June 26, 2018
Brother Industries, Ltd.

Notice of Allotment of Stock Acquisition Rights as Stock Options for a Stock-Based Compensation Plan to Directors and Executive Officers

Brother Industries, Ltd. (the "Company") hereby announces as follows that it has resolved at its meeting of the Board of Directors held on June 26, 2018 to carry out an allotment of stock acquisition rights in the form of stock options for a stock-based compensation plan to Directors (excluding outside Directors and part-time Directors) and Executive Officers (excluding Executive Officers who concurrently serve as Directors) of the Company, and the details thereof, in accordance with the provisions of Articles 238 and 240 of the Companies Act in order to increase incentives to Directors and Executive Officers to be committed to the long-term enhancement of business performance. The Company has been adopting the stock options plan for Directors (excluding outside Directors and part-time Directors) since June 2006 and expanded the scope of application to Executive Officers (excluding Executive Officers who concurrently serve as Directors) in April 2009.

Details

1. Reason for issuance of stock options for a stock-based compensation plan to Directors and Executive Officers

The Company issues stock acquisition rights in the form of stock options for a stock-based compensation plan to Directors (excluding outside Directors and part-time Directors) and Executive Officers (excluding Executive Officers who concurrently serve as Directors) with the purpose of linking the compensation system for Directors and Executive Officers with the share price of the Company's shares and of increasing their incentives to be committed to the long-term enhancement of business performance and corporate value.

2. Terms and conditions of issuance of stock acquisition rights

(A) Persons eligible for allotment of stock acquisition rights and number of such persons, and number of stock acquisition rights to be allotted

735 rights in total.
(Of the total number above, 379 rights will be allotted to 6 Directors of the Company (excluding outside Directors and part-time Directors) and 356 rights will be allotted to 18 Executive Officers of the Company (excluding Executive Officers who concurrently serve as Directors).

(B) Class and number of shares to be issued upon exercise of stock acquisition rights

The class of shares to be issued upon exercise of stock acquisition rights shall be common stock of the Company, and the number of shares to be issued per stock acquisition right exercised shall be 100 shares.
If the Company conducts a stock split or consolidates its stock after the allotment date of the stock acquisition rights (the "Allotment Date"), the number of shares to be issued upon exercise of each stock acquisition right shall be adjusted in accordance with the following formula. The adjustment, however, shall be made only to the number of shares to be issued upon exercise of those stock acquisition rights which have not yet been exercised at the time.

Number of shares after the adjustment =
Number of shares before the adjustment x ratio of stock split or ratio of stock consolidation

If the Company performs a merger, demerger, share exchange or share transfer (collectively, "Merger, etc."), conducts a gratis allotment of shares, or otherwise requires adjustment of the number of shares to be issued upon exercise of stock acquisition rights, the Company may adjust the number of shares underlying the stock acquisition rights to a reasonable extent, taking into consideration the conditions of the Merger, etc. or the gratis allotment of shares.
Any fractional amounts of less than one share arising from the adjustment above shall be rounded off.

(C) Total number of stock acquisition rights

735 rights
The total number above represents the number of stock acquisition rights scheduled to be allotted, and if the total number of stock acquisition rights to be allotted is reduced due to a shortage of applications for subscription or due to any other reason, the total number of stock acquisition rights to be issued shall be the total number of stock acquisition rights to be allotted.

(D) Amount to be paid upon exercise of stock acquisition rights and calculation method of that amount

No payment of money shall be required in exchange for stock acquisition rights.
Stock acquisition rights are issued as compensation to Directors or Executive Officers equivalent to a fair evaluation under corporate accounting standards as of the Allotment Date and therefore do not fall under favorable issuance.

(E) Value of property to be contributed upon exercise of stock acquisition rights and calculation method of that value

The contributions upon exercise of each stock acquisition right shall be made in money, and the value thereof shall be calculated by multiplying the amount per share to be paid upon exercise of stock acquisition rights, set at one yen, by the number of shares to be issued per stock acquisition right exercised.

(F) Exercise period of stock acquisition rights

From July 20, 2018 to July 19, 2048

(G) Conditions for exercising stock acquisition rights

(1) Any person to whom stock acquisition rights have been allotted ("Holder of Stock Acquisition Rights") may exercise his or her stock acquisition rights only for up to 5 years starting from one year after the day immediately following the date on which the relevant Holder of Stock Acquisition Rights loses his or her position as any of Director, Auditor, Executive Officer, or Counselor of the Company (the "Starting Date of Exercise Period").

(2) Notwithstanding (1) above, in the event of any of (i), (ii), or (iii) below, the Holder of Stock Acquisition Rights may exercise his or her stock acquisition rights only within the period set out in the corresponding case.

(i) If the Starting Date of Exercise Period of the Holder of Stock Acquisition Rights does not fall before July 19, 2047, the exercise period shall be from July 20, 2047 to July 19,2048.

(ii) If any of the following matters are approved at a shareholders meeting of the Company (or, where approval at a shareholders meeting is not required for a matter, there is a resolution for that matter by the Company's Board of Directors), the exercise period shall be 10 days starting from the day immediately following the date of the approval: if (a) a proposal for approval of a merger agreement which causes the Company to cease to exist; (b) a proposal for approval of a stock exchange agreement or share transfer plan which causes the Company to become a wholly-owned subsidiary; (c) a proposal for approval for acquisition by the Company of all class shares subject to class-wide call under Article 171, Paragraph 1 of the Companies Act, (d) a proposal for approval of demand for cash-out of the Company's shares under Article 179, Paragraph 2 of the Companies Act; (e) a proposal for approval of amendments to articles of incorporation to set out that acquisition by transfer of all shares issued by the Company requires approval of the Company; (f) a proposal for approval of amendments to articles of incorporation to set out that acquisition by transfer of class shares to be allotted upon exercise of stock acquisition rights requires approval of the Company or the Company acquires all of the shares in that class by resolution of a shareholders meeting; or (g) a proposal for approval of consolidation of class shares to be allotted upon exercise of stock acquisition rights (limited to those generating fractional amounts of less than one share in the number obtained by multiplying the number of shares comprising one unit of that class of shares by the ratio of share consolidation).

(iii) If the Holder of Stock Acquisition Rights dies, the heir of that Holder of Stock Acquisition Rights may exercise the stock acquisition rights within three months starting from the day immediately following the date on which the Holder of Stock Acquisition Rights dies.

(3) Stock acquisition rights are unable to be exercised in fractional portions.

(4) Other conditions are provided for in the "Agreement on Allotment of Stock Acquisition Rights" executed between the Company and each Holder of Stock Acquisition Rights, based on approval at a shareholders meeting or on resolution of the Board of Directors.

(H) Amount of stated capital and capital reserve to be increased in the event that shares are issued due to exercise of stock acquisition rights

The amount of increase in stated capital in the event that shares are issued due to exercise of stock acquisition rights shall be one-half of the maximum amount of increase in stated capital, etc. calculated in accordance with Article 17, Paragraph 1 of the Rules of Corporate Accounting, and any fractional amounts of less than one yen arising from the calculation shall be rounded up to the nearest yen. The amount of increase in capital reserve shall be the sum of the maximum amount of increase in stated capital, etc. above less the amount of increase in stated capital determined in accordance with the method above.

(I) Matters regarding acquisition of stock acquisition rights

If (a) stock acquisition rights have not been exercised within the periods provided for in (1) and (2) of "(G) Conditions for exercising stock acquisition rights" above; (b) a Holder of Stock Acquisition Rights causes the Company to suffer serious damage as a result of his or her willful misconduct or gross negligence; or (c) a Holder of Stock Acquisition Rights proposes to waive all or part of his or her stock acquisition rights by submitting a written form specified by the Company, the Company may acquire all or part of the corresponding stock acquisition rights without compensation on a date separately determined by the Company's Board of Directors.

(J) Restriction on transfer of stock acquisition rights

Acquisition of stock acquisition rights by transfer requires approval of the Company's Board of Directors.

(K) Handling of stock acquisition rights in the event of reorganization of the Company

If the Company conducts a merger (whereby the Company is extinguished), an absorption-type demerger or an incorporation-type demerger (whereby, in either case, the Company becomes a demerged company), or a share exchange or a share transfer (whereby, in either case, the Company becomes a wholly-owned subsidiary) (collectively, "Reorganization"), the stock acquisition rights of the stock company in each case under (a) through (e) in Article 236, Paragraph (1), Item (viii) of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holders of remaining stock acquisition rights (the "Remaining Stock Acquisition Rights") immediately before the effective date of Reorganization ((i) in the case of an absorption-type merger, the date on which the merger becomes effective; (ii) in the case of an incorporation-type merger, the incorporation date of the stock company incorporated through merger; (iii) in the case of an absorption-type demerger, the date on which the demerger becomes effective; (iv) in the case of an incorporation-type demerger, the incorporation date of the stock company incorporated through incorporation-type split; (v) in the case of a share exchange, the date on which the share exchange becomes effective, or (vi) in the case of a share transfer, the incorporation date of the wholly-owing parent company incorporated through share transfer; hereinafter the same) in each case under the conditions set out below. In such case, the

Remaining Stock Acquisition Rights shall be extinguished; provided, however, that it is set out in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement or share transfer plan that stock acquisition rights of the Reorganized Company shall be delivered in accordance with the conditions below.

(1) Number of stock acquisition rights of the Reorganized Company to be delivered
The stock acquisition rights shall be delivered in the same number as the number of the Remaining Stock Acquisition Rights held by each Holder of Stock Acquisition Rights.

(2) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
It shall be common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
It shall be determined in accordance with (B) above, taking into consideration the terms and conditions of the Reorganization.

(4) Value of property to be contributed upon exercise of stock acquisition rights and calculation method of that value
The contributions upon exercise of each stock acquisition right to be delivered shall be made in money, and the value of the property to be contributed shall be calculated by multiplying the amount per share of the Reorganized Company deliverable upon the exercise of each such stock acquisition right, set at one yen, by the number of shares of the Reorganized Company to be issued per share option exercised, determined in accordance with (3) above.

(5) Exercise period of stock acquisition rights
The exercise period shall be from the later of either the commencement date of the exercise period of stock acquisition rights set out in (F) above or the effective date of the Reorganization until the expiration date of the exercise period of stock acquisition rights set out in (F) above.

(6) Conditions for exercising stock acquisition rights
It shall be determined in accordance with (G) above.

(7) Amount of increase in stated capital and capital reserve in the event that shares are issued due to the exercise of stock acquisition rights
It shall be determined in accordance with (H) above.

(8) Terms of acquisition of stock acquisition rights
It shall be determined in accordance with (I) above.

(9) Restriction on transfer of stock acquisition rights

Acquisition of stock acquisition rights by transfer requires approval of the Reorganized Company's Board of Directors.

(L) Allotment Date of stock acquisition rights

July 19, 2018

(M) Handling of issuance of certificates of stock acquisition rights

The Holders of Stock Acquisition Rights shall not request the issuance of certificates of stock acquisition rights from the Company, and the Company shall not issue certificates of stock acquisition rights to the Holders of Stock Acquisition Rights.

(N) Handling of fractional amounts of less than one share arising from the exercise of stock acquisition rights

Any fractional amounts of less than one share arising in the number of shares to be delivered to a Holder of Stock Acquisition Rights who has exercised his or her stock acquisition rights shall be rounded off.