Fiscal Year 2019 (ending March 31, 2020)

2nd Quarter Results

(3-month results ended September 30, 2019)

Brother Industries, Ltd.

November 5, 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.

Main Points of Results for FY2019 Q2

Results for FY2019 Q2

✓ **Despite a harsh business environment, P&S profit improved and consolidated profit was up**

- The communications and printing equipment product mix improved and global sales of consumables were strong
- Demand for machines tools was sluggish in the automotive, general, and IT fields
- The N&C business reported strong sales of new online karaoke machine models
- In the Domino business, global sales of consumables were firm.

Forecast for FY2019

✓ **The P&S business is performing well but cannot make up for the decline in the Machinery business, and the forecast has been revised downward since the previous forecast**

- Foreign exchange assumptions in the P&S business were revised to a higher yen, but the forecast was revised upward in light of results for the first half
- The forecast for Machinery business was revised downward in response to continued sluggish demand in conjunction with the global economic slowdown centered on China
- The results forecast was revised downward and the forecast dividend per share was reduced from 66 yen to 60 yen based on the shareholder return policy (consolidated payout ratio of 35%).

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Consolidated Results for FY2019 Q2

Despite a harsh business environment, P&S profit improved and consolidated profit was up

(100 Millions of Yen)

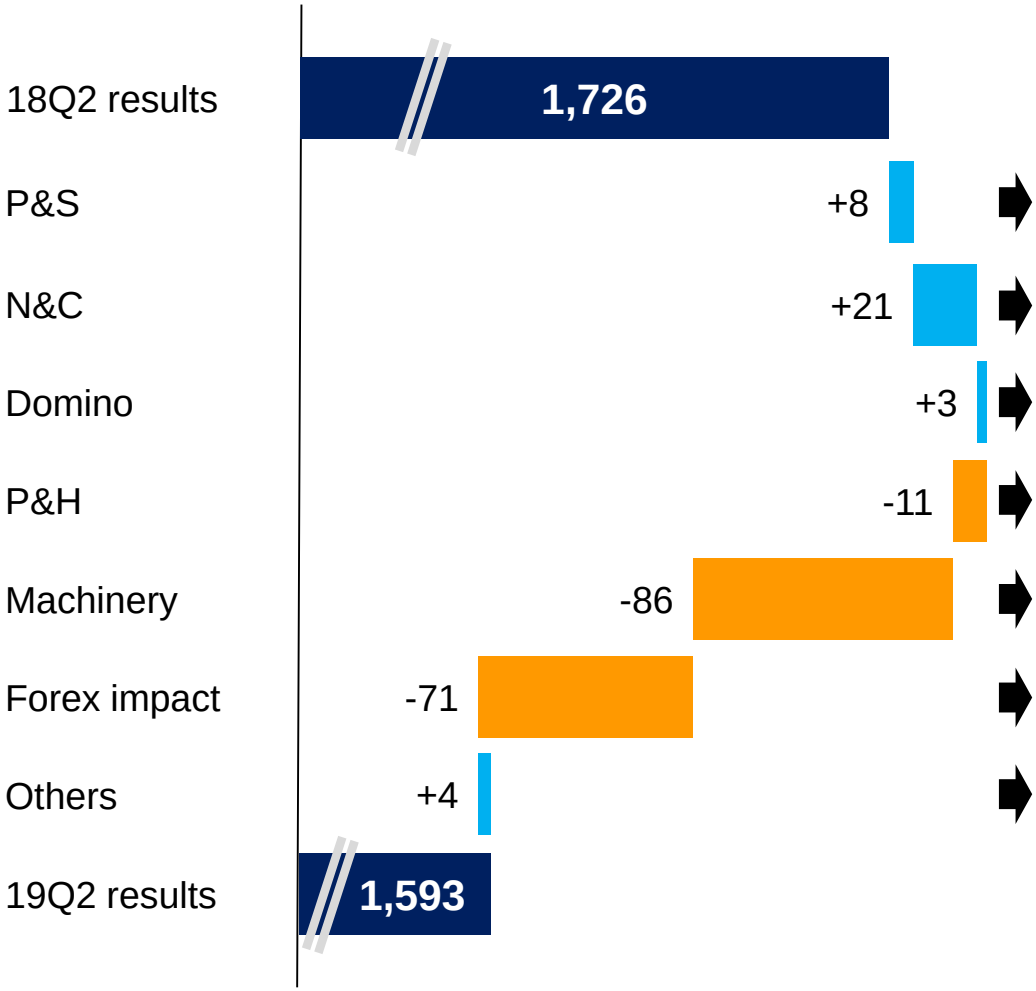
	18Q2	**19Q2**	Change	Rate of Change (w/o FX)
Sales Revenue	1,726	**1,593**	-133	-7.7% (-3.6%)
Business Segment Profit	179	**185**	6	3.6%
Business Segment Profit Ratio	10.4%	**11.6%**		
Other income/expense	-21	**-1**	20	
Operating Profit	158	**184**	27	16.9%
Operating Profit Ratio	9.1%	**11.6%**		
Income before Tax	159	**183**	24	15.3%
Net Income	120	**144**	24	20.1%
USD	111.55	**107.70**		
EUR	129.89	**119.83**		

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Main Factors of Changes in Sales Revenue FY19Q2

(100 Millions of Yen)

Sales revenue was down due to sluggish sales in the Machinery business and negative foreign exchange effects



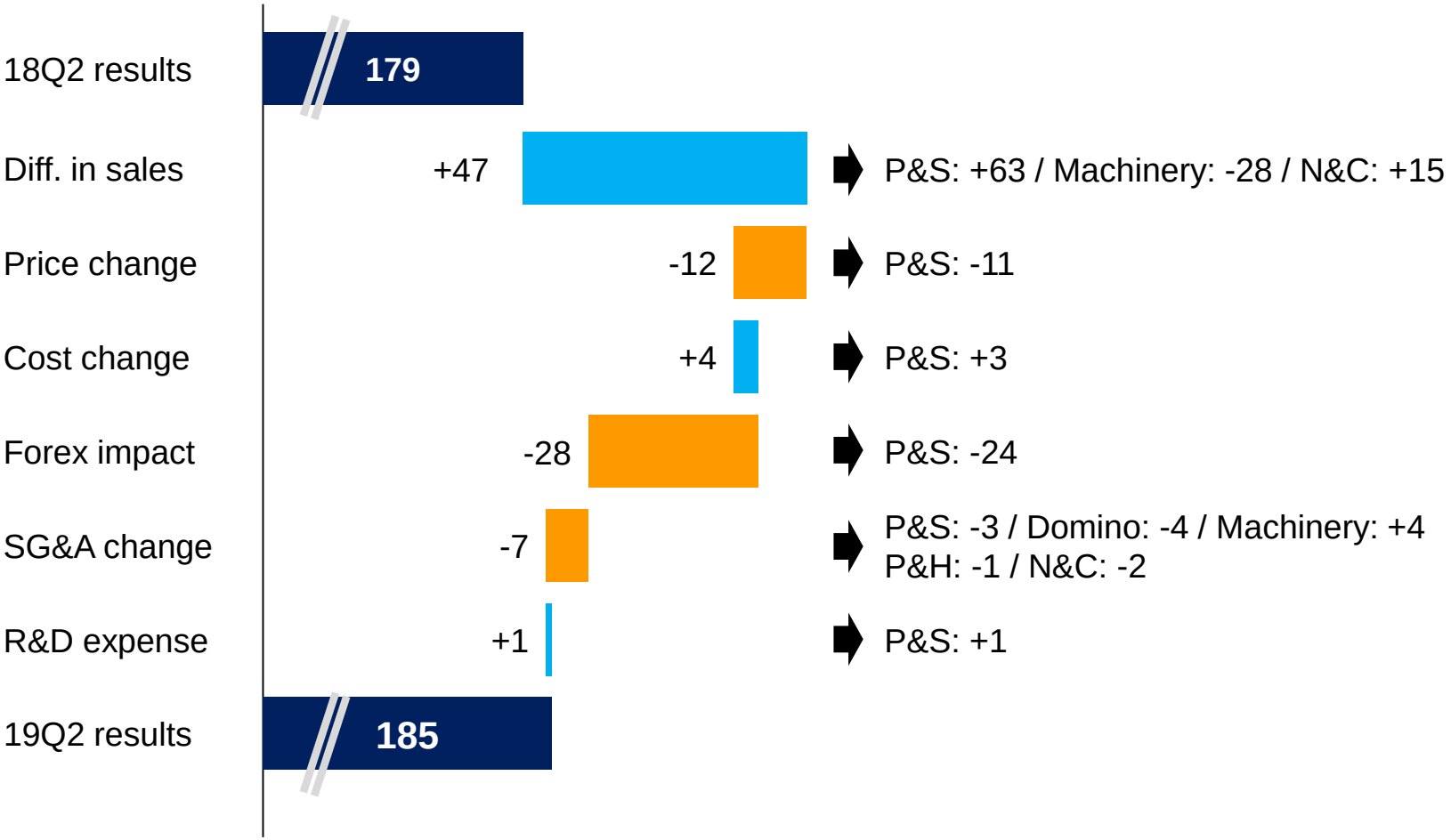
- P&S: Strong IJP sales globally
- N&C: Strong sales of new online karaoke machine models
- Domino: Firm sales of consumables globally
- P&H: Lower sales due to the receding of effects from new high-end embroidery machines, which were a major hit last year
- Machinery: Significant decrease in yield for machine tools due to slump in capital investment demand from customers.
- Forex impact: Euro: -2.3 bill.; USD: -1.3 bill.; GBP: - 1.6 bill.
- Others: Effect from increase in industrial printing, mainly in Japan

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Main Factors of Changes in Business Segment Profit FY19Q2

(100 Millions of Yen)

Higher profit was achieved due to increased profit in the P&S business



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Results for FY2019 Q2 by Business Segment

(100 Millions of Yen)

		18Q2	19Q2	change
Printing & Solutions	Sales Revenue	**992**	**951**	**-41**
	Business Segment Profit	**119**	**148**	**29**
	Operating Profit	**102**	**145**	**42**
Personal & Home	Sales Revenue	**126**	**110**	**-16**
	Business Segment Profit	**12**	**8**	**-4**
	Operating Profit	**10**	**8**	**-2**
Machinery	Sales Revenue	**279**	**188**	**-91**
	Business Segment Profit	**29**	**3**	**-26**
	Operating Profit	**29**	**3**	**-26**
Network & Contents	Sales Revenue	**118**	**139**	**21**
	Business Segment Profit	**4**	**17**	**13**
	Operating Profit	**4**	**17**	**13**
Domino business	Sales Revenue	**176**	**167**	**-9**
	Business Segment Profit	**12**	**8**	**-4**
	Operating Profit	**9**	**9**	**-1**
Other	Sales Revenue	**36**	**39**	**4**
	Business Segment Profit	**3**	**1**	**-2**
	Operating Profit	**4**	**3**	**-1**
Total	Sales Revenue	**1,726**	**1,593**	**-133**
	Business Segment Profit	**179**	**185**	**6**
	Operating Profit	**158**	**184**	**27**

*Not including elimination amount by inter-segment transaction.

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Forecast for FY2019

(100 Millions of Yen)

	Previous Forecast	**FY19 Forecast**	Change	FY18	Change	Rate of Change (w/o FX)
Sales Revenue	6,900	**6,420**	-480	6,840	-420	-6.1% (-2.5%)
Business Segment Profit	665	**600**	-65	720	-120	-16.6%
Business Segment Profit Ratio	9.6%	**9.3%**		10.5%		
Other income/expense	-15	**5**	20	-0	5	
Operating Profit	650	**605**	-45	719	-114	-15.9%
Operating Profit Ratio	9.4%	**9.4%**		10.5%		
Income before Tax	650	**598**	-52	723	-125	-17.3%
Net Income	485	**445**	-40	539	-94	-17.4%
USD	110.00	**108.53**		110.69		
EUR	125.00	**120.62**		128.43		
Dividend per Share (Yen)	66.00	**60.00**		60.00		
Consolidated payout ratio	35.3%	**35.0%**		28.9%		

✓ **The P&S business is performing well but cannot make up for the decline in the Machinery business, and the forecast has been revised downward since the previous forecast**

- Foreign exchange assumptions in the P&S business were revised to a higher yen, but the forecast was revised upward in light of results for the first half
- The forecast for Machinery business was revised downward in response to prolonged sluggish demand in conjunction with the global economic slowdown centered in China
- The results forecast was revised downward and the forecast dividend per share was reduced from 66 yen to 60 yen based on the shareholder return policy (consolidated payout ratio of 35%).

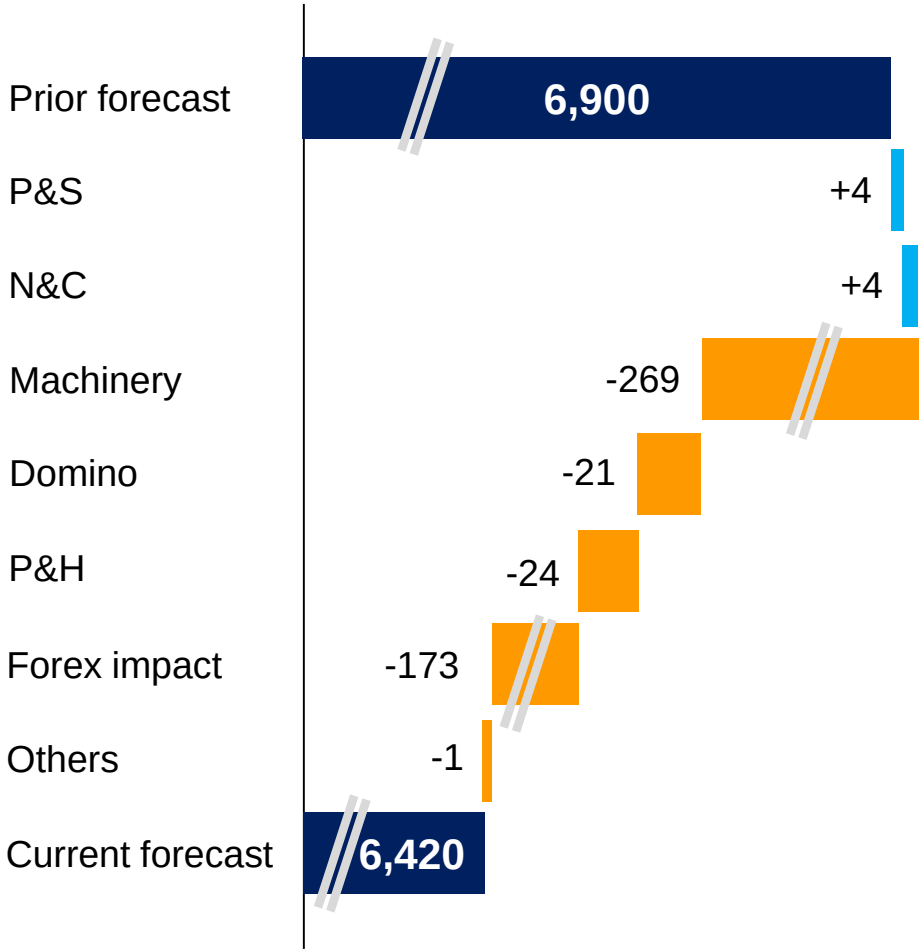
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Main Factors of Changes in Sales Revenue

(100 Millions of Yen)

The forecast was revised downward, mainly in the Machinery business, and the negative effects of foreign exchange were incorporated

* Amounts of change are on an actual basis excluding foreign exchange effects



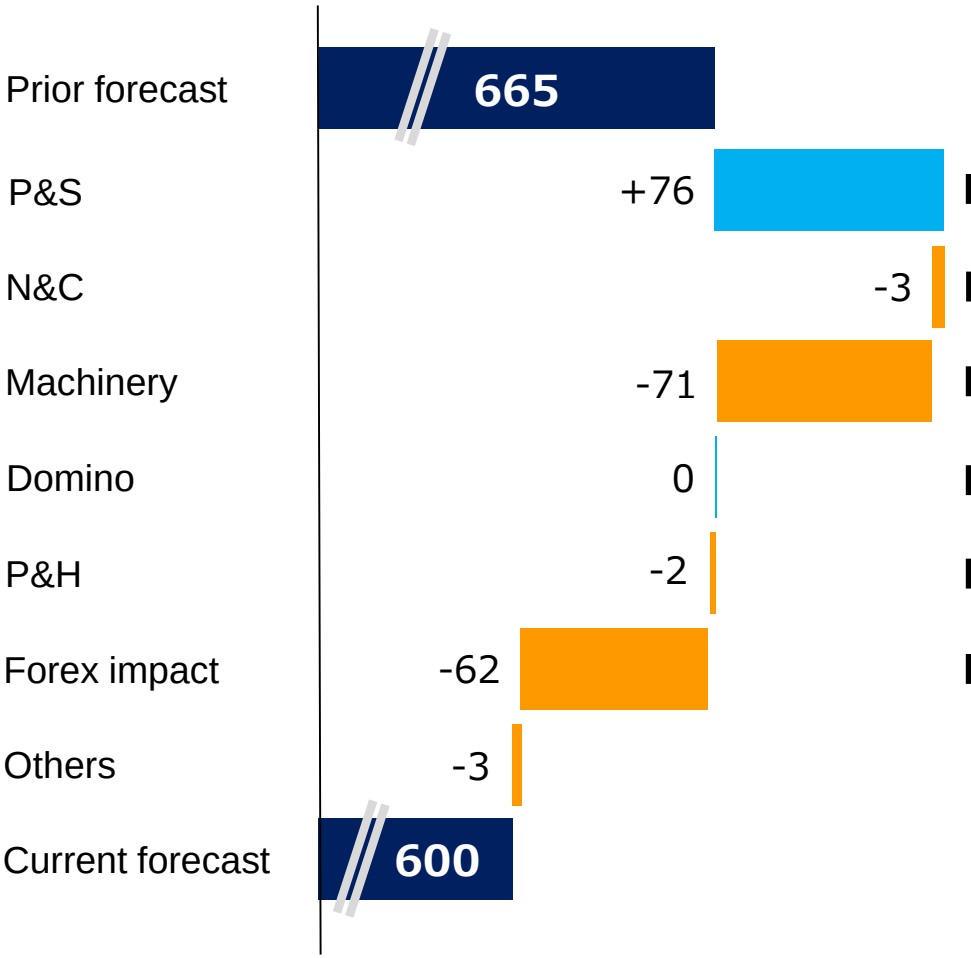
- The forecast for laser hardware was revised downward, but the upward revision of the forecast for ink consumables covers the decrease
- Increased due to strong sales of new models
- Revised downward in light of the long-term slump in demand
- The forecast for C&M hardware was revised downward based on the slump in demand, mainly in China
- Sales of sewing machines and craft products are sluggish, mainly in the U.S. and Europe
- Euro: -4.5 bill.; USD: -2.2 bill.; GBP: -5.6 bill.

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Main Factors for Changes in Business Segment Profit

(100 Millions of Yen)

Strong sales in the P&S business, lower sales mainly in Machinery (machine tools), and foreign exchange impacts were incorporated



- P&S: An improved product mix, higher consumables sales, and cost-cutting effects were incorporated and the forecast was increased
- N&C: Although sales of new products are strong, the increase cannot make up for the revision to annual profit recorded in Q1
- Machinery: Revised downward in light of the long-term slump in demand
- Domino: Although sales will decrease, sales of consumables will increase and profit will be maintained
- P&H: The decrease in the sales forecast was incorporated
- Forex impact: Euro: -3.8 bill.; USD: +0.4 bill.; GBP: -0.6 bill.

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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**	**3,873**	**-157**	**3,975**	**3,873**	**-102**
	Business Segment Profit	**522**	**504**	**-18**	**481**	**504**	**23**
	Operating Profit	**529**	**508**	**-21**	**474**	**508**	**34**
Personal & Home	Sales Revenue	**454**	**418**	**-36**	**452**	**418**	**-34**
	Business Segment Profit	**40**	**27**	**-13**	**32**	**27**	**-5**
	Operating Profit	**40**	**27**	**-13**	**32**	**27**	**-5**
Machinery	Sales Revenue	**1,041**	**798**	**-243**	**1,079**	**798**	**-281**
	Business Segment Profit	**98**	**15**	**-83**	**88**	**15**	**-73**
	Operating Profit	**99**	**14**	**-85**	**87**	**14**	**-73**
Network & Contents	Sales Revenue	**479**	**506**	**27**	**502**	**506**	**4**
	Business Segment Profit	**18**	**19**	**1**	**22**	**19**	**-3**
	Operating Profit	**16**	**17**	**1**	**20**	**17**	**-3**
Domino business	Sales Revenue	**712**	**674**	**-38**	**739**	**674**	**-65**
	Business Segment Profit	**39**	**37**	**-2**	**39**	**37**	**-2**
	Operating Profit	**29**	**39**	**10**	**39**	**39**	**0**
Other	Sales Revenue	**122**	**151**	**29**	**152**	**151**	**-1**
	Business Segment Profit	**4**	**-2**	**-6**	**3**	**-2**	**-5**
	Operating Profit	**8**	**0**	**-8**	**-2**	**0**	**2**
Total	Sales Revenue	**6,840**	**6,420**	**-420**	**6,900**	**6,420**	**-480**
	Business Segment Profit	**720**	**600**	**-120**	**665**	**600**	**-65**
	Operating Profit	**719**	**605**	**-114**	**650**	**605**	**-45**

*Not including elimination amount by inter-segment transaction.

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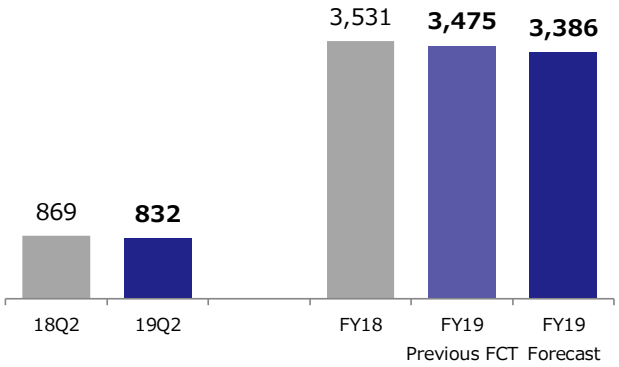
Printing & Solutions
Sales Revenue & Profit

(100 Millions of Yen)

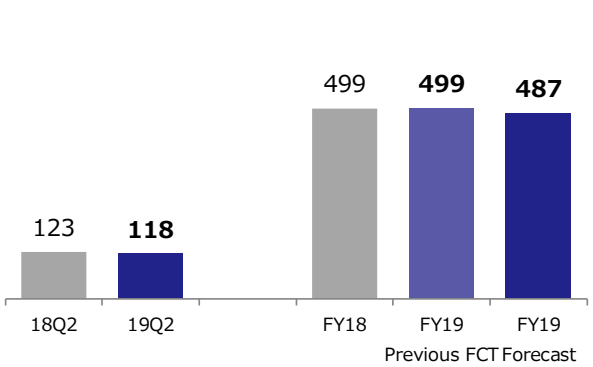
	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	**992**	**951**	**-4.1%**	**0.8%**	**4,030**	**3,975**	**3,873**	**-3.9%**	**0.2%**
Communications & Printing equipment	**869**	**832**	**-4.2%**	**0.7%**	**3,531**	**3,475**	**3,386**	**-4.1%**	**0.0%**
Americas	331	307	-7.4%	-3.1%	1,300	1,256	1,252	-3.7%	-0.3%
Europe	275	262	-4.7%	3.0%	1,162	1,146	1,101	-5.2%	1.0%
Asia & Others	159	150	-5.9%	-1.3%	620	652	599	-3.4%	1.3%
Japan	104	114	10.1%	10.1%	448	421	433	-3.4%	-3.5%
Electronic stationery	**123**	**118**	**-3.8%**	**1.2%**	**499**	**499**	**487**	**-2.4%**	**1.6%**
Americas	60	56	-6.0%	-2.0%	225	226	223	-1.1%	2.2%
Europe	33	34	2.2%	10.5%	145	147	143	-1.3%	5.2%
Asia & Others	20	19	-6.2%	-0.9%	79	82	74	-5.7%	0.4%
Japan	10	9	-6.3%	-6.3%	50	45	48	-5.2%	-9.0%

Business Segment Profit	**119**	**148**	**24.3%**	**-**	**522**	**481**	**504**	**-3.4%**	**-**
Operating Profit	**102**	**145**	**41.5%**	**-**	**529**	**474**	**508**	**-4.0%**	**-**

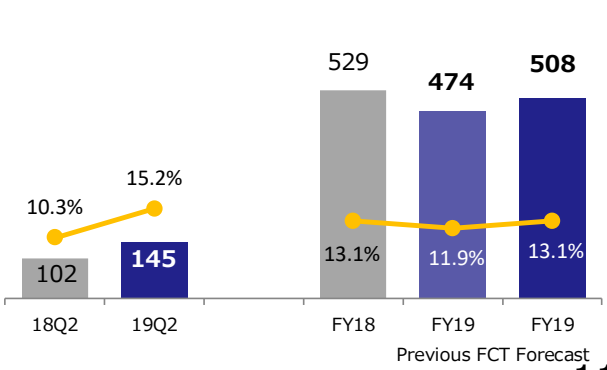
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Operating Profit>



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

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

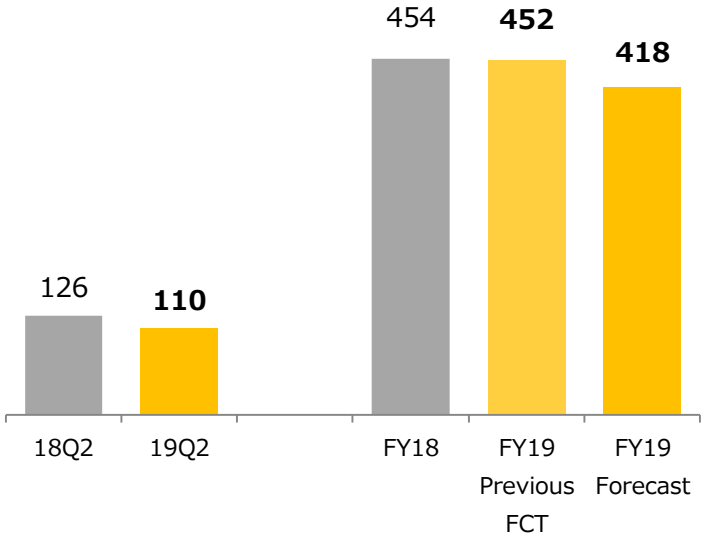
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Personal & Home
Sales Revenue & Profit

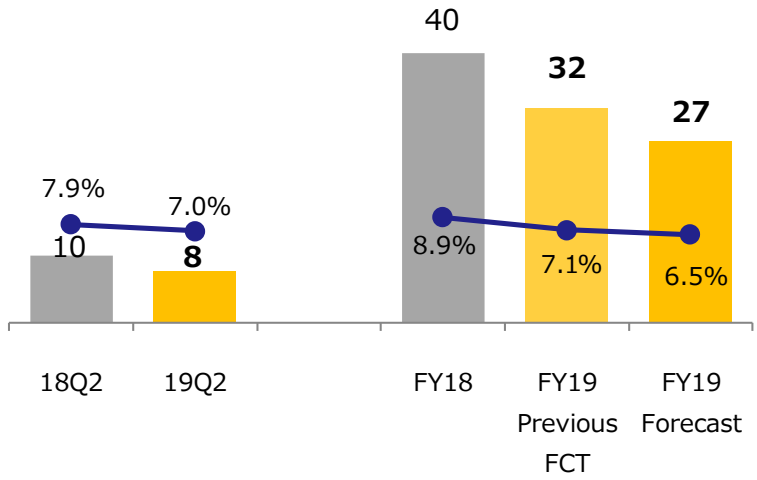
(100 Millions of Yen)

	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	**126**	**110**	**-12.7%**	**-8.6%**	**454**	**452**	**418**	**-8.0%**	**-4.3%**
Americas	81	69	-15.4%	-12.0%	258	250	234	-9.4%	-5.8%
Europe	25	22	-11.4%	-3.9%	111	113	101	-8.7%	-3.2%
Asia & Others	12	11	-3.9%	1.0%	50	54	49	-1.2%	1.5%
Japan	8	8	-2.2%	-2.2%	36	35	33	-6.3%	-4.6%
Business Segment Profit	**12**	**8**	**-32.1%**	**-**	**40**	**32**	**27**	**-33.1%**	**-**
Operating Profit	**10**	**8**	**-23.0%**	**-**	**40**	**32**	**27**	**-33.0%**	**-**

<Sales Revenue>



<Operating Profit>



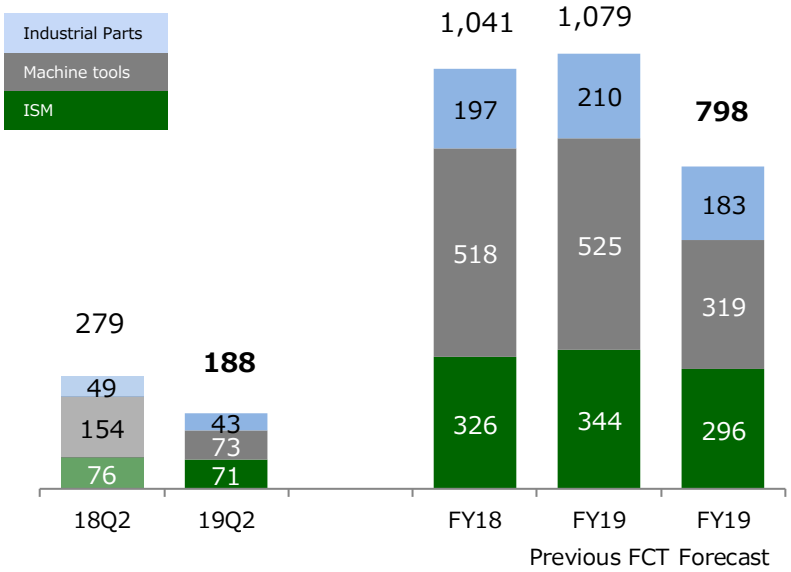
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Machinery Business
Sales Revenue & Profit

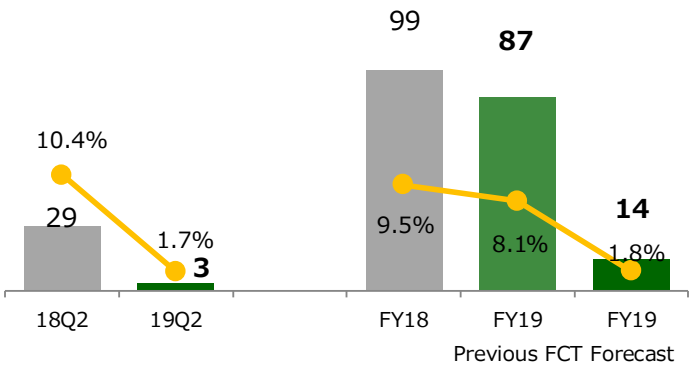
(100 Millions of Yen)

	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	**279**	**188**	**-32.8%**	**-31.0%**	**1,041**	**1,079**	**798**	**-23.4%**	**-21.6%**
Industrial sewing machines	**76**	**71**	**-5.8%**	**-1.4%**	**326**	**344**	**296**	**-9.3%**	**-5.8%**
Machine tools	**154**	**73**	**-52.5%**	**-51.8%**	**518**	**525**	**319**	**-38.4%**	**-37.4%**
Industrial Parts	**49**	**43**	**-12.5%**	**-11.4%**	**197**	**210**	**183**	**-7.3%**	**-6.1%**
Business Segment Profit	**29**	**3**	**-89.1%**	**-**	**98**	**88**	**15**	**-84.6%**	**-**
Operating Profit	**29**	**3**	**-89.0%**	**-**	**99**	**87**	**14**	**-85.9%**	**-**

<Sales Revenue>



<Operating Profit>



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Machinery Business
Sales Revenue by Region

(100 Millions of Yen)

	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	**279**	**188**	**-32.8%**	**-31.0%**	**1,041**	**1,079**	**798**	**-23.4%**	**-21.6%**
Industrial sewing machines	**76**	**71**	**-5.8%**	**-1.4%**	**326**	**344**	**296**	**-9.3%**	**-5.8%**
Americas	16	21	27.4%	32.0%	65	71	73	11.5%	14.0%
Europe	16	15	-10.0%	-2.5%	71	75	71	-1.3%	5.9%
Asia & Others	41	33	-18.7%	-15.2%	181	190	143	-20.9%	-17.9%
Japan	2	3	15.7%	15.7%	8	8	9	10.2%	3.6%
Machine tools	**154**	**73**	**-52.5%**	**-51.8%**	**518**	**525**	**319**	**-38.4%**	**-37.4%**
Americas	11	3	-70.5%	-	33	40	21	-35.2%	-
Europe	9	6	-36.3%	-	30	32	24	-18.6%	-
Asia & Others	102	38	-63.2%	-	341	324	178	-47.7%	-
Japan	32	27	-16.2%	-	114	129	95	-16.4%	-
Industrial Parts	**49**	**43**	**-12.5%**	**-11.4%**	**197**	**210**	**183**	**-7.3%**	**-6.1%**
Americas	6	6	-4.6%	-1.4%	25	25	24	-0.5%	0.0%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	5	4	-23.9%	-17.7%	22	24	20	-8.0%	-1.5%
Japan	38	33	-12.2%	-12.2%	150	161	139	-7.9%	-7.8%

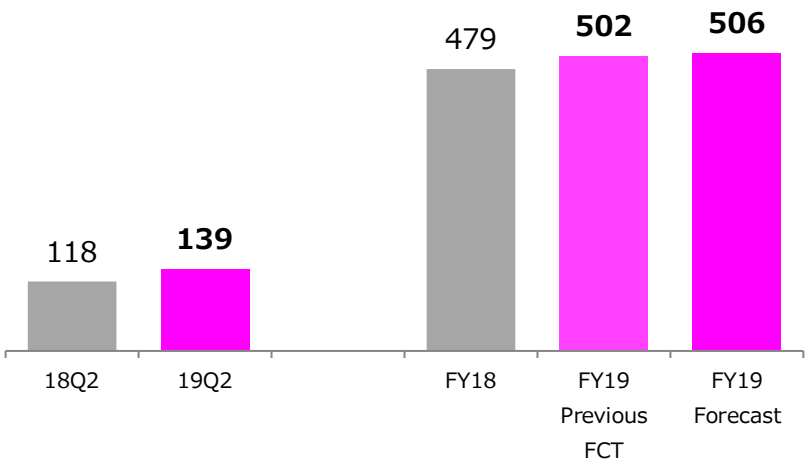
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Network & Contents
Sales Revenue & Profit

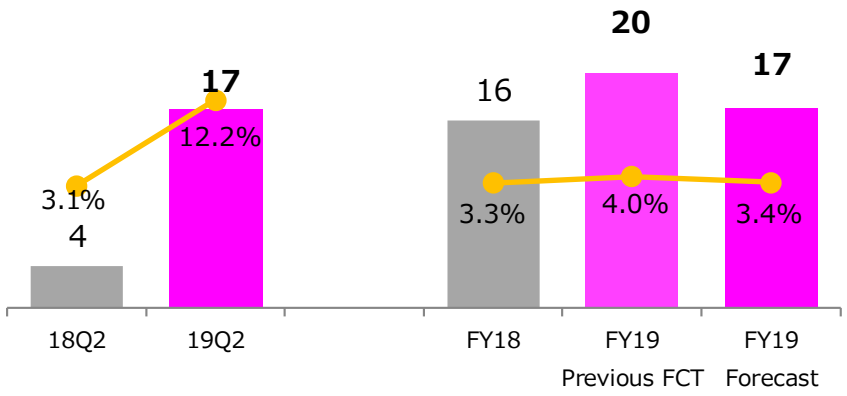
(100 Millions of Yen)

	18Q2	19Q2	Change	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY
Sales Revenue	**118**	**139**	**18.0%**	**479**	**502**	**506**	**5.6%**
Business Segment Profit	**4**	**17**	**339.5%**	**18**	**22**	**19**	**6.8%**
Operating Profit	**4**	**17**	**370.1%**	**16**	**20**	**17**	**6.7%**

<Sales Revenue>



<Operating Profit>



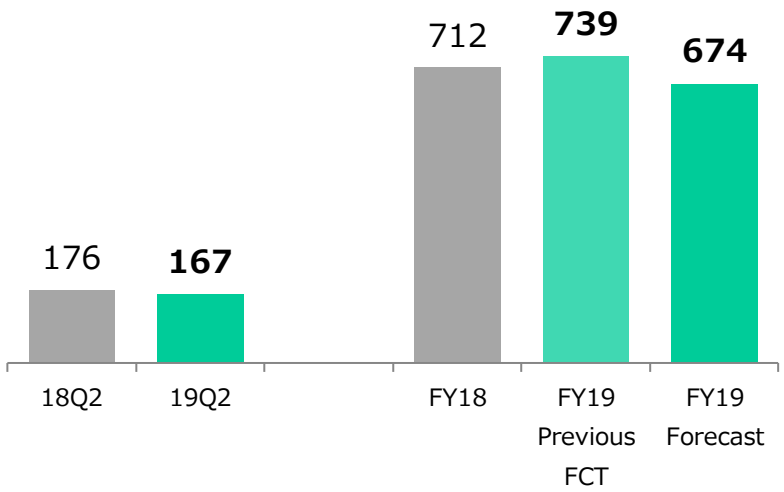
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Domino Business
Sales Revenue & Profit

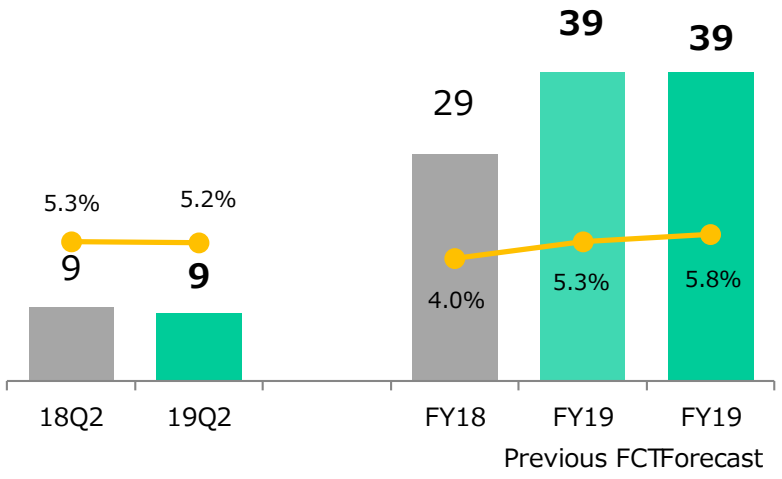
(100 Millions of Yen)

	18Q2	19Q2	Change	Change x FX	FY18	FY19 Previous FCT	FY19 Forecast	Change v LY	Change x FX
Sales Revenue	**176**	**167**	**-5.4%**	**1.7%**	**712**	**739**	**674**	**-5.4%**	**0.8%**
Americas	41	42	3.8%	8.8%	159	174	158	-0.9%	5.9%
Europe	84	77	-9.2%	1.4%	358	359	336	-6.2%	0.0%
Asia & Others	51	47	-6.5%	-2.0%	195	207	180	-7.6%	3.8%
Business Segment Profit	**12**	**8**	**-33.0%**	**-**	**39**	**39**	**37**	**-6.3%**	**-**
Operating Profit	**9**	**9**	**-7.0%**	**-**	**29**	**39**	**39**	**36.1%**	**-**

<Sales Revenue>



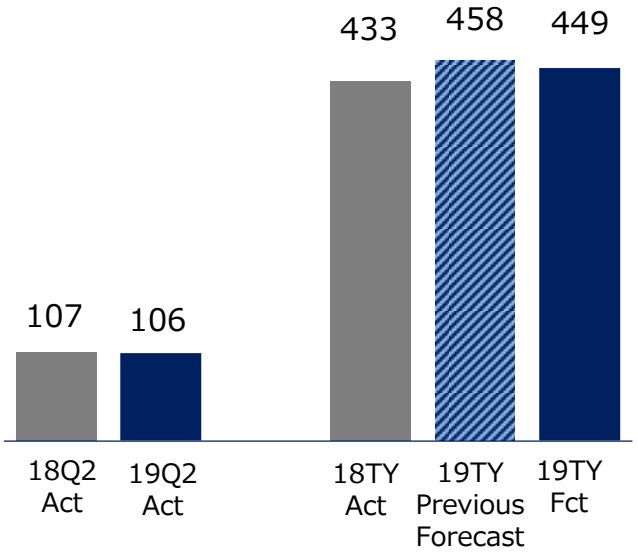
<Operating Profit>



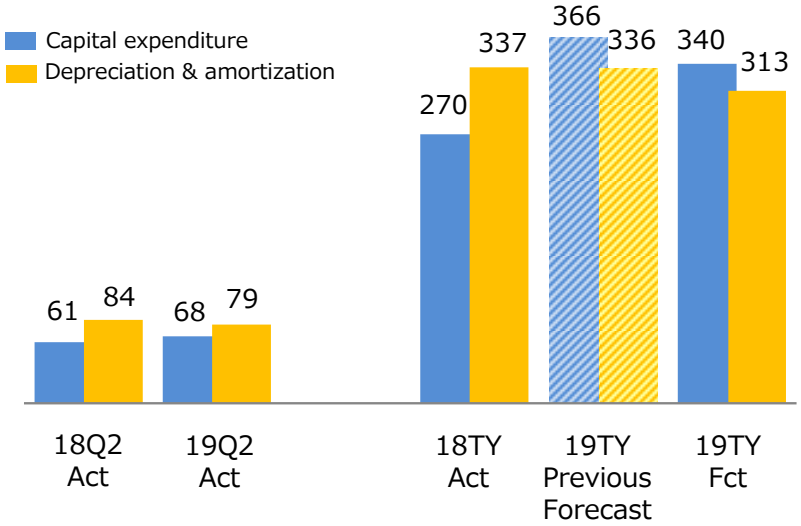
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R&D expenses / Capital expenditure / Depreciation and amortization / Inventories

R&D expenses
(100 Millions of Yen)

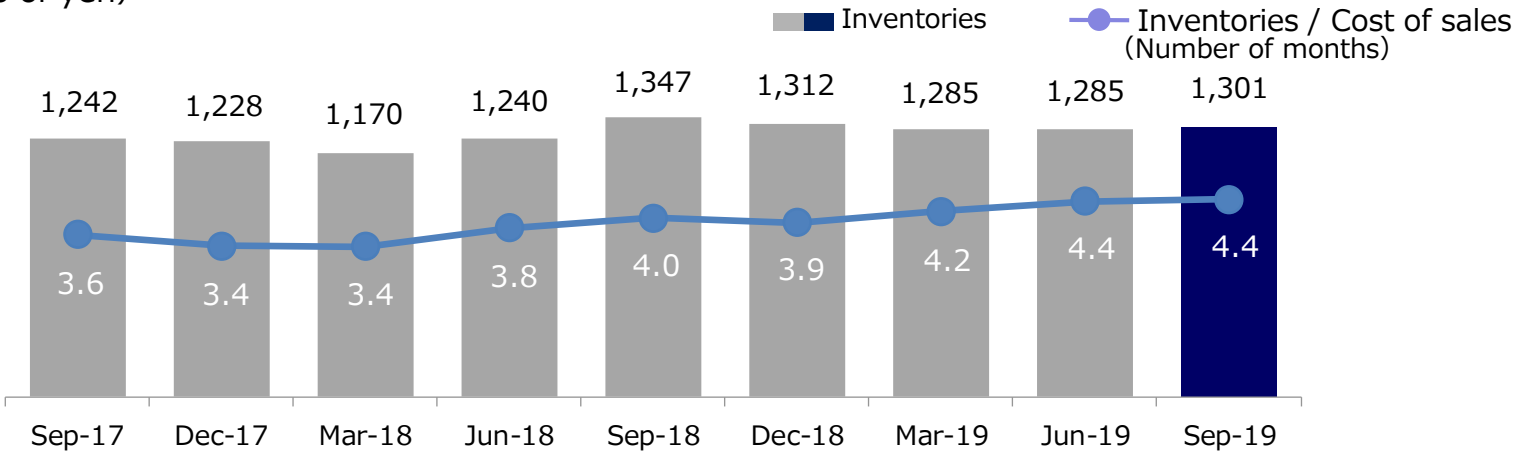


Capital expenditure / Depreciation & amortization
(100 Millions of Yen)



* Excluding acquisition and depreciation of right-of-use assets pursuant to application of IFRS 16 Leases.

Inventories
(100 Millions of yen)



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