

Fiscal Year 2017 (ending March 31, 2018)

First Quarter Results
(3-month results ended June 30, 2017)

Brother Industries, Ltd.

August 4, 2017

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 FY2017 Q1



(100 Millions of Yen)

	17Q1	16Q1	change	Rate of Change (w/o FX)
Sales Revenue	1,677	1,575	102	6.5% (+7.0%)
Business Segment Profit	175	201	-26	-13.1%
BSP Ratio	10.4%	12.8%		
Operating Profit	126	211	-85	-40.3%
OP Ratio	7.5%	13.4%		
Income before Tax	130	211	-81	-38.5%
Net Income	91	153	-62	-40.4%
Exchange Rates				
USD	111.61	109.07		
EUR	123.14	122.47		

•The elimination of 2.2 billion yen owing to the change of the evaluation standard for unrealized inventory profit, etc.

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•The decrease of 1 billion yen of exchange gain reported ahead of schedule during the last fiscal year according to the IFRS standard.

•Impairment loss of exchange contract increased due to appreciation of the euro and the pound and sudden fluctuation of cross rates.

- ✓ In the P&S business, sales of LBP Hardware steadily grew on a global basis, as well as sales of the inkjet all-in-one models with ink tanks
- ✓ Sales of machine tools increased significantly due to the increase of sales for the automobile related industry in addition to the impact of receiving large orders for IT-related customers
- ✓ Business segment profit stayed almost at the same level as the previous year, excluding the decrease of 2.2 billion yen in the P&S business that resulted from the change of calculation method of unrealized inventory profit.
- ✓ Operational profit decreased due to the fact that the yen dropped sharply against the euro, creating a temporary increase of impairment loss related to the exchange contract. The negative impact of the fact that exchange gain, which was scheduled to be reported during FY2017, was included in the results of FY2016 ahead of schedule in accordance with the IFRS standard also contributed to the decrease in operational profit.

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The sales revenue of the first quarter of FY2017 was 167.7 billion yen, and increased by 6.5% or 10.2 billion yen as compared to the previous year.

The impact of forex rate on the sales revenue was nearly nil since it resulted in approximately 900 million yen of decrease as compared to the previous year.

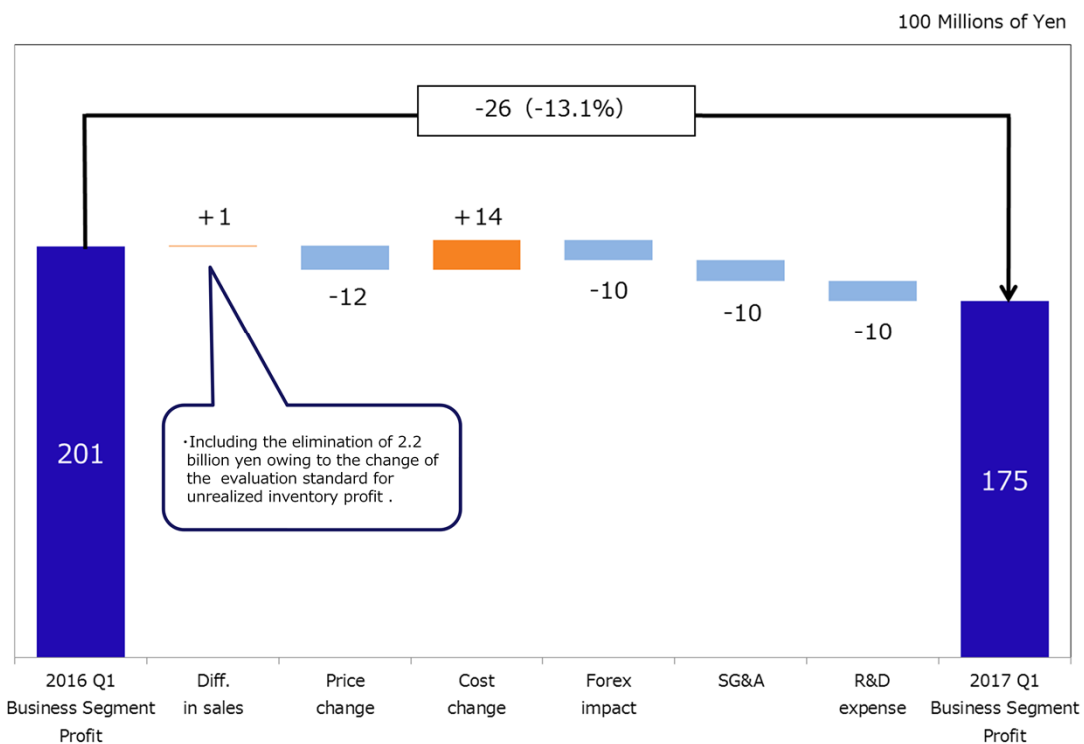
The business segment profit decreased by 2.6 billion yen as compared to the previous year, and was 17.5 billion yen.

Due to the review of the calculation method of unrealized inventory profit, there was a decrease of 2.2 billion yen as compared to the previous year. Therefore, in real terms, the business segment profit stayed at a similar level as compared to the previous year, excluding the decrease of 2.2 billion yen.

Operating profit decreased by 8.5 billion yen, or 40%, to 12.6 billion yen due partly to the temporary increase of impairment loss related to exchange contracts, which resulted from the rapid depreciation of the Yen against the euro at the end of the quarter.

However in real terms, the operating profit decreased approximately by 25%, excluding the extraordinary factors, such as the review of the calculation method of the unrealized inventory profit as mentioned above and the negative impact of exchange profit reported ahead of schedule during the last fiscal year in accordance with the IFRS standard.

Main Factors for Changes in Business Segment Profit



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As for sales which increased by 100 million yen, the negative impact of elimination of unrealized profit caused by forex rate resulted in a decrease of approximately 2.2 billion yen as compare to the previous year in the P&S business and the product-mix became slightly negative as compare to the previous year because of strong sales of hardware, though sales of Domino business and the Machinery business increased by slightly more than 3 billion yen together. Therefore, sales fluctuation and configuration difference were mostly offset, and sales increased by 100 million yen.

A majority of the 1.2 billion yen of profit decrease caused by price change occurred in the P&S business.

The environment in the printing market is stable. However, we are receiving an increasing number of large orders for the products targeting the SMB market, which is our target under our mid-term business strategy, mainly in Europe, and this resulted in a decrease in the price change.

Of the profit increase of 1.4 billion yen resulting from the cost reduction, the P&S business is accountable for slightly more than 60% and the P&H business and Machinery business are accountable for the remaining.

Of the decrease of 1 billion yen owing to the forex impact, 800 million yen is due to the negative impact of the exchange rate of the euro and 200 million yen is due to the negative impact of the exchange rate of the GBP.

As for the Euro, the consolidated conversion rate was slightly stronger against the yen as compared to the previous year. However, the calculation method of the conversion rate used by Brother Industries, Ltd. alone for foreign-currency trading is different from the calculation method of consolidated conversion rate. The rate calculated by Brother Industries, Ltd. was in favor of the yen as compare to the previous year, creating the negative impact that resulted.

On the annual basis, if the yen basically depreciated by one yen against the Euro, for instance, according to the consolidated conversion rate, the business segment profit will have an approximately 800 million yen increase.

As for the 1 billion yen contributing to the profit decrease owing to the increase in SG&A, the SG&A of the P&S business, which is the business of profitability enhancement, decreased as compared to the previous year.

SG&A increased in Domino business and the Machinery business. It increased by more than 1 billion yen mainly between the two businesses.

As for the 1 billion yen contributing to the profit loss, which was caused by the increase of R&D expenditure, expenditure increased evenly across respective businesses.

Highlight by business segment



(100 Millions of Yen)

Sales Revenue	17Q1	16Q1	Rate of Change	Rate of Change (w/o Forex Impact)
Total	1,677	1,575	6.5%	7.0%
Printing & Solutions	988	953	3.7%	3.0%
Personal & Home	93	95	-1.6%	-2.7%
Machinery	291	230	26.5%	26.8%
Network & Contents	112	126	-10.9%	-10.8%
Domino business	164	144	14.1%	25.3%
Other	29	28	3.2%	3.2%

Business Segment Profit	17Q1	16Q1	Rate of Change
Total	175	201	-13.1%
Printing & Solutions	134	169	-21.1%
Personal & Home	-2	-0	-
Machinery	25	19	35.3%
Network & Contents	-1	4	-
Domino business	16	9	84.9%
Other	2	2	19.2%
Adjustment	-0	-1	-

Operating Profit	17Q1	16Q1	Rate of Change
Total	126	211	-40.3%
Printing & Solutions	91	179	-48.9%
Personal & Home	-5	0	-
Machinery	25	19	28.9%
Network & Contents	-1	3	-
Domino business	12	9	45.0%
Other	3	2	17.6%
Adjustment	-0	-1	-

Consolidated Forecast for FY 2017 (ending March 31, 2018)



(100 Millions of Yen)

	FY17 Forecast	Previous forecast	Rate of Change	FY16	Rate of Change (w/o forex impact)
Sales Revenue	6,800	6,550	3.8%	6,412	6.1% (+5.0%)
Business Segment Profit	660	600	10.0%	608	8.6%
Business Segment Profit Ratio	9.7%	9.2%		9.5%	
Operating Profit	625	600	4.2%	592	5.7%
Operating Profit Ratio	9.2%	9.2%		9.2%	
Income before Tax	620	595	4.2%	613	1.2%
Net Income	460	430	7.0%	472	-2.6%
Adjusted Net Income	460	430	7.0%	430	7.0%
Exchange Rates					
USD	110.65	108.00		109.03	
EUR	123.43	116.00		119.37	

< Main Points for Revised Forecast >

Sales Revenue

- The positive impact of approximately 21 billion yen due to revision of assumed exchange rate was factored into the forecast
- The forecast for strong machine tools business was revised upward by 4.3 billion yen

Business Segment Profit

- The positive impact of 6 billion yen due to revision of assumed exchange rate was factored into the forecast
- The negative impact of 1.5 billion yen due to the risk of cost increase, etc. caused by the rise in raw material costs was factored in for the P&S business
- The forecast for the machinery business was revised upward by 1.3 billion

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The forecast for sales revenue was revised upward by 25 billion yen from the previous forecast to 680 billion yen.

Of this, approximately 20 billion yen is due to the revision of the forex rate toward weaker yen.

We have changed the forex rates from 1USD=108 yen to 1USD=110 yen, and from 1 EUR = 116 yen to 1 EUR = 123 yen.

The forecast for business segment profit was revised upward by 6 billion yen from the previous forecast to 66 billion yen.

Almost all of these are in the result of revising the forex rates toward a weaker yen.

The forecast for operating profit was revised upward by 2.5 billion yen from the previous forecast to 62.5 billion yen.

The range of revisal is smaller than the amount revised for the forecast for business segment profit. This is due mainly to inclusion of the impairment loss related to exchange contracts, which occurred due to the revisal of assumed exchange rate of the euro for the end-of-term toward a weaker yen.

For these reasons, net income forecast for this term was revised upward by 3 billion yen from the previous forecast to 46 billion yen.

Forecast for 2017 by business segment



(100 Millions of Yen)

Sales Revenue	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change	Rate of Change (w/o forex impact)
Total	6,800	6,550	3.8%	6,412	6.1%	5.0%
Printing & Solutions	3,969	3,779	5.0%	3,836	3.5%	1.3%
Personal & Home	472	492	-4.1%	444	6.3%	4.0%
Machinery & Solution	1,082	1,026	5.5%	909	19.0%	18.2%
Network & Contents	497	500	-0.6%	497	-0.1%	-0.2%
Domino business	664	628	5.7%	594	11.9%	12.1%
Other	116	125	-7.2%	131	-11.6%	10.9%

Business Segment Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	660	600	10.0%	608	8.6%
Printing & Solutions	453	416	8.9%	457	-0.8%
Personal & Home	32	29	10.3%	20	57.0%
Machinery & Solution	95	82	15.9%	62	53.8%
Network & Contents	25	25	0.0%	22	12.9%
Domino business	46	43	7.0%	42	10.1%
Other	9	5	80.0%	7	29.1%
Adjustment	-	-	-	-2	-

Operating Profit	FY17 Forecast	Previous Forecast	Rate of Change	FY16	Rate of Change
Total	625	600	4.2%	592	5.7%
Printing & Solutions	435	425	2.4%	455	-4.4%
Personal & Home	24	23	4.3%	19	27.6%
Machinery & Solution	95	83	14.5%	60	58.9%
Network & Contents	23	22	4.5%	9	169.0%
Domino business	42	41	2.4%	44	-3.8%
Other	6	6	0.0%	7	-20.0%
Adjustment	-	-	-	-2	-

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Year-on-year growth rates for hardware and consumable for communications and printing equipment (excluding exchange rate)

	17Q1	17TY
Hardware	+9%	+ 3 %
Consumables	- 1%	- 1 %

Year-on-year growth rates for the printing category for communications and printing equipment (excluding exchange rate)

	17Q1	17TY
IJP	Approx. +3%	Approx. - 3%
LBP	Approx. +4%	Approx. +2%

Percentage of consumables in sales revenue for communications and printing equipment

	17Q1	17TY
Percentage of Consumables	57%	59%

Printing & Solutions Sales Revenue & Business Segment Profit

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(100 Millions of Yen)

	16Q1	17Q1	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	953	988	3.7%	3.0%	3,836	3,779	3,969	3.5%	1.3%
Communications & Printing equipment	840	877	4.4%	3.7%	3,386	3,320	3,495	3.2%	1.1%
Americas	327	330	1.0%	-0.8%	1,283	1,276	1,315	2.5%	0.9%
Europe	252	265	5.1%	5.7%	1,076	1,068	1,137	5.6%	2.1%
Asia & Others	142	157	10.9%	9.6%	546	539	584	6.8%	4.2%
Japan	119	125	4.6%	4.6%	480	437	460	-4.2%	-4.3%
Electronic stationery	113	111	-1.8%	-2.5%	451	459	474	5.2%	3.1%
Americas	54	52	-4.3%	-5.9%	214	220	223	4.0%	2.5%
Europe	33	32	-3.0%	-2.3%	132	133	140	6.5%	3.0%
Asia & Others	16	19	14.1%	13.1%	66	66	70	7.0%	4.6%
Japan	10	9	-10.2%	-10.2%	39	41	40	3.8%	4.1%
Business Segment Profit	169	134	-21.1%	-	457	416	453	-0.8%	-
Operating Profit	179	91	-48.9%	-	455	425	435	-4.4%	-

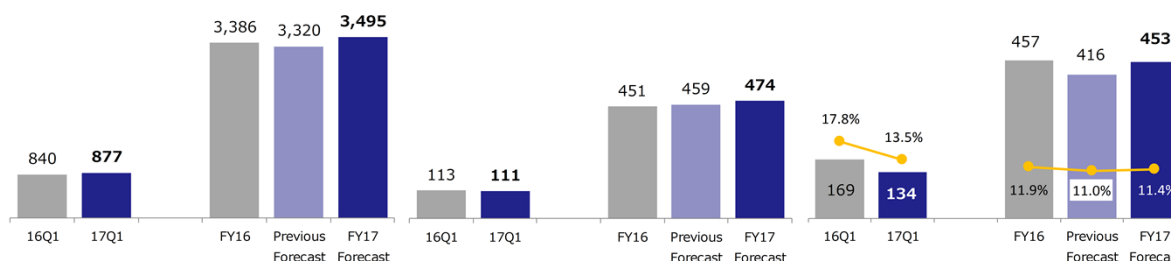
<Sales Revenue>

Communications & Printing equipment

<Sales Revenue>

Electronic stationery

<Business Segment Profit>



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The sales revenue of the communications & printing equipment during the first quarter was 87.7 billion yen. It was up by 3.7% as compare to the previous year on the local currency basis.

The growth rate of hardware was 9%, while consumables declined by 1%.

As for regional results, the growth rate in the Americas was slightly negative. However, other regions showed relatively high growth rates.

This is mainly because the compact models of monochrome laser products targeting SOHO users received positive reviews and their sales were strong on a global basis. In addition, the release of new models of highly durable color laser products with upgraded features contributed to the high increase rate.

As for inkjet products, a shift toward highly profitable inkjet models with tanks is progressing smoothly in Asia and Central and South America.

Sales revenue of electronic stationery decreased slightly. However, it is almost at the same level as that of the previous year.

Sales revenue of label writers is strong as a whole. However, a decline in the number of large orders for solutions business, such as mobile printers, as compared to the previous year created a negative impact.

Business segment profit of the P&S business decreased by 21.1% to 13.4 billion yen.

As we mentioned in the briefing on the overall profit and loss, the decrease of 2 billion yen caused by elimination of unrealized profit relating to the exchange rate and the temporary downturn of product-mix resulting from strong sales of hardware contributed to the decrease of business segment profit.

As for the full-year forecast, the forecast for sales revenue of the entire P&S business was revised upward by 19 billion yen from the previous forecast to 396.9 billion yen.

Of the upward revision of 19 billion yen, approximately 14 billion yen, which account for slightly more than 70%, was due to the revision of forex rates.

The remaining of approximately 5 billion yen of the revised amount resulted from the upward revision of the forecast mainly for communications & printing equipment hardware, which have strong sales.

The forecast for business segment profit was revised upward by 3.7 billion yen from the previous forecast to 45.3 billion yen.

Of this upward revision, the impact of the exchange rate created approximately 5 billion yen of increase, thus, it accounts for slightly less than 1.5 billion yen. In real terms, the profit forecast was revised downward.

This is due to slightly downward revision of the sales forecast of consumables and inclusion of the risk of cost increase caused by a surge in the price of raw materials.

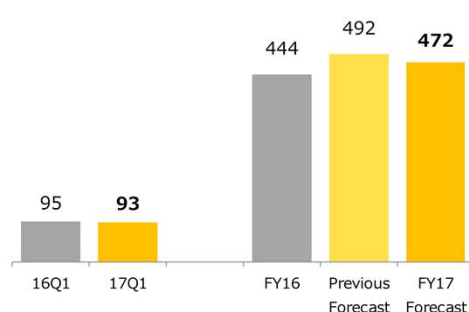
Personal & Home Sales Revenue & Business Segment Profit



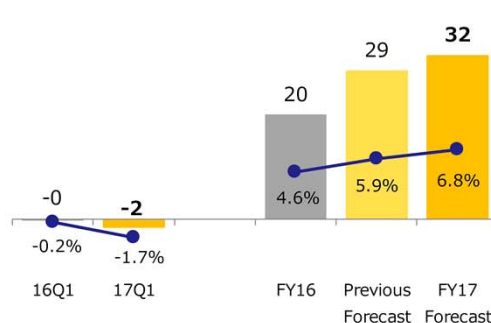
(100 Millions of Yen)

	16Q1	17Q1	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	95	93	-1.6%	-2.7%	444	492	472	6.3%	4.0%
Americas	49	49	1.3%	-0.5%	253	272	262	3.5%	1.4%
Europe	23	24	6.0%	6.0%	96	94	100	4.1%	0.2%
Asia & Others	15	13	-13.4%	-14.6%	55	59	60	9.5%	7.0%
Japan	9	7	-17.5%	-17.5%	41	67	51	24.7%	24.4%
Business Segment Profit	-0	-2	-	-	20	29	32	57.0%	-
Operating Profit	0	-5	-	-	19	23	24	27.6%	-

<Sales Revenue>



<Business Segment Profit>



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The sales revenue of the P&H business during the first quarter was 9.3 billion yen. As for the growth rate on the local currency basis, sales decreased by 2.7%.

As for regional results, sales revenue in Asia decreased by 14.6%, causing the overall results to drop. Sales revenue in the Americas was at the same level as the previous year, and in Europe, it grew firmly due to sales recovery in Russia.

The business segment profit decreased by 200 million yen, and ended in the red during this quarter. This is largely due to the increases in the R&D expenditure and prior investment for further growth in future.

As the chart indicates, operating profit decreased by 500 million yen. This is also due to the negative impact of the exchange contracts of euro as it is in the P&S business.

As for the forecast for the full year, the forecast for sales revenue was revised downward by 2 billion yen from the previous forecast to 47.2 billion yen with consideration for the current circumstances.

The forecast for the business segment profit was revised upward by 300 million yen to 3.2 billion yen mainly due to taking the impact of the forex rate revision into consideration.

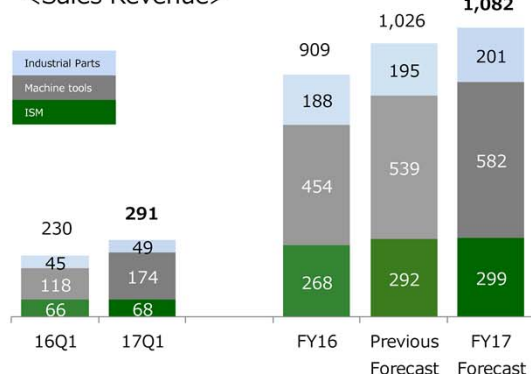
Machinery Business Sales Revenue & Business Segment Profit

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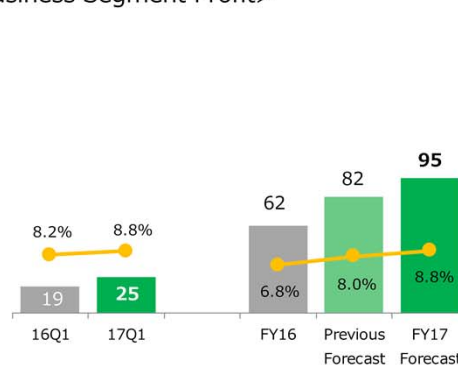
(100 Millions of Yen)

	16Q1	17Q1	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	230	291	26.5%	26.8%	909	1,026	1,082	19.0%	18.2%
Industrial sewing machines	66	68	2.7%	2.4%	268	292	299	11.6%	10.1%
Machine tools	118	174	46.9%	47.7%	454	539	582	28.3%	27.9%
Industrial Parts	45	49	8.0%	7.5%	188	195	201	7.0%	6.5%
Business Segment Profit	19	25	35.3%	-	62	82	95	53.8%	-
Operating Profit	19	25	28.9%	-	60	83	95	58.9%	-

<Sales Revenue>



<Business Segment Profit>



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Of sales revenue of the Machinery business during the first quarter, the industrial sewing machine business accounted for 6.8 billion yen, the industrial tools business for 17.4 billion yen, and the industrial parts business for 4.9 billion yen.

The demand for industrial sewing machines was weak in some parts of the Asian region, including Vietnam, Bangladesh, and India. However, it grew steadily in China. In Europe, demand for industrial sewing machines for manufacturing of automobile parts, such as airbags, increased steadily. In addition, acquisition of orders from the apparel industry in Africa contributed to a sales increase of industrial sewing machines, as well.

Sales revenue of industrial tools increased significantly due not only to receiving of large IT-related orders but also to the steady growth of sales for the automobile related industry.

Sales revenue of industrial parts increased firmly for both small-size reducers and gears, as the demand for machineries and factory automation expanded.

Business segment profit increased by 35.3% to 2.5 billion yen.

The strong performance of the industrial tools business and industrial parts business contributed to the profit increase.

As for the full-year forecast, the forecast for sales revenue was revised upward by 5.6 billion yen from the previous forecast to 108.2 billion yen. Of this, the forecast for machine tools was revised upward by 4.3 billion yen.

The sales revenue forecast concerning automobile-related sales, where the demand remains strong, as well as the forecast concerning IT-related sales, were revised upward mainly for the first half of the year. However, the forecast concerning the IT-related sales for the second half of the year onward is not included in the financial forecast despite the fact that we are receiving inquiries for orders for the reason that the orders are still undetermined.

The forecast for business segment profit was revised upward by 1.3 billion yen to 9.5 billion yen by reflecting the upward revision of the forecast mainly for the machine tools business and the impact of the revision of exchange rates on the industrial sewing machines business.

Machinery Business Sales Revenue & Business Segment Profit



(100 Millions of Yen)

	16Q1	17Q1	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	230	291	26.5%	26.8%	909	1,026	1,082	19.0%	18.2%
Industrial sewing machines	66	68	2.7%	2.4%	268	292	299	11.6%	10.1%
Americas	13	13	0.2%	-1.7%	54	60	59	9.4%	7.3%
Europe	12	14	14.0%	13.9%	41	46	53	26.8%	22.3%
Asia & Others	39	39	-0.1%	0.1%	167	179	181	8.7%	7.9%
Japan	1	1	5.2%	5.2%	6	6	6	5.1%	10.1%
Machine tools	118	174	46.9%	47.7%	454	539	582	28.3%	27.9%
Americas	7	7	1.7%	-	27	32	30	12.6%	-
Europe	5	8	58.6%	-	21	25	27	29.7%	-
Asia & Others	89	142	58.3%	-	334	397	448	34.3%	-
Japan	17	17	0.7%	-	72	84	76	6.2%	-
Industrial Parts	45	49	8.0%	7.5%	188	195	201	7.0%	6.5%
Americas	7	7	-4.4%	-6.3%	26	27	28	6.0%	4.1%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	4	5	11.6%	9.4%	17	19	20	13.9%	12.2%
Japan	34	37	10.1%	10.1%	145	149	154	6.3%	6.3%
Business Segment Profit	19	25	35.3%	-	62	82	95	53.8%	-
Operating Profit	19	25	28.9%	-	60	83	95	58.9%	-

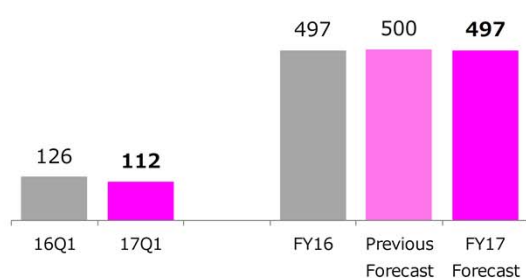
Network & Contents Sales Revenue & Business Segment Profit

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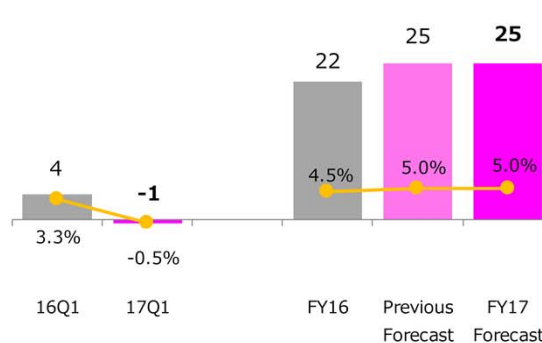
(100 Millions of Yen)

	16Q1	17Q1	Change	FY16	Previous Forecast	FY17 Forecast	Change v LY
Sales Revenue	126	112	-10.9%	497	500	497	-0.1%
Business Segment Profit	4	-1	-	22	25	25	12.9%
Operating Profit	3	-1	-	9	22	23	169.0%

<Sales Revenue>



<Business Segment Profit>



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During the first quarter, sales revenue of the Network & Contents business was 11.2 billion yen, and business segment profit posted a deficit of 100 million yen.

The sales drop and the deficit during this quarter were due to purchase restraint of our old models by our customers facing the release of JOYSOUND MAX 2, our new karaoke machine for karaoke clubs, in July.

However, all the figures are within our initial expectations, and the results were in accordance with our plans.

Therefore, the full-year forecast has not changed from the previous forecast.

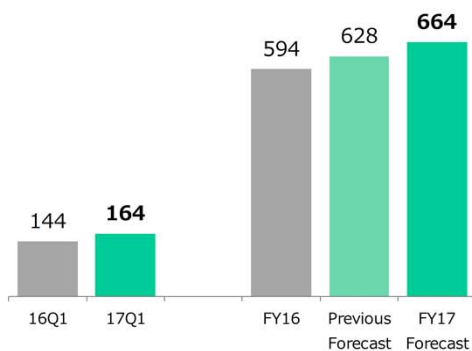
Domino Business Sales Revenue & Business Segment Profit



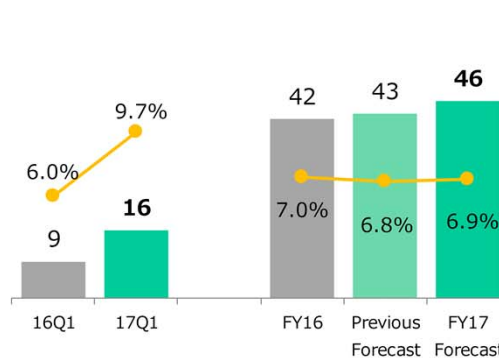
(100 Millions of Yen)

	16Q1	17Q1	Change	Change x FX	FY16	Previous Forecast	FY17 Forecast	Change v LY	Change x FX
Sales Revenue	144	164	14.1%	25.3%	594	628	664	11.9%	12.1%
Americas	33	41	21.4%	32.2%	150	154	164	9.0%	8.5%
Europe	71	78	10.3%	20.1%	283	304	321	13.6%	13.6%
Asia & Others	40	46	14.8%	25.0%	161	170	179	11.6%	11.4%
Business Segment Profit	9	16	84.9%	-	42	43	46	10.1%	-
Operating Profit	9	12	45.0%	-	44	41	42	-3.8%	-

<Sales Revenue>



<Business Segment Profit>



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Sales revenue of Domino business was 16.4 billion yen, and it skyrocketed by 25.3% on the local currency basis.

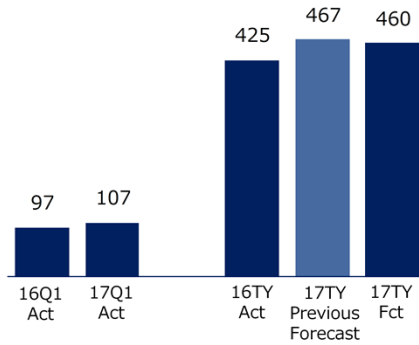
Also, sale revenue of both hardware and consumables increased in a well-balanced manner.

However, please note that the figures for both sales and profit show stronger results than the actual due to the fact that the items scheduled to be reported in the results of the second quarter of FY2017 was included in the results of the first quarter of FY2017 ahead of schedule, as mentioned in the summary of the financial results of this quarter. Thus, the financial results of the second quarter of FY2017 and onward will not continue to show as strong growth as it did during the first quarter FY2017. Please refer to the annual growth rate for the actual value.

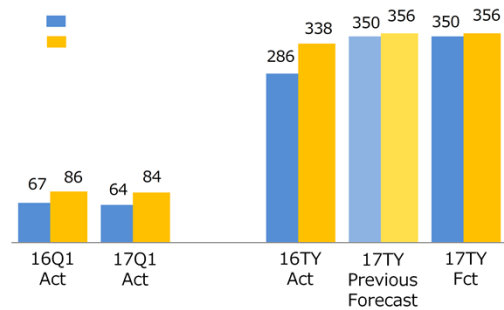
The profit increased as sales increased.

As for the full-year forecast, the figures for the first quarter show strong results due partly to extraordinary factors. However, the results for both sales and profit are basically just reflecting the impact of the forex rate revisions.

R&D expenses
(100 Millions of Yen)

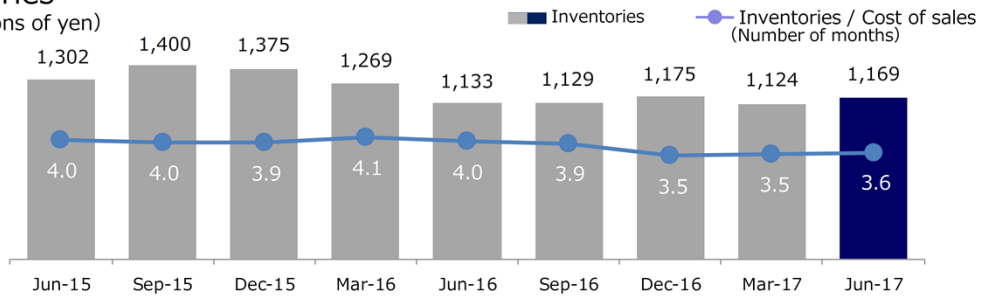


**Capital expenditure /
Depreciation & amortization**
(100 Millions of Yen)



Inventories

(100 Millions of yen)



*Jun-15 actual for Inventories does not include Domino business figures.

brother
at your side