

Brother Industries, Ltd. to Transfer the Export Business for the Americas, Europe, and China from a Subsidiary Company

Brother Industries, Ltd. (President: Seiichi Hirata) resolved at a board meeting held on January 19, 2006 to transfer a part of businesses of Brother International Corporation (President: Toyomi Ido), which is the export business for the Americas, Europe, and China, through a corporate demerger, effective April 1, 2006.

1. Overview of the demerger

Brother International Corporation, a wholly owned subsidiary of Brother Industries, Ltd., was founded in 1954, and has been responsible for the exporting operation of Brother Industries, Ltd. Brother Industries, Ltd. will takeover part of Brother International Corporation's businesses, the export business for the Americas, Europe, and China and reorganize the capital investment structure. Meanwhile, Brother International Corporation will now focus on its business as the sales headquarters in Asia (except China) and Oceania. Through these measures, the Brother group will strengthen its efforts to achieve an increase in sales and profits.

2. Details of the demerger

(1) Schedule of demerger

January 19, 2006	Board meeting to approve the demerger agreement
January 27, 2006	Signing of the demerger agreement
February 24, 2006	Shareholders' meeting (Brother International Corporation) to approve the demerger agreement (date subject to change)
April 1, 2006	Effective date of demerger

(2) Method of demerger

1) Method

A part of the business will be demerged from Brother International Corporation, and Brother Industries, Ltd. will assume control of the demerged part of the business.

Brother Industries, Ltd. shall takeover the demerged part of the business without approval of the demerger agreement by its shareholders as provided in Article 374-17 Paragraph 1 of the Commercial Code.

2) Reason for adopting this method

The demerger is aimed at reorganizing the exporting business between Brother International Corporation and Brother Industries, Ltd. This method of absorption-type demerger was adopted as the most efficient means by which to demerge a part of the businesses of Brother International Corporation, a wholly owned subsidiary, and merge it into Brother Industries, Ltd.

(3) Allotment of shares

Brother Industries, Ltd. (the succeeding company) owns 100% of the shares issued by Brother International Corporation (the demerging company). For this reason, Brother Industries, Ltd. will not issue new shares or transfer any of its treasury shares.

(4) Amount of capital that will be increased due to the demerger

The amount of capital will not increase due to the demerger.

(5) Grants for the demerger
Grants will not be paid for the demerger.

(6) Rights and obligations to be passed to Brother Industries, Ltd. (the succeeding company).
Brother Industries, Ltd. will acquire the major assets (including investment and other resources relating to the succeeded business) and major liabilities (including loans) as well as major contracts and the rights and obligations thereon.

(7) Prospects of liability payment
Brother Industries, Ltd. has the prospects of each party of the demerger being able to discharge its liabilities after the demerger.

(8) Newly appointed directors
There will be no change of Directors or Auditors as a result of the demerger.

3. Summary of parties: Brother Industries, Ltd.: as of September 30, 2005
 Brother International Corporation: as of June 30, 2005

(1)	Corporate name	Brother Industries, Ltd. (the succeeding company)	Brother International Corporation (the demerging company)
(2)	Field of business	Manufacture and sale of information and communications equipment, domestic and industrial sewing machines, machine tools, etc.	Exporting and marketing products of Brother Industries, Ltd.
(3)	Date of incorporation	January 15, 1934	March 31, 1954
(4)	Location of head office	15-1 Naeshiro-cho, Mizuho-ku, Nagoya 467-8561 Japan	15-1 Naeshiro-cho, Mizuho-ku, Nagoya 467-8561 Japan
(5)	Representative	Seiichi Hirata	Toyomi Ido
(6)	Share capital	19,209 million yen	1,320 million yen
(7)	Total number of shares issued	277,535,866 shares	2,640,000 shares
(8)	Shareholders' equity	127,938 million yen	9,860 million yen
(9)	Total assets	228,959 million yen	23,220 million yen
(10)	Date of settlement	March 31	December 31 * To be changed to March 31 from fiscal year ending March 31, 2006
(11)	Number of employees	2,855	75
(12)	Business Partners	Brother Sales, Ltd. Brother International Corporation XING INC., etc.	Brother Industries, Ltd.
(13)	Major shareholders and ratios of shareholding	1. State Street Bank and Trust Company 21,931 thousand shares (7.90%) 2. Japan Trustee Services Bank, Ltd. (Trust Account) 21,577 thousand shares (7.77%) 3. The Master Trust Bank of Japan, Ltd. (Trust Account) 17,571 thousand shares (6.33%) 4. Nippon Life Insurance Company 11,984 thousand shares (4.32%) 5. Tsukata Sangyo Co., Ltd. 5,888 thousand shares (2.12%)	Brother Industries, Ltd. (100%)

(14)	Main banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15)	Relationship between the parties	Capital: Brother Industries, Ltd. owns 100% of the shares issued by Brother International Corporation. Personnel: Brother Industries, Ltd. dispatches its directors to Brother International Corporation. Transactions: Brother Industries, Ltd. consigns the export business to Brother International Corporation.	

(16) Business results for the last three years

Fiscal year ended	Brother Industries, Ltd. (the succeeding company)			Brother International Corporation (the demerging company)		
	March 31, 2005	March 31, 2004	March 31, 2003	December 31, 2004	December 31, 2003	December 31, 2002
Net sales (million yen)	278,844	259,605	259,079	43,797	55,248	59,254
Operating income (million yen)	8,830	15,549	17,012	903	765	712
Current income (million yen)	12,308	15,966	14,608	926	892	691
Net income (million yen)	8,307	9,456	5,278	635	503	362
Net income per share (yen)	29.79	33.88	18.78	238.39	187.87	137.35
Dividends per share (yen)	10.00	8.50	7.00	97.50	50.00	50.00
Shareholders' equity per share (yen)	456.72	437.74	404.48	3,644.98	3,452.32	3,296.98

4. Description of the business to be transferred

(1) Details of the business

Export business for the Americas, Europe, and China currently undertaken by Brother International Corporation, and its holding shares of subsidiary companies in these regions

(2) Business performance Fiscal year ended (a) December 31, 2004 (b) March 31, 2005

	Business to be transferred (a)	Brother Industries, Ltd. (b)	Ratio (a/b)
Net Sales	18,338 million yen	278,844 million yen	6.6%

(3) Items and amounts of assets and liabilities (as of June 30, 2005)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	0 million yen	Current Liabilities	6,085 million yen
Fixed assets	13,135 million yen	Fixed liabilities	1,500 million yen
Total	13,135 million yen	Total	7,585 million yen

5. Status of Brother Industries, Ltd. after the succession of business

Basic information (including corporate name, location of the head office, and representative) of Brother Industries, Ltd. will not be changed after the transfer of the business.

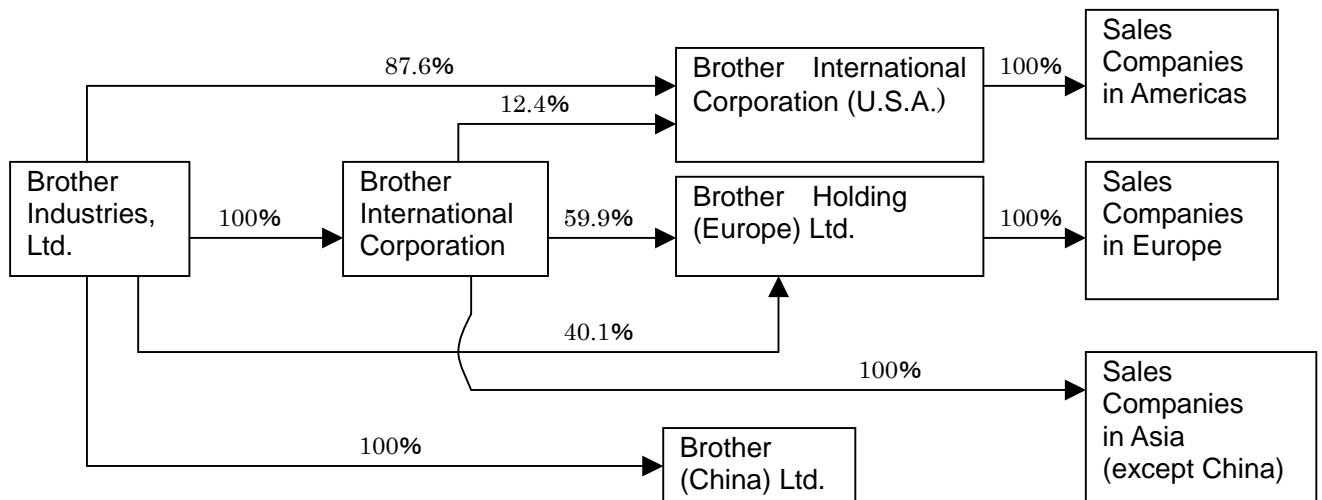
6. Impact on business results

This demerger will not have impact on consolidated business results because Brother International Corporation is a consolidated subsidiary company of Brother Industries, Ltd.

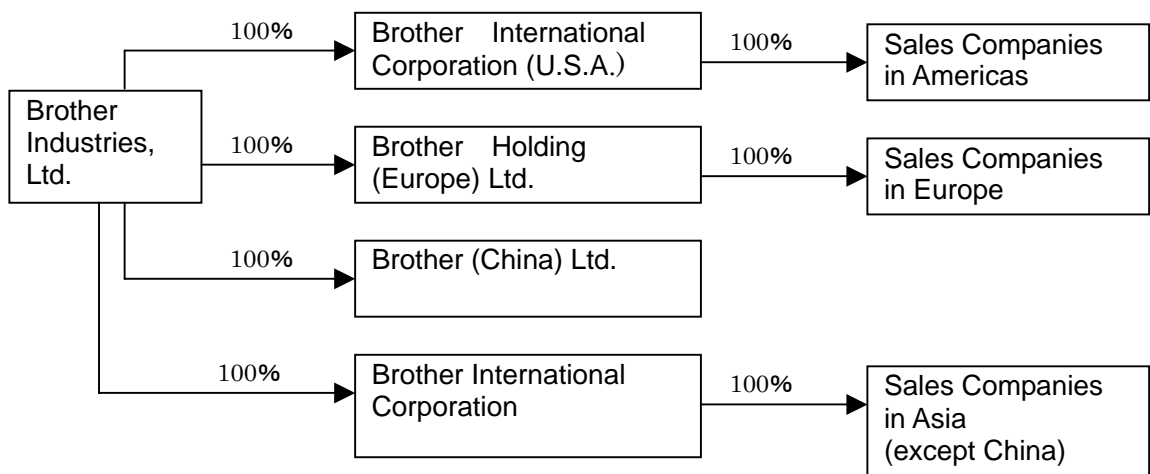
In terms of impact on business results on a non-consolidated basis, the demerger is expected to produce an extraordinary profit of about 2.7 billion yen in the next fiscal year ending on March 31, 2007, as a collection of a part of profits which the subsidiary has earned as a kind of dividend of surplus from the demerger.

<Information: Main structure of capital investment>

(Before the demerger)



(After the demerger)



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