	-8.5%
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



(100 Millions of Yen)

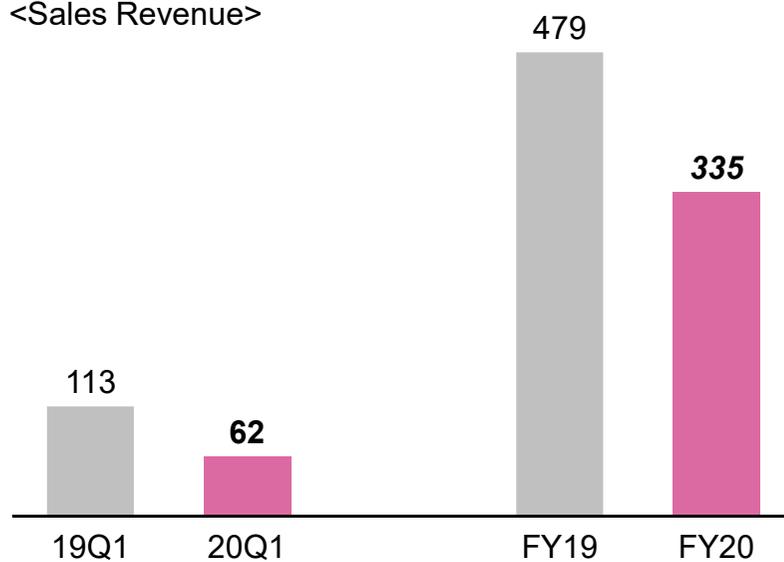
	19Q1	20Q1	Change
Sales Revenue	113	62	-45.6%

	FY19	FY20	Change v LY
Sales Revenue	491	335	-31.8%

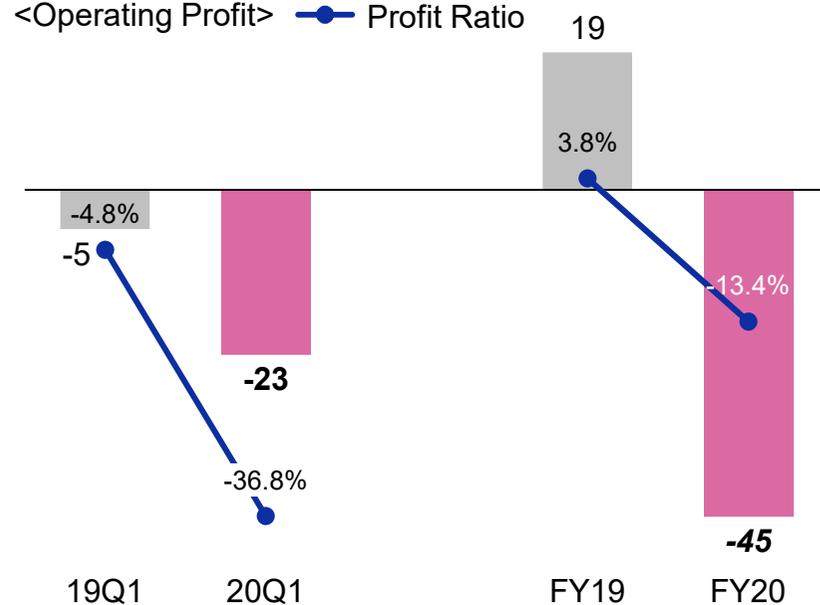
Business Segment Profit	-6	-23	-
Operating Profit	-5	-23	-

Business Segment Profit	21	-47	-
Operating Profit	19	-45	-

<Sales Revenue>



<Operating Profit> ● Profit Ratio



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



(100 Millions of Yen)

Results for Q1

Karaoke Business

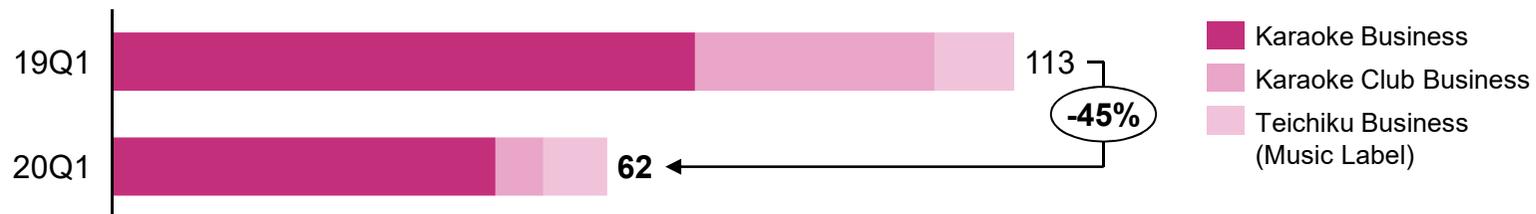
Revenue: about -40% vs 19Q1

- 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

Domino Sales Revenue & Profit

brother
at your side

(100 Millions of Yen)

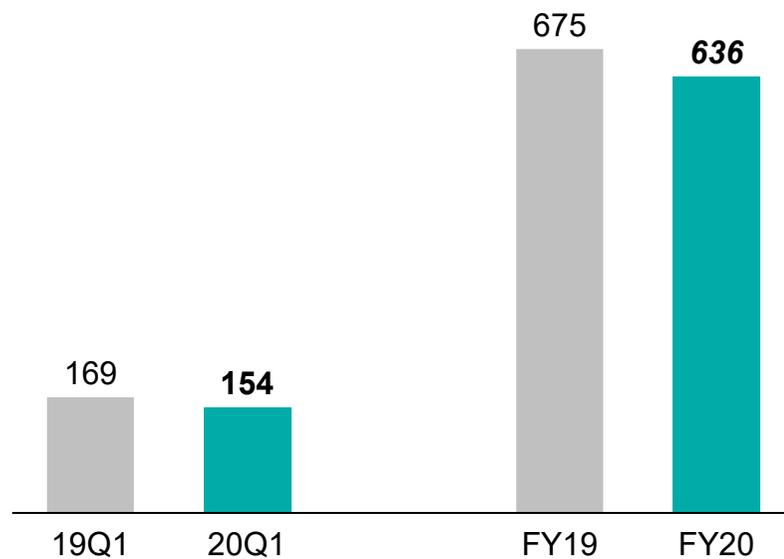
	19Q1	20Q1	Change	Change x FX
Sales Revenue	169	154	-8.8%	-4.2%
Americas	39	42	7.8%	14.6%
Europe	84	68	-19.0%	-16.1%
Asia & Others	46	44	-4.0%	1.6%

	FY19	FY20	Change v LY	Change x FX
Sales Revenue	675	636	-5.8%	0.3%
Americas	165	159	-3.6%	4.9%
Europe	329	299	-9.2%	-4.7%
Asia & Others	182	179	-1.8%	4.6%

Business Segment Profit	11	4	-67.5%	-
Operating Profit	11	2	-78.8%	-

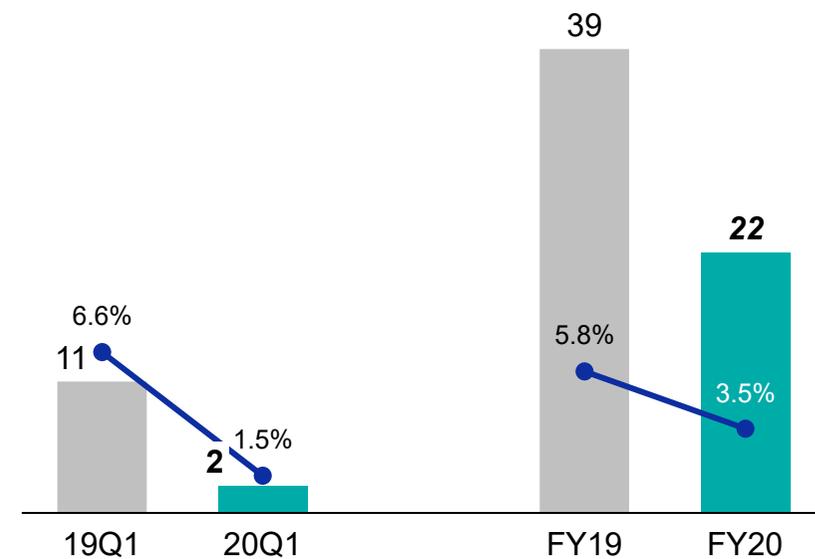
Business Segment Profit	38	24	-36.6%	-
Operating Profit	39	22	-43.8%	-

<Sales Revenue>



<Operating Profit>

—●— Profit Ratio



Topics: New Product in the Domino

Launch of Domino's first corrugated cardboard printing press.
Aim of this expansion into corrugated cardboard printing is to further increase revenue of digital printing (DP) business.

X630i Digital Corrugated Press



- ✓ **Water-based ink corrugated cardboard printing press**
 - Achieves high productivity even for coated cardboard, without the need for pretreatment
 - Uses water-based ink, which **can also be used on food packaging**

- ✓ **Expansion into corrugated cardboard printing business**

Packages printing markets

Labels



「N610i」

Corrugated cardboard



Paper container packaging



Flexible packaging



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.

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