

Fiscal Year 2016 (ending March 31, 2017)

First Quarter Results
(3-month results ended June 30, 2016)

Brother Industries, Ltd.

August 8, 2016

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 FY2016 Q1



(100 Millions of Yen)

	16Q1	15Q1	Rate of Change (w/o forex impact)
Sales Revenue	1,575	1,641	-4.0% (+4.5%)
Business Segment Profit	201	153	31.6%
Business Segment Profit Ratio	12.8%	9.3%	
Operating Profit	211	164	28.7%
Operating Profit Ratio	13.4%	10.0%	
Income before Tax	211	166	27.1%
Net Income	153	116	31.8%
Exchange Rates			
USD	109.07	121.34	
EUR	122.47	133.86	

- ✓ Although sales of machine tools significantly decreased, sales in the P&S business increased on a local currency basis.
- ✓ Profits at all levels increased due to measures to improve profitability in the P&S business and due to a temporary positive effect from the elimination of unrealized gains on inventories brought by the higher yen, despite the negative impact of the yen's appreciation of ¥2.3 billion.

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<Sales revenue>

In communications & printing equipment, sales revenue increased by 2.0% year-on-year on a local currency basis.

In machine tools, sales revenue significantly decreased mainly due to a recoil in response to remarkably robust sales last year. However, we believe that we have gotten off to a good start since we see a better sign of recovery in demand from IT customers compared to the second half of last year.

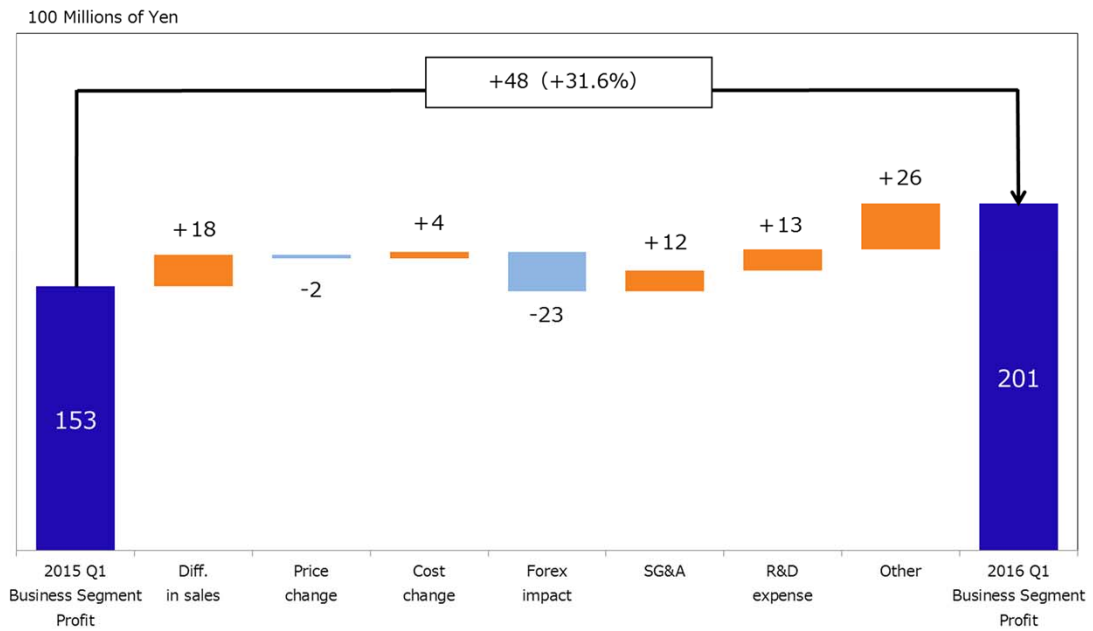
In the Domino business, sales roughly remained steady, excluding a drop in demand in the Chinese market.

<Business segment profit>

Business segment profit in Q1 was better than our initial outlook and increased despite the negative impact of the yen's appreciation of ¥2.3 billion. Main reasons for the increase are as follows:

- improved efficiency in the use of sales promotion expenses and reduction in other expenses including R&D costs mainly in the P&S business
- positive effect from the elimination of unrealized gains on inventories brought by the higher yen
- no costs for the acquisition of Domino shares, which occurred last year

Main Factors for Changes in Business Segment Profit



* No additional explanation

Highlight by business segment



(100 Millions of Yen)

Sales Revenue	16Q1	15Q1	Rate of Change	Rate of Change (w/o forex impact)
Total	1,575	1,641	-4.0%	4.5%
Printing & Solutions	953	1,039	-8.3%	2.7%
Personal & Home	95	109	-12.6%	-2.1%
Machinery	230	347	-33.9%	-29.5%
Network & Contents	126	119	5.6%	6.0%
Domino business	144	-	-	-
Other	28	27	1.2%	1.2%

Business Segment Profit	16Q1	15Q1	Rate of Change
Total	201	153	31.6%
Printing & Solutions	169	103	64.6%
Personal & Home	-0	7	-
Machinery	19	62	-69.7%
Network & Contents	4	-3	-
Domino business	9	-	-
Other	1	-16	-

Operating Profit	16Q1	15Q1	Rate of Change
Total	211	164	28.7%
Printing & Solutions	179	110	62.5%
Personal & Home	0	7	-98.5%
Machinery	19	63	-69.2%
Network & Contents	3	-3	-
Domino business	9	-	-
Other	1	-13	-

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* No additional explanation

■ Printing & Solutions business

- Launched inkjet printers with high-yield ink cartridges in the U.S. and Japan following the earlier launch in emerging markets



INKvestment

MFC-J985DW

- Renewal of high-speed/durable mono laser printers



HL-L6400DW



MFC-L5755DW



MFC-L6900DW

- Received five "Summer 2016 Pick" awards in Printers/MFPs and Scanners from Buyers Laboratory LLC, a U.S. independent evaluation organization



■ Machine tools

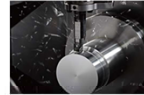
- Launched SPEEDIO M140X2, next generation compact multi-tasking machine



SPEEDIO M140X2



Machining



Turning

■ Industrial Printing

- Launched laser marker LM-2500



LM-2500



Printing production information on motor parts



Printing lot numbers on switch parts

* No additional explanation

Consolidated Forecast for FY 2016 (ending March 31, 2017)



(100 Millions of Yen)

	FY16	Previous forecast	Rate of Change	FY15 Act	Rate of Change (w/o forex impact)
Sales Revenue	6,400	6,575	-2.7%	6,821	-6.2% (+4.7%)
Business Segment Profit	500	460	8.7%	549	-9.0%
Business Segment Profit Ratio	7.8%	7.0%		8.1%	
Operating Profit	485	450	7.8%	586	-17.3%
Operating Profit Ratio	7.6%	6.8%		8.6%	
Income before Tax	485	450	7.8%	572	-15.2%
Net Income	335	315	6.3%	412	-18.8%
Exchange Rates					
USD	106.09	110.00		120.16	
EUR	117.25	125.00		132.36	

<Main points for revised forecast>

•Sales revenue

The assumed exchange rates have been revised and the negative forex impact of approximately ¥21 billion has been factored into the forecast.

•Business segment profit

Although the negative forex impact of approximately ¥7 billion has been factored into the forecast, the forecast has been upwardly revised in light of our progress at the end of Q1.

* No additional explanation

Forecast for 2016 by business segment



(100 Millions of Yen)

Sales Revenue	FY16	Previous Forecast	Rate of Change	FY15	Rate of Change	Rate of Change (w/o forex impact)
Total	6,400	6,575	-2.7%	6,821	-6.2%	4.7%
Printing & Solutions	3,743	3,845	-2.6%	4,150	-9.8%	2.1%
Personal & Home	474	488	-2.7%	510	-7.0%	5.5%
Machinery & Solution	936	959	-2.4%	993	-5.7%	0.5%
Network & Contents	518	525	-1.3%	539	-3.9%	-3.6%
Domino business	582	614	-5.2%	483	20.4%	46.1%
Other	147	144	1.5%	146	0.8%	0.6%

Business Segment Profit	FY16	Previous Forecast	Rate of Change	FY15	Rate of Change
Total	500	460	8.6%	549	-9.0%
Printing & Solutions	345	300	15.0%	336	2.8%
Personal & Home	34	38	-10.7%	48	-28.5%
Machinery & Solution	58	57	1.6%	114	-49.2%
Network & Contents	20	20	-	22	-8.1%
Domino business	38	40	-4.1%	38	-1.0%
Other	5	5	-	-8	-

Operating Profit	FY16	Previous Forecast	Rate of Change	FY15	Rate of Change
Total	485	450	7.8%	586	-17.3%
Printing & Solutions	338	294	15.0%	390	-13.4%
Personal & Home	34	37	-8.1%	49	-30.2%
Machinery & Solution	56	56	-	114	-50.8%
Network & Contents	18	18	-	-5	-
Domino business	34	40	-15.0%	35	-3.5%
Other	5	5	-	3	56.7%

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* No additional explanation

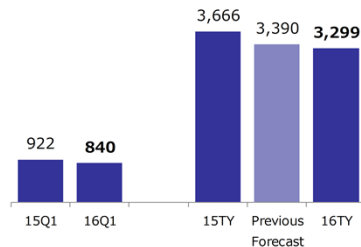
Printing & Solutions Sales Revenue & Operating Profit



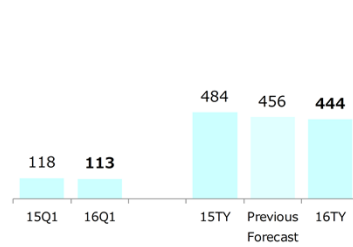
(100 Millions of Yen)

	15Q1	16Q1	Change	Change x FX	15TY	Previous Forecast	16TY	Change	Change x FX
Sales Revenue	1,039	953	-8.3%	2.7%	4,150	3,846	3,743	-9.8%	2.1%
Communications & Printing equipment	922	840	-8.9%	2.0%	3,666	3,390	3,299	-10.0%	1.9%
Americas	348	327	-6.2%	7.2%	1,393	1,252	1,225	-12.1%	1.3%
Europe	307	252	-17.9%	-8.4%	1,221	1,124	1,043	-14.6%	-1.3%
Asia & Others	166	142	-14.8%	-0.2%	600	559	543	-9.5%	3.5%
Japan	100	119	19.3%	19.3%	453	455	488	7.8%	9.9%
Electronic stationery	118	113	-3.5%	8.0%	484	456	444	-8.1%	4.0%
Americas	57	54	-4.9%	7.3%	230	213	209	-9.4%	3.6%
Europe	35	33	-6.8%	3.6%	147	138	129	-12.5%	0.8%
Asia & Others	17	16	-3.6%	13.1%	69	65	63	-8.8%	4.9%
Japan	8	10	20.6%	20.6%	38	40	44	17.3%	17.3%
Business Segment Profit	103	169			336	300	345		
Operating Profit	110	179			390	294	338		

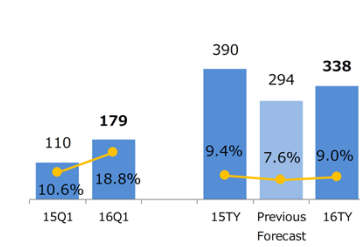
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Operating Profit>



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Despite weaker sales in Europe and the Middle East, sales remained steady in the Americas, China and Japan.

In the U.S., sell-in of inkjet models with super high yield ink cartridge was strong.

In China, sell-in went well after the prolonged inventory adjustment at the sales channels was completed.

In Japan, sales of OEM laser printers continued to grow.

<Breakdown of growth in sales of communications & printing equipment year-on-year>

(1) By hardware/consumable

Hardware +9%
Consumables -2%

(2) By printing technology

IJP + low single-digit %
LBP + low single-digit %

<Sales mix>

IJP over 25%
LBP over 70%

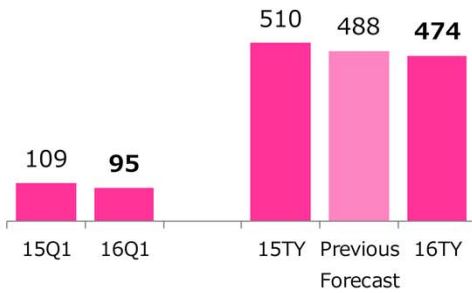
Personal & Home Sales Revenue & Operating Profit



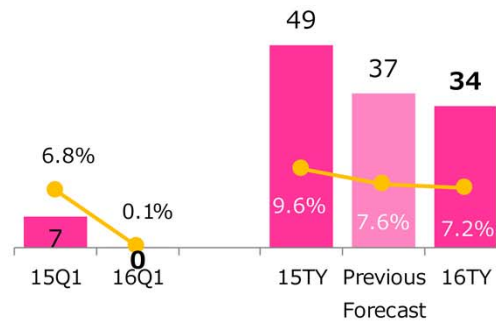
(100 Millions of Yen)

	15Q1	16Q1	Change	Change x FX	15TY	Previous Forecast	16TY	Change	Change x FX
Sales Revenue	109	95	-12.6%	-2.1%	510	488	474	-7.0%	5.5%
Americas	61	49	-19.8%	-7.9%	304	282	278	-8.6%	5.8%
Europe	22	23	3.6%	13.1%	101	97	92	-9.6%	2.7%
Asia & Others	17	15	-12.7%	0.1%	62	62	60	-2.2%	9.6%
Japan	9	9	-3.2%	-3.2%	43	47	45	3.8%	3.8%
Business Segment Profit	7	-0			48	38	34		
Operating Profit	7	0			49	37	34		

<Sales Revenue>



<Operating Profit>



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There was no major change in our sell-out, although sales decreased in the Americas. The decrease resulted from a decline in sell-in, which was caused by the timing of the launch of new models for the Back to School sale being put off compared to a year ago.

In Europe, although sales in Russia remained weak, sales as a whole continued to increase with double-digit growth in many Western European countries.

Both business segment profit and operating profit were significantly affected by the negative impact of the yen's appreciation and by the gross profit margin decrease resulting from the decline in sell-in in the U.S.

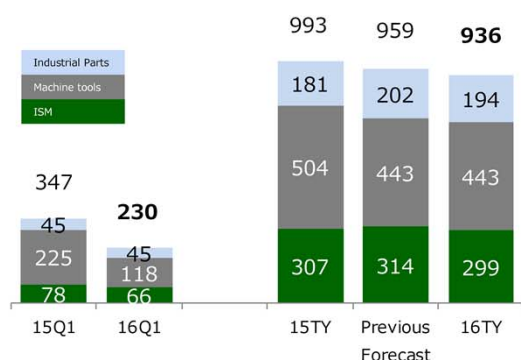
Machinery Business Sales Revenue & Operating Profit



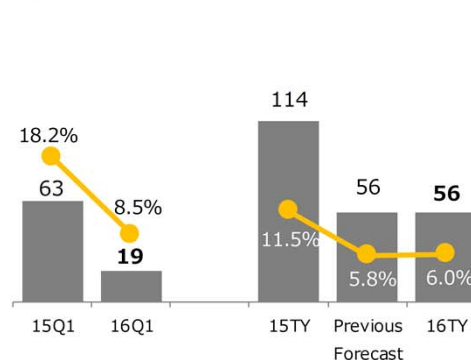
(100 Millions of Yen)

	15Q1	16Q1	Change	Change x FX	15TY	Previous Forecast	16TY	Change	Change x FX
Sales Revenue	347	230	-33.9%	-29.5%	993	959	936	-5.7%	0.5%
Industrial sewing machines	78	66	-15.1%	-4.8%	307	314	299	-2.7%	10.4%
Machine tools	225	118	-47.3%	-44.9%	504	443	443	-12.1%	-9.2%
Industrial Parts	45	45	1.4%	4.9%	181	202	194	6.9%	10.5%
Business Segment Profit	62	19			114	57	58		
Operating Profit	63	19			114	56	56		

<Sales Revenue>



<Operating Profit>



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In industrial sewing machines, sales in China and other Asian regions decreased due to the stronger yen and the economic slowdown. Regarding the Americas, although sales of garment printers were steady, sales of sewing machines to the clothing industry were soft.

In machine tools, sales significantly decreased due to a recoil in response to last year's sales. However, we have gotten off to a good start since we see a better sign of recovery in demand from IT customers in China and sales to the automobile-related industry remains steady particularly in the Americas.

In industrial parts, sales remained steady in each region.

Both business segment profit and operating profit significantly fell mainly due to the decreased sales of machine tools.

Machinery Business Sales Revenue & Operating Profit



(100 Millions of Yen)

	15Q1	16Q1	Change	Change x FX	15TY	Previous Forecast	16TY	Change	Change x FX
Sales Revenue	347	230	-33.9%	-29.5%	993	959	936	-5.7%	0.5%
Industrial sewing machines	78	66	-15.1%	-4.8%	307	314	299	-2.7%	10.4%
Americas	16	13	-18.7%	-9.0%	63	59	55	-12.9%	-0.2%
Europe	12	12	6.3%	16.4%	46	49	46	-0.8%	12.7%
Asia & Others	48	39	-18.8%	-7.9%	192	199	183	-4.9%	8.8%
Japan	2	1	-22.6%	-22.6%	6	7	16	144.8%	144.8%
Machine tools	225	118	-47.3%	-44.9%	504	443	443	-12.1%	-9.2%
Americas	6	7	24.3%	-	25	28	29	16.1%	-
Europe	7	5	-27.7%	-	19	26	24	24.0%	-
Asia & Others	195	89	-54.1%	-	392	302	292	-25.3%	-
Japan	17	17	-2.2%	-	68	87	97	42.5%	-
Industrial Parts	45	45	1.4%	4.9%	181	202	194	6.9%	10.5%
Americas	7	7	4.9%	16.7%	28	29	28	-0.4%	13.3%
Europe	0	0	-	-	-	-	-	-	-
Asia & Others	4	4	11.0%	30.5%	15	17	16	12.0%	28.6%
Japan	34	34	-0.5%	-0.5%	139	156	150	8.1%	8.1%
Business Segment Profit	62	19			114	57	58		
Operating Profit	63	19			114	56	56		

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* No additional explanation

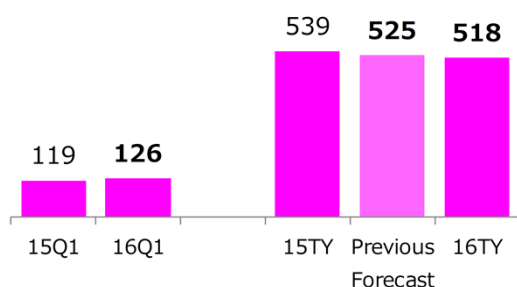
Network & Contents Sales Revenue & Operating Profit



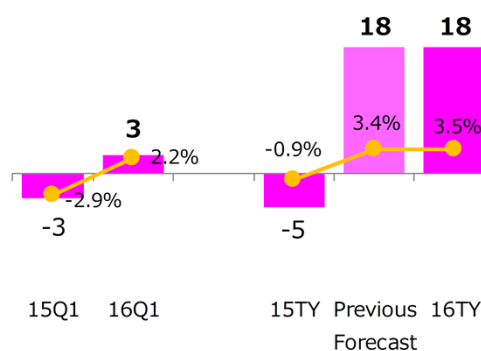
(100 Millions of Yen)

	15Q1	16Q1	Change	15TY	Previous Forecast	15TY	Change
Sales Revenue	119	126	5.6%	539	525	518	-3.9%
Business Segment Profit	-3	4		22	20	20	
Operating Profit	-3	3		-5	18	18	

<Sales Revenue>



<Operating Profit>



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Sales revenue increased due to steady sales of on-line karaoke equipment.

The business moved in the black due to approaches to cut costs and to boost profitability in directly-managed karaoke clubs.

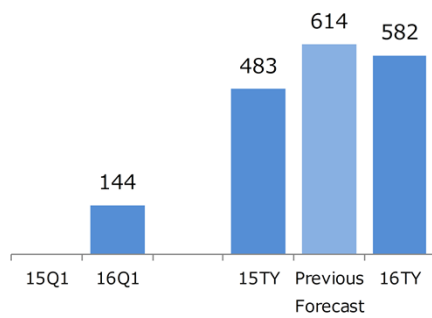
Domino Business Sales Revenue & Operating Profit



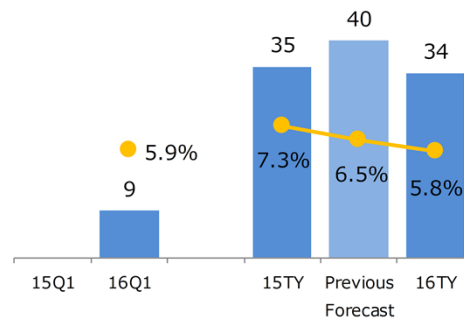
(100 Millions of Yen)

	15Q1	16Q1	Change	Change x FX	15TY	Previous Forecast	16TY	Change	Change x FX
Sales Revenue	-	144	-	-	483	614	582	20.5%	-
Americas	-	33	-	-	112	138	136	21.8%	-
Europe	-	71	-	-	239	310	290	21.5%	-
Asia & Others	-	40	-	-	133	165	156	17.5%	-
Business Segment Profit	-	9			38	40	38		
Operating Profit	-	9			35	40	34		

<Sales Revenue>



<Operating Profit>



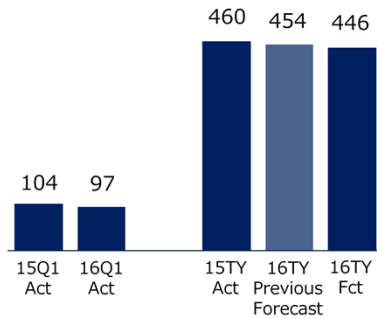
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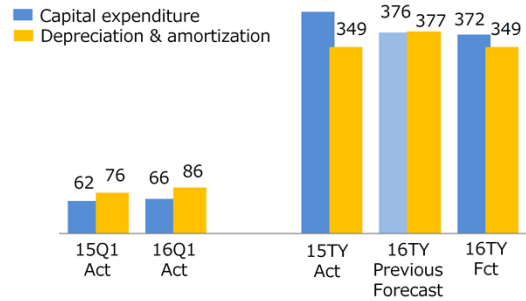
Sales roughly remained steady, excluding a drop in demand in the Chinese market.

Sales of consumables and services remained stable with about an annual growth rate of approximately 5%.

R&D expenses
(100 Millions of Yen)

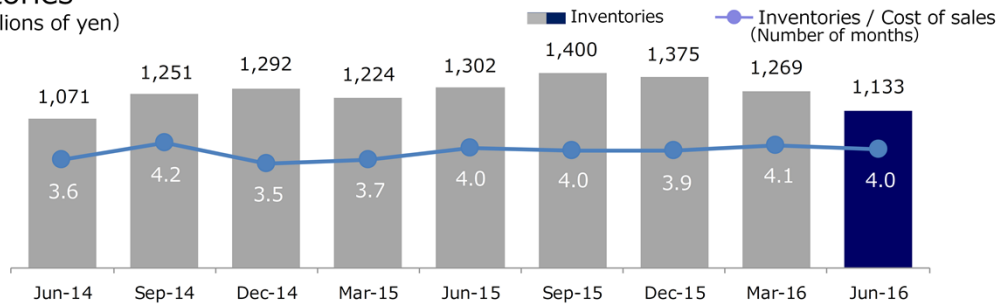


**Capital expenditure /
Depreciation & amortization**
(100 Millions of Yen)



Inventories

(100 Millions of yen)



* No additional explanation

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at your side