February 23, 2015

Notice of Issue of Stock Acquisition Rights as Stock Options for a Stock-Linked Compensation Plan for Directors and Executive Officers

Brother Industries, Ltd. (the “Company”) resolved at the meeting of the Board of Directors held today that stock options for the purpose of stock-linked compensation will be allotted in the form of equity warrants to the Directors (excluding outside Directors) and Executive Officers of the Company (excluding Executive Officers who concurrently serve as Directors) in accordance with the provision in Articles 238 and 240 of the Company Law. This has been adopted to improve incentives of Directors and Executive Officers to be committed to long-term increase in company performance. The Company has been adopting the stock options since June 2006 for Directors (excluding outside Directors), and started expanding the stock options over Executive Officers (excluding Executive Officers who concurrently serve as Directors) from April 2009. The details are as follows:

1. Details of Issuance of Equity Warrants

a. People eligible for equity warrants and number of equity warrants to be allotted
655 rights in total.
373 out of the total will be allotted to 6 Directors, and 282 out of the total will be allotted to 13 Executive Officers of the Company.

b. Class and number of shares targeted for equity warrants
The class of shares targeted for the equity warrants shall be common stock of the Company and the number of shares for each equity warrant shall be 100.
If the Company conducts a stock split or consolidates its stock after the issuance date of the equity warrants (hereinafter referred to as "issuance date (allotment date)"), the number of shares for each equity warrant shall be adjusted by the following formula.
The adjustment, however, shall be made to the shares for the equity warrants described here which have not been exercised at the time.

Number of shares after the adjustment =
Number of shares before the adjustment x Split/consolidation ratio

If the Company is merged, split or subject to an exchange or transfer of its stock (hereinafter generically referred to as "merger, etc."), if the Company conducts a free distribution of shares, or if the Company requires adjustment of the number of shares for other reasons, the Company may adjust the number of shares within a rational range in consideration of the conditions of the merger, etc. or the free distribution of shares.
Any fraction less than one share arising from the adjustment above shall be rounded off.

c. Total number of equity warrants
655 rights

d. Amount to be paid for equity warrants and calculation to be used No money payment shall be required with respect to the equity warrants.
The equity warrants are not issued under preferable conditions, because they are issued as the Directors' or Executive Officers' compensations equivalent to a fair evaluation upon the decision on the issuance date (allotment date) through the corporate accounting.

e. Amount to be invested for exercise of each equity warrant and calculation to be used The investment for the exercise of each equity warrant shall be made in money, and the amount shall be calculated by setting the amount to be paid for one share upon the exercise of each equity warrant to 1 yen, and multiplying this amount by the number of shares to be issued.

f. Exercise period for equity warrants From March 19, 2015 to March 18, 2045

g. Conditions for exercising equity warrants

(1) A person to whom equity warrants have been allotted (hereinafter referred to as a "holder of the equity warrants") can exercise their rights for up to 5 years starting from one year after the day following the date when the holder loses his position as either Director, Auditor, Executive Officer, or Counselor at the Company (hereinafter referred to as the "starting date of the exercise period").
(2) Notwithstanding (1) above, a holder of the equity warrants can exercise their rights within the corresponding periods when they meet the conditions provided in (i), (ii) and (iii) below.
(i) If the starting date of the exercise period of a holder of the equity warrants does not come before March 18, 2044, the exercise period shall be from March 19, 2044 to March 18, 2045.
(ii) If a proposal for a merger contract which makes the Company cease to exist is approved at a shareholders' meeting of the Company, or if a proposal for a stock exchange contract or stock transfer which makes the Company a wholly-owned subsidiary is approved at a shareholders' meeting of the Company, the exercise period shall be 10 days starting from the day following the day of the approval.
(iii) If a holder of the equity warrants dies, the heir can exercise the right within three months starting from the day following the day when the holder dies.
(3) Exercising an equity warrant in part is not permitted.
(4) Other conditions are provided in the "Equity Warrants Allotment Agreement" concluded between the Company and the Directors or the Company and the Executive Officers to whom the equity warrants have been allotted, based on the approval at a shareholders' meeting and the resolution of the Board of Directors.

h. Amount of capital and capital reserve to be increased in the event that shares are issued due to the exercise of equity warrants
The amount of capital to be increased in the event that shares are issued due to the

exercise of equity warrants shall be one-half of the maximum increasable amount of capital, etc.
calculated in accordance with Paragraph 1, Article 17 of the Company Calculation Rules, and any fraction less than one yen arising from the calculation shall be rounded up to the nearest yen.
The amount of capital reserve to be increased shall be the maximum increasable amount of capital, etc. above less the amount of capital to be increased obtained above.

i. If the equity warrants have not been exercised within the periods provided in g-(1) and (2) of "Conditions for exercising equity warrants" above, if the holder of the equity warrants inflicts serious damage to the Company intentionally or through gross negligence, or if the holder proposes to renounce the equity warrants partially or entirely by submitting a form specified by the Company, the Company can acquire the corresponding equity warrants at no charge.

j. Restriction on transfer of equity warrants
The acquisition of the equity warrants by transferring requires the approval of the Company's Board of Directors.

k. Treatment of equity warrants in the event of reorganization of the Company If a contract or plan for a reorganization of the Company in accordance with the provision in Item 8, Paragraph 1, Article 236 of the Company Law stipulates the granting of equity warrants for any of the joint-stock companies specified below, such equity warrants shall be granted based on the ratio of the reorganization.

(1) Merger (only when the Company ceases to exist due to the merger)
A joint-stock company which continues to exist after the merger, or a joint-stock company established due to the merger
(2) Absorption-type demerger
A joint-stock company which partially or entirely succeeds the rights and obligations held by the absorbing joint-stock company regarding its business
(3) Incorporation-type demerger
A joint-stock company established due to the incorporation-type demerger
(4) Stock exchange
A joint-stock company which acquires all the issued shares of the joint-stock company with which stock is exchanged
(5) Stock transfer
A joint-stock company established due to the stock transfer

l. Allotment date of equity warrants March 18, 2015

m. Issuing of equity warrants
A holder of the equity warrants shall not request the issuance of certificates for the equity warrants from the Company, and the Company shall not issue certificates for the equity warrants to a holder of the equity warrants.