

Fiscal Year 2019 (ending March 31, 2020)

First Quarter Results
(3-month results ended June 30, 2019)

Brother Industries, Ltd.
August 6, 2019

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 FY2019 Q1

- ✓ **Revenue and profit were down, mainly due to sluggish demand for machine tools**
 - OEM sales volumes of communications and printing equipment were down, but the product mixes improved
 - Consumables of communications and printing equipment remained firm globally
 - Demand for industrial sewing machines was soft, mainly in China and Asia
 - Demand for machine tools was sluggish in the automotive, general, and IT fields
 - The N&C business reported a loss due to postponement of purchases prior to introduction of new models and correction of expenses for prior years
 - Demand in the Domino business was firm, particularly for C&M equipment

Forecast for FY2019

- ✓ **No change in results forecast from previous forecast**
 - The segment breakdown and foreign exchange assumptions are unchanged from the previous forecast

Consolidated Results for FY2019 Q1



(100 Millions of Yen)

	18Q1	19Q1	Change	Rate of Change (w/o FX)
Sales Revenue	1,711	1,592	-119	-6.9% (-4.9%)
Business Segment Profit	205	176	-28	-13.8%
Business Segment Profit Ratio	12.0%	11.1%		
Other income/expense	18	4	-13	
Operating Profit	223	181	-42	-18.7%
Operating Profit Ratio	13.0%	11.4%		
Income before Tax	225	180	-45	-19.9%
Net Income	166	129	-37	-22.3%
USD	108.71	110.00		
EUR	129.39	123.29		

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In the first quarter of FY2019,

Sales revenue was down 11.9 billion yen year-on-year to 159.2 billion yen,

Business segment profit was down 2.8 billion yen to 17.6 billion yen,

Operating profit was down 4.2 billion yen to 18.1 billion yen, and

Net income attributable to owners of the parent was down 3.7 billion yen to 12.9 billion yen.

Results for FY2019 Q1 by Business Segment



(100 Millions of Yen)

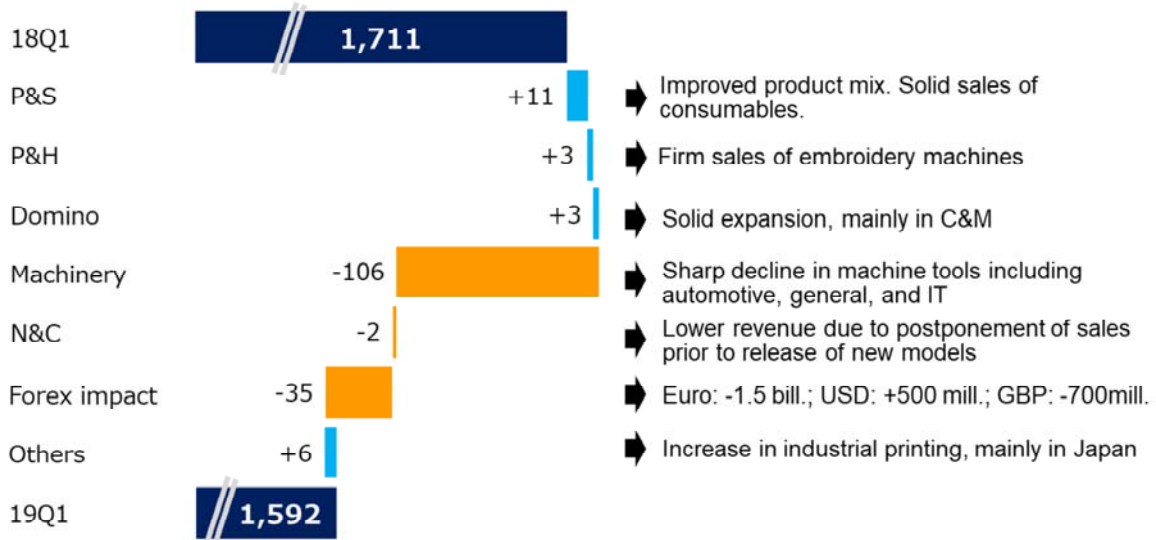
		18Q1	19Q1	change
Printing & Solutions	Sales Revenue	995	982	-13
	Business Segment Profit	149	164	16
	Operating Profit	160	166	6
Personal & Home	Sales Revenue	88	89	1
	Business Segment Profit	-1	1	3
	Operating Profit	-1	1	2
Machinery	Sales Revenue	314	205	-109
	Business Segment Profit	42	5	-36
	Operating Profit	43	6	-38
Network & Contents	Sales Revenue	115	113	-2
	Business Segment Profit	2	-6	-8
	Operating Profit	2	-5	-7
Domino business	Sales Revenue	171	169	-3
	Business Segment Profit	12	11	-1
	Operating Profit	16	11	-4
Other	Sales Revenue	28	34	6
	Business Segment Profit	2	2	0
	Operating Profit	3	4	2
Total	Sales Revenue	1,711	1,592	-119
	Business Segment Profit	205	176	-28
	Operating Profit	223	181	-42

*Not including elimination amount by inter-segment transaction.

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Sales revenue was down due to lower sales of machinery (machine tools) and foreign exchange effects

* Amount of changes are on an actual basis with the effects of currency exchange eliminated



The main factors causing the decrease in sales revenue were as follows.

In the Printing & Solutions business segment, OEM sales declined, but the product mixes improved for both laser and ink jet products, global sales of consumables were stable, and sales of electronic stationery were firm, resulting in an increase of 1.1 billion yen.

In the Personal & Home business segment, sales of embroidery machines were solid, pushing sales revenue up by 300 million yen.

The Domino business expanded, mainly in C&M, resulting in an increase of 300 million yen.

Machinery was down 10.6 billion yen as a result of effects from a decline in order received for machine tools from automotive, general, and IT customers.

In the Network & Contents business, effects from customers postponing purchases until new models come out and other factors resulted in a decrease of 200 million yen.

In addition, foreign exchange had a negative impact of 3.5 billion yen.

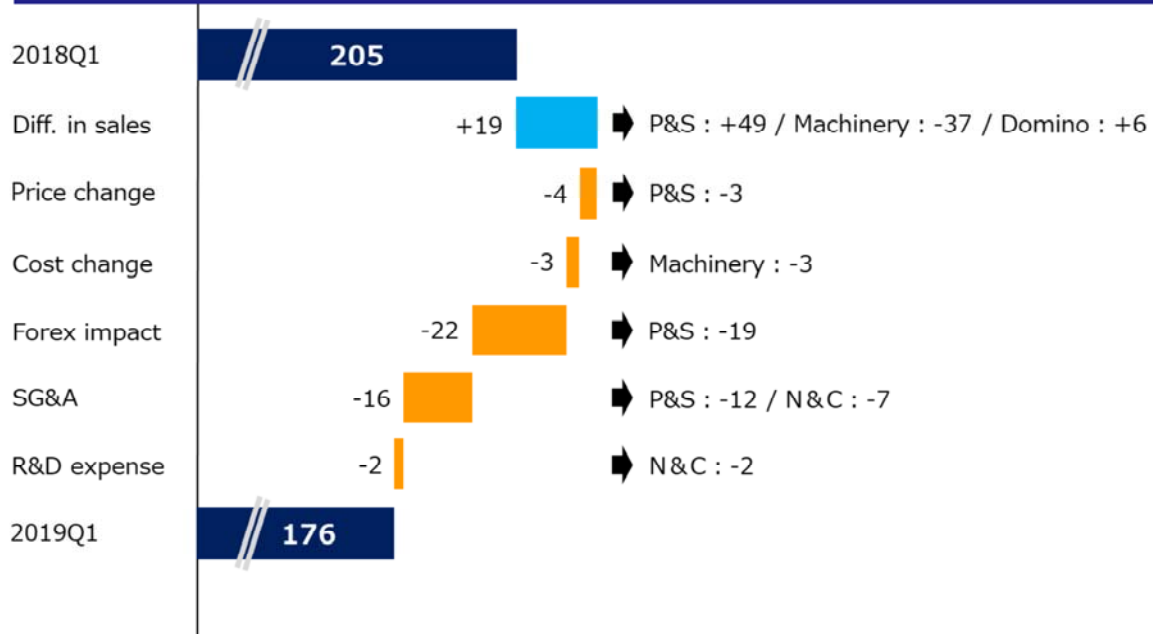
Overall, sales revenue was down 11.9 billion yen.

Main Factors for Changes in Business Segment Profit FY19Q1

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(100 Millions of Yen)

P&S was firm, but profit was down mainly due to lower sales of machinery (machine tools) and foreign exchange effects



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Next is an analysis of the main causes of changes in business segment profit.

Sales of machine tools had an impact on the decrease in sales, but improvements in product mixes and higher consumables sales resulted in a 1.9 billion yen increase in business segment profit.

With regard to price changes, in the P&S business, there were effects from price decreases for some products, resulting in a 400 million yen decrease in profit.

Cost variations resulted in a 300 million yen decrease in profit. The main factor was an increase in costs in the Machinery business.

The impact of foreign exchange was a decrease of 2.2 billion yen.

Changes in SG&A expenses resulted in a 1.6 billion yen decrease in profit. The main factor was effects from correction of expenses in prior years in the N&C business.

Last, R&D expenses resulted in an 200 million yen decrease. This was primarily the result of R&D expenses in the P&S business.

As a result of these factors, business profit segment was down 2.8 billion yen.

Forecast for FY2019



(100 Millions of Yen)

	Previous Forecast	FY19	Change	FY18	Change	Rate of Change (w/o FX)
Sales Revenue	6,900	6,900	-	6,840	60	0.9% (+1.9%)
Business Segment Profit	665	665	-	720	-55	-7.6%
Business Segment Profit Ratio	9.6%	9.6%		10.5%		
Other income/expense	-15	-15	-	0	-15	
Operating Profit	650	650	-	719	-69	-9.6%
Operating Profit Ratio	9.4%	9.4%		10.5%		
Income before Tax	650	650	-	723	-73	-10.1%
Net Income	485	485	-	539	-54	-10.0%
USD	110.00	110.00		110.69		
EUR	125.00	125.00		128.43		

No change in results forecast from previous forecast

- ✓ The segment breakdown and foreign exchange assumptions are unchanged from the previous forecast

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Next is the forecast of results for FY2019. There are no changes to the forecast, including foreign exchange assumptions.

Progress in each segment during the first quarter has not necessitated any changes to the initial outlook including currency exchange levels and the outlook for machine tool orders, and accordingly, we have left the forecast unchanged.

Sales revenue will be 690 billion yen, an increase of 6.0 billion yen year-on-year.

Business segment profit will be 66.5 billion yen, a decrease of 5.5 billion yen.

Operating profit will be 65.0 billion yen, a decrease of 6.9 billion yen.

Net income attributable to owners of the parent company is projected to be 48.5 billion yen, a decrease of 5.4 billion yen.

Forecast for FY2019 by Business Segment



(100 Millions of Yen)

	FY18 Act	FY19 Fct	change	Previous Fct	FY19 Fct	change	
Printing & Solutions	Sales Revenue	4,030	3,975	-55	3,975	3,975	-
	Business Segment Profit	522	481	-41	481	481	-
	Operating Profit	529	474	-55	474	474	-
Personal & Home	Sales Revenue	454	452	-2	452	452	-
	Business Segment Profit	40	32	-8	32	32	-
	Operating Profit	40	32	-8	32	32	-
Machinery	Sales Revenue	1,041	1,079	38	1,079	1,079	-
	Business Segment Profit	98	88	-10	88	88	-
	Operating Profit	99	87	-12	87	87	-
Network & Contents	Sales Revenue	479	502	23	502	502	-
	Business Segment Profit	18	22	4	22	22	-
	Operating Profit	16	20	4	20	20	-
Domino business	Sales Revenue	712	739	27	739	739	-
	Business Segment Profit	39	39	0	39	39	-
	Operating Profit	29	39	10	39	39	-
Other	Sales Revenue	122	152	30	152	152	-
	Business Segment Profit	4	3	-1	3	3	-
	Operating Profit	8	-2	-10	-2	-2	-
Total	Sales Revenue	6,840	6,900	60	6,900	6,900	-
	Business Segment Profit	720	665	-55	665	665	-
	Operating Profit	719	650	-69	650	650	-

*Not including elimination amount by inter-segment transaction.

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These are the forecasts for each business segment.

Printing & Solutions Sales Revenue & Profit



(100 Millions of Yen)

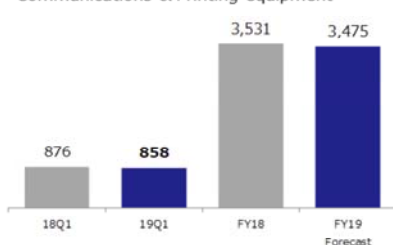
	18Q1	19Q1	Change	Change x FX	FY18	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	995	982	-1.3%	1.1%	4,030	3,975	-1.4%	0.1%
Communications & Printing equipment	876	858	-2.1%	0.4%	3,531	3,475	-1.6%	-0.1%
Americas	314	320	1.7%	2.4%	1,300	1,256	-3.4%	-2.3%
Europe	273	268	-1.9%	2.7%	1,162	1,146	-1.4%	0.8%
Asia & Others	173	165	-4.5%	-0.8%	620	652	5.1%	6.9%
Japan*	115	105	-8.9%	-8.9%	448	421	-5.9%	-5.9%
Electronic stationery	119	124	4.6%	6.7%	499	499	0.0%	1.4%
Americas	56	58	3.7%	3.8%	225	226	0.3%	1.4%
Europe	32	34	7.1%	12.0%	145	147	1.2%	3.3%
Asia & Others	21	20	-7.4%	-3.3%	79	82	4.4%	6.1%
Japan	9	12	28.8%	28.8%	50	45	-11.3%	-11.3%

*The decline in sales revenue in Japan resulted from decrease in OEM.

Business Segment Profit	149	164	10.6%	-	522	481	-7.8%	-
Operating Profit	160	166	3.8%	-	529	474	-10.4%	-

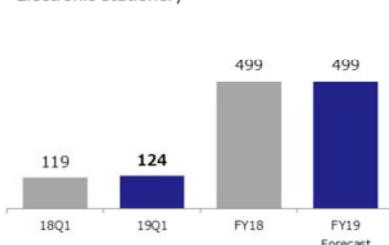
<Sales Revenue>

Communications & Printing equipment

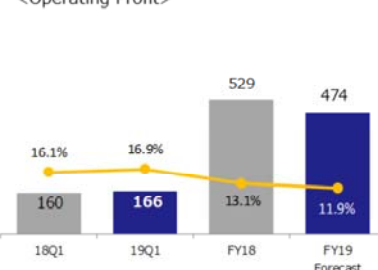


<Sales Revenue>

Electronic stationery



<Operating Profit>



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Sales revenue in the P&S business in the first quarter was 98.2 billion yen, a modest increase of 1.1% year-on-year on a local currency basis.

Sales revenue for communications and printing equipment was 85.8 billion yen, a slight increase of 0.4% year-on-year on the local currency basis.

A breakdown of the growth rates by engine type can be found on page 10.

Looking to individual regions, in the Americas and Europe, sales of consumables were firm and sales revenue was solid, but demand decreased in China and Asia as a result of effects from the trade friction between China and the United States and other factors, and also, sales revenue was high in the previous year, resulting in a slight decrease.

In Japan, sales of Brother brand products and consumables were firm, but the volume of OEM sales declined, resulting in an overall decrease in sales revenue.

Sales revenue for electronic stationery was 12.4 billion yen, an increase of 6.7% year-on-year on a local currency basis.

Sales of P-touch were solid globally, and in the solutions field including mobile printers, sales revenue was firm as a result of receiving orders in Japan and other factors.

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



	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	FY2017	FY2018	FY2019 Forecast
LBP												
Sales revenue growth rate (JPY)												
Hardware	13%	24%	23%	11%	1%	-3%	-5%	-17%	-9%	17%	-6%	0%
Consumable	-1%	2%	9%	1%	1%	1%	-1%	-4%	2%	3%	-1%	-1%
Sales revenue growth rate (LC)												
Hardware	12%	15%	15%	10%	2%	0%	-1%	-12%	-6%	13%	-2%	2%
Consumable	-2%	-8%	2%	-1%	1%	3%	2%	-1%	4%	-2%	1%	1%
IJP												
Sales revenue growth rate (JPY)												
Hardware	3%	15%	3%	-1%	-6%	-6%	2%	-6%	-2%	4%	-4%	3%
Consumable	4%	3%	13%	3%	1%	-1%	-3%	-5%	1%	6%	-2%	-8%
Sales revenue growth rate (LC)												
Hardware	3%	6%	-3%	-2%	-3%	-2%	6%	-1%	1%	1%	-1%	5%
Consumable	4%	-5%	6%	1%	1%	1%	0%	-2%	3%	1%	0%	-7%
Cosumable Ratio												
	57%	57%	56%	58%	58%	58%	57%	61%	60%	57%	58%	58%
Growth rate of Hardware												
LBP	13%	9%	10%	3%	-1%	-8%	-7%	-16%	-13%	9%	-8%	-
IJP	-7%	-5%	-9%	3%	-1%	-2%	-1%	-4%	0%	-5%	-2%	-

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Sales growth rates in the first quarter of FY2019 were as follows.

The LBP sales growth rate was minus 6% for hardware and 4% for consumables.

Sales revenue for LBP hardware was down because of a decline in OEM sales volume and strategic reduction of super-low-end products, which have poor profitability.

The IJP sales growth rate was 1% for hardware and 3% for consumables. Sales of ink tank models were firm in emerging nations.

Sales of consumables were strong for both LBP and IJP.

Personal & Home Sales Revenue & Profit

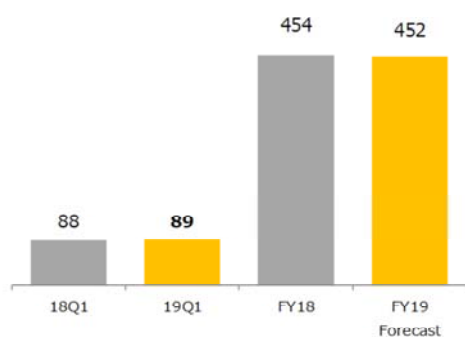
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(100 Millions of Yen)

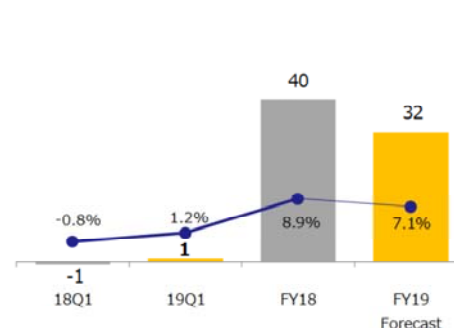
	18Q1	19Q1	Change	Change x FX	FY18	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	88	89	0.8%	3.0%	454	452	-0.5%	1.3%
Americas	43	46	6.9%	7.7%	258	250	-3.2%	-1.7%
Europe	25	24	-2.4%	2.6%	111	113	1.9%	4.8%
Asia & Others	12	12	-5.3%	-2.2%	50	54	8.1%	10.1%
Japan	8	7	-12.9%	-12.9%	36	35	-0.5%	-0.5%

Business Segment Profit	-1	1	-	-	40	32	-20.7%	-
Operating Profit	-1	1	-	-	40	32	-20.6%	-

<Sales Revenue>



<Operating Profit>



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Sales revenue in the P&H business in the first quarter was 8.9 billion yen, an increase of 3.0% year-on-year on a local currency basis.

By region, sales in Asia and Japan were weak, but in the Americas and Europe, sales of embroidery machines were firm.

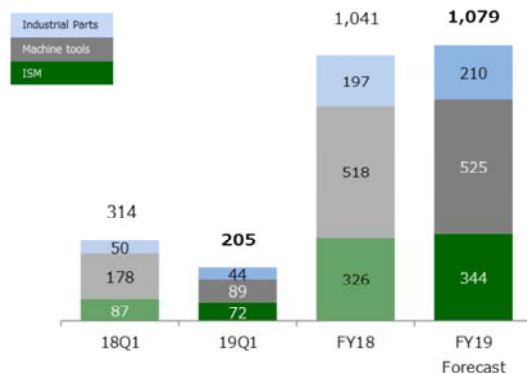
Machinery Business Sales Revenue & Profit

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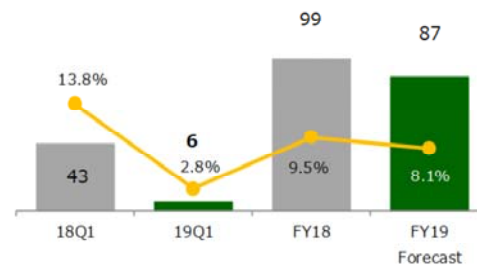
(100 Millions of Yen)

	18Q1	19Q1	Change	Change × FX	FY18	FY19 Forecast	Change v LY	Change × FX
Sales Revenue	314	205	-34.6%	-33.8%	1,041	1,079	3.6%	4.0%
Industrial sewing machines	87	72	-16.5%	-15.1%	326	344	5.4%	6.6%
Machine tools	178	89	-50.1%	-49.5%	518	525	1.4%	1.3%
Industrial Parts	50	44	-10.4%	-9.9%	197	210	6.4%	6.9%
Business Segment Profit	42	5	-87.1%	-	98	88	-9.8%	-
Operating Profit	43	6	-86.9%	-	99	87	-12.2%	-

<Sales Revenue>



<Operating Profit>



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Sales revenue in the Machinery business in the first quarter was 7.2 billion yen for industrial sewing machines, 8.9 billion yen for machine tools, and 4.4 billion yen for industrial parts.

In the industrial sewing machine business, demand for garment printers continued to increase globally, but with regard to industrial sewing machines, businesses are adopting a cautious stance regarding investment, particularly in China and Asia, and demand was sluggish, resulting in a decline in sales revenue for this business segment overall.

Sales revenue for machine tools were down sharply overall as a result of sluggish demand for automotive and general machine-related machine tools in Japan and China as well as nearly no sales to IT customers.

Sales revenue for industrial parts was down as a result of effects from economic slowing, primarily in Asia.

Business segment profit was down significantly, primarily as a result of the decrease in sales revenue from machine tools.

Machinery Business Sales Revenue by Region



(100 Millions of Yen)

	18Q1	19Q1	Change	Change × FX	FY18	FY19 Forecast	Change v LY	Change × FX
Sales Revenue	314	205	-34.6%	-33.8%	1,041	1,079	3.6%	4.0%
Industrial sewing machines	87	72	-16.5%	-15.1%	326	344	5.4%	6.6%
Americas	17	15	-9.3%	-10.2%	65	71	9.3%	10.6%
Europe	21	18	-16.2%	-12.0%	71	75	5.0%	7.9%
Asia & Others	47	37	-20.8%	-19.6%	181	190	4.6%	5.1%
Japan	2	2	22.9%	22.9%	8	8	-3.0%	-3.0%
Machine tools	178	89	-50.1%	-49.5%	518	525	1.4%	1.3%
Americas	9	8	-10.2%	-	33	40	21.7%	-
Europe	11	8	-30.2%	-	30	32	5.9%	-
Asia & Others	131	49	-63.0%	-	341	324	-4.9%	-
Japan	27	25	-7.7%	-	114	129	13.4%	-
Industrial Parts	50	44	-10.4%	-9.9%	197	210	6.4%	6.9%
Americas	6	7	10.4%	9.2%	25	25	0.9%	1.7%
Europe	-	-	-	-	-	-	-	-
Asia & Others	6	5	-13.9%	-8.9%	22	24	9.4%	11.4%
Japan	37	33	-13.1%	-13.1%	150	161	7.1%	7.1%

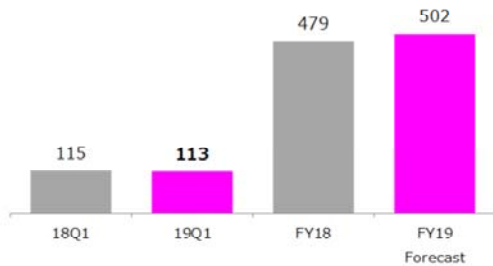
Network & Contents Sales Revenue & Profit

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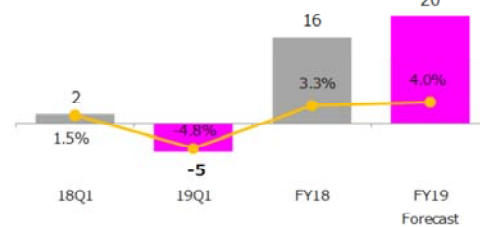
(100 Millions of Yen)

	18Q1	19Q1	Change	FY18	FY19 Forecast	Change v LY
Sales Revenue	115	113	-1.8%	479	502	4.7%
Business Segment Profit	2	-6	-	18	22	23.7%
Operating Profit	2	-5	-	16	20	25.5%

<Sales Revenue>



<Operating Profit>



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Sales revenue in the N&C business in the first quarter was 11.3 billion yen, down slightly year-on-year.

Sales in the store business were firm, but sales of older models of online karaoke machines slumped as customers are waiting for the introduction of new models, resulting in a decrease in sales revenue.

An operating loss was reported as a result of the decrease in sales revenue and correction of expenses in prior years.

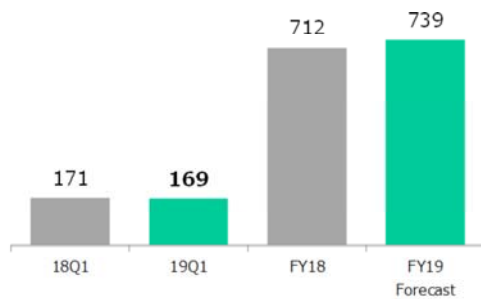
Domino Business Sales Revenue & Profit



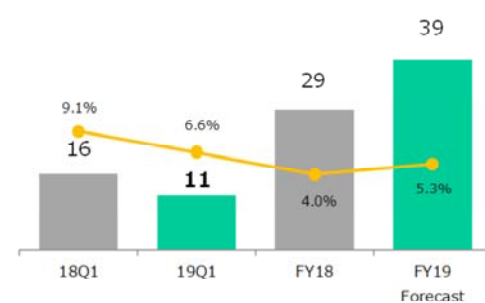
(100 Millions of Yen)

	18Q1	19Q1	Change	Change x FX	FY18	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	171	169	-1.5%	2.0%	712	739	3.7%	3.8%
Americas	35	39	9.4%	8.8%	159	174	9.2%	10.6%
Europe	87	84	-3.4%	1.4%	358	359	0.2%	1.6%
Asia & Others	49	46	-6.0%	-2.0%	195	207	6.3%	7.8%
Business Segment Profit	12	11	-9.7%	-	39	39	-1.2%	-
Operating Profit	16	11	-28.8%	-	29	39	36.1%	-

<Sales Revenue>



<Operating Profit>



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Sales revenue in the Domino business in the first quarter were 16.9 billion yen, an increase of 2.0% year-on-year on a local currency basis.

By region, C&M performed well globally, and particularly in the Americas and Europe. With regard to digital printing, sales revenue fell below expectations as a result of seasonal and other factors.

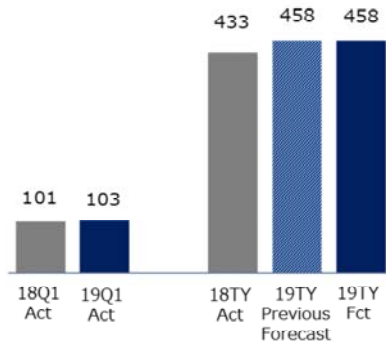
Business segment profit was down as a result of effects from an increase in advance investment including R&D expenses.

Operating profit was down due to the absence of foreign exchange gains reported in the previous fiscal year.

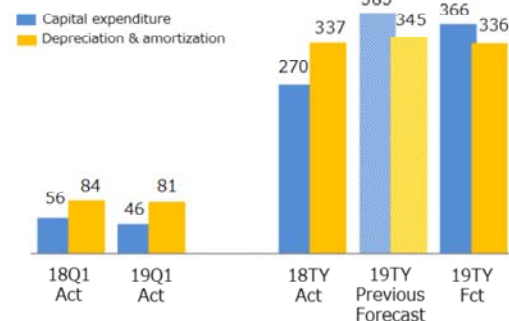
R&D expenses / Capital expenditure / Depreciation and amortization / Inventories

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R&D expenses (100 Millions of Yen)



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



Inventories (100 Millions of yen)



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With the application of IFRS 16 starting this fiscal year, accounting procedures concerning leases were revised and the aggregation definitions for capital expenditures and depreciation and amortization expenses were changed.

Acquisition and depreciation of right-to-use assets are not added to the scope of aggregation for capital expenditures and depreciation and amortization expenses.

Going forward, acquisitions pursuant to finance leases will be recognized as right-to-use assets rather than lease assets, and therefore, acquisitions pursuant to finance leases that in the past were included in capital expenditures and depreciation and amortization expenses will be excluded from the scope of aggregation.

As a result of this change, we revised the forecasts announced last fiscal year for capital expenditures down by 1.9 billion yen and depreciation and amortization expenses down by 900 million yen.

These changes are no more than changes to the aggregation definitions and do not have any impact on profit and loss.

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