

Financial Results for Fiscal Year 2016 (ended March 31, 2017)

Brother Industries, Ltd. **May 9, 2017**

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.

- ✓ **Highlight for FY2016**
- ✓ **Forecast for FY2017**
- ✓ **Changing the target figure of CS B 2018**
- ✓ **Shareholder Return**



✓ Highlight for FY2016



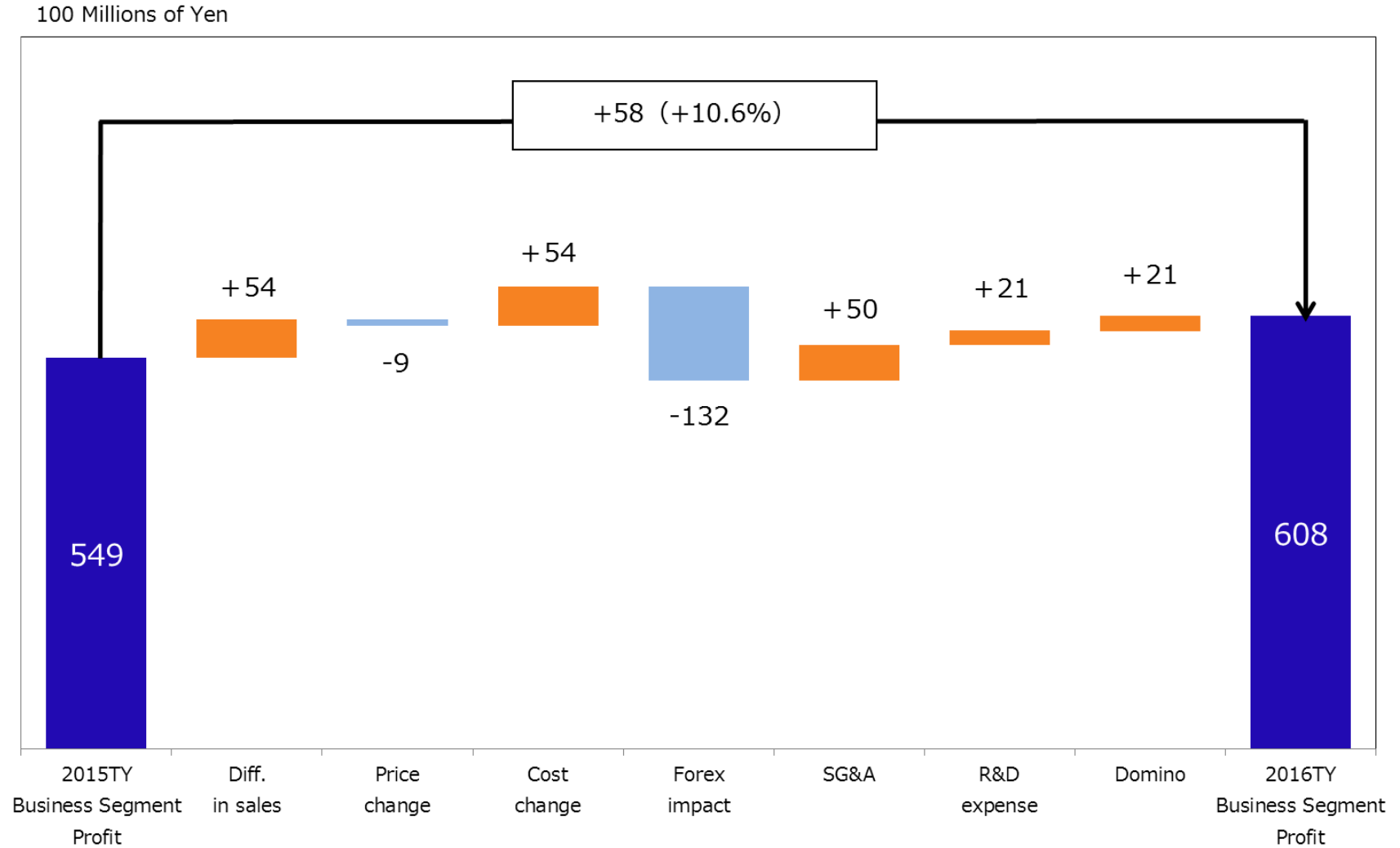
Highlight for FY2016

(100 Millions of Yen)

	FY16	FY15	Rate of Change (w/o forex impact)	FY16 Q4	FY15 Q4	Rate of Change (w/o forex impact)
Sales Revenue	6,412	6,821	-6.0% (+3.8%)	1,643	1,593	3.2% (+7.7%)
Business Segment Profit	608	549	10.6%	114	97	16.8%
Business Segment Profit Ratio	9.5%	8.1%		6.9%	6.1%	
Operating Profit	592	586	0.9%	118	71	66.4%
Operating Profit Ratio	9.2%	8.6%		7.2%	4.5%	
Income before Tax	613	572	7.1%	124	67	85.7%
Net Income	472	412	14.6%	86	50	72.0%
ROE	13.9%	12.1%	-	-	-	-
Exchange Rates						
USD	109.03	120.16		113.76	116.95	
EUR	119.37	132.36		120.81	128.94	

- ✓ Despite the solid global growth of the P&S business, sales decreased on the yen basis due to a large negative impact of yen's appreciation.
- ✓ Profit increased significantly in real terms as a result of the efforts made according to the new mid-term strategy to enhance profitability of the P&S business, despite a 13.2-billion yen negative impact of yen's appreciation in the business segment profit.

Main Factors for Changes in Business Segment Profit



Highlight by business segment

(100 Millions of Yen)

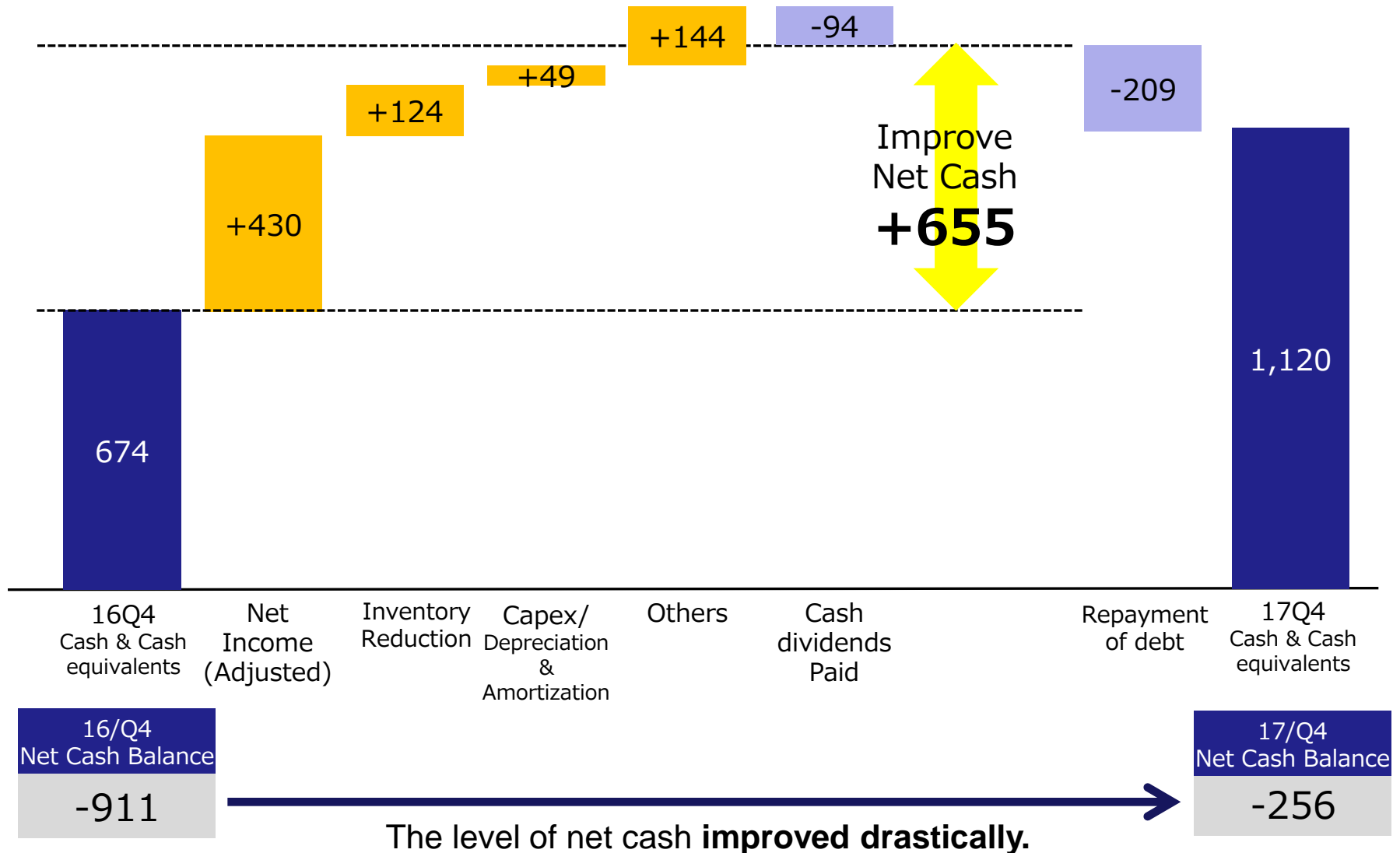
Sales Revenue	FY16	FY15	Rate of Change	Rate of Change (w/o forex impact)
Total	6,412	6,821	-6.0%	3.8%
Printing & Solutions	3,836	4,150	-7.6%	2.6%
Personal & Home	444	510	-12.9%	-3.2%
Machinery	909	993	-8.4%	-2.4%
Network & Contents	497	539	-7.7%	-7.5%
Domino business	594	483	-	-
Other	131	146	-10.0%	-10.1%

Business Segment Profit	FY16	FY15	Rate of Change
Total	608	549	10.6%
Printing & Solutions	457	336	36.1%
Personal & Home	20	48	-57.1%
Machinery	62	114	-45.9%
Network & Contents	22	22	1.7%
Domino business	42	38	-
Other	7	12	-40.9%
Adjustment	-2	-20	-89.9%

Operating Profit	FY16	FY15	Rate of Change
Total	592	586	0.9%
Printing & Solutions	455	390	16.7%
Personal & Home	19	49	-61.4%
Machinery	60	114	-47.4%
Network & Contents	9	-5	-
Domino business	44	35	-
Other	7	23	-67.3%
Adjustment	-2	-20	-89.9%

Cash Flows / Net Cash Balance

(100 Millions of Yen)



■ Printing & Solutions

- Renewed high-speed and highly durable models of monochrome LBPs



HL-L6400DW



MFC-L5755DW



MFC-L6900DW

- Received the Line of the Year, which is given to a company that released the best product lineup of the year, in the monochrome printer/all-in-one category by a US independent review organization



■ Machinery

- Kariya Factory (the sixth factory) launched its (August)



■ Domino Business

- New products were released as part of our lineup of CIJs, Brother's flagship products (November)





Printing & Solutions

Communications & Printing equipment / Electronic stationery

(100 Millions of Yen)

	FY16	FY15	Change	Rate of Change (w/o FX)
Sales Revenue				
Printing & Solutions	3,836	4,150	-7.6%	2.6%
Communication & Printing equipment	3,386	3,666	-7.7%	2.5%
Electronic stationery	451	484	-6.9%	3.6%
Business Segment Profit	457	336	36.1%	-
Operating Profit	455	390	16.7%	-

<Sales Revenue>

(Communications & Printing equipment)

- ✓ Sales volume of both monochrome and color LBPs surpassed that of the previous year due to increased sales of the models targeting the SOHO market.
- ✓ As for IJP, our focus was shifted to highly profitable models.

(Electronic stationery)

- ✓ Sales steadily increased in the labeling and mobile solutions businesses.
- ✓ Sales of PT-P300BT, a label writer for smartphones, were strong in Japan

<Operating Profit>

- ✓ Operating profit increased largely as a result of pursuing improvement of model mix, controlling of promotional expenses, and reducing of fixed cost in accordance with the strategy for profitability enhancement.
- ✓ The profitability of IJPs improved due to an increase of highly profitable models
- ✓ Steady sales increase of consumables contributed as well.



Black & White All-in-One
MFC-L6900DW



Label Printer PT-P300BT



Personal & Home

Home sewing machines

(100 Millions of Yen)

	FY16	FY15	Change	Rate of Change (w/o FX)
Sales Revenue	444	510	-12.9%	-3.2%
Business Segment Profit	20	48	-57.1%	-
Operating Profit	19	49	-61.4%	-

<Sales Revenue>

- ✓ Sales decreased due to a negative impact of forex rate resulting from the yen's appreciation and globally weakened demand

<Operating Profit>

- ✓ Operating profit decreased due to a negative impact of forex rate resulting from the yen's appreciation and increased prior investment for further growth, such as R&D expense, in addition to sales decline.



XV-8550D
©Disney



PR1050X

Machinery

Industrial sewing machines/Machine tools/Industrial Parts

(100 Millions of Yen)

	FY16	FY15	Change	Rate of Change (w/o FX)
Sales Revenue				
Machinery Business	909	993	-8.4%	-2.4%
Industrial sewing machines	268	307	-12.8%	-2.4%
Machine tools	454	504	-10.0%	-5.5%
Industrial Parts	188	181	3.6%	6.2%
Business Segment Profit	62	114	-45.9%	-
Operating Profit	60	114	-47.4%	-

<Sales Revenue>

(Industrial sewing machines)

- ✓ Sales decreased due to sluggish growth in demand in Southeast Asia as well as a negative impact of forex resulting from the yen's appreciation

(Machine tools)

- ✓ Despite sales decrease, the machine tools business continues to recover, while sales in the automobile related market, which is our field of focus, grew firmly and we received IT-related large quantity orders during the fourth quarter.

(Industrial Parts)

- ✓ Both domestic sales and overseas sales remained at the same level as last year.

<Operating profit>

- ✓ Operating profit decreased significantly due to appreciation of the yen and increased prior investment for further growth, as well as decrease sales of machine tools.



SPEEDIO
S500X1



NEXIO
S-7300A



GTR F series



Network & Contents

Online karaoke machines

(100 Millions of Yen)

	FY16	FY15	Change
Sales Revenue	497	539	-7.7%
Business Segment Profit	22	22	1.7%
Operating Profit	9	-5	-

<Sales Revenue>

- ✓ In the online karaoke business, sales decreased because sales of the new on-line karaoke equipment have settled down
- ✓ In the karaoke club business, sales remained steady due to the reorganization of unprofitable clubs.

<Business Segment Profit>

- ✓ Business segment profit stayed at the same level as the previous year owing to cost reduction in the karaoke club business and reduction of SG&A.

<Operating Profit>

- ✓ Despite the impact caused by the temporary expenditure needed for structural reform to enhance profitability, operating profit returned to the black because impairment loss that had been reported in the previous period no longer existed.



JOYSOUND MAX



JOYSOUND **HIBIKI**

DOMINO

Domino Business

※Comparison from Q2-Q4 (100 Millions of Yen)

	FY15 Q2-Q4	FY16 Q2-Q4	Change	Change x FX
Sales Revenue	483	449	-7.0%	21.6%
Business Segment Profit	38	33	-13.6%	15.1%
Operating Profit	35	35	-0.4%	30.9%

<Sales Revenue>

- ✓ Our core business of coding and marking business is growing steadily on a global basis despite the changes in the business environment, such as sharp drop of the exchange rate of the pound.
- ✓ In the digital printing equipment business, co-development is being pursued to create a synergy effect between Domino and Brother.

<Operating Profit>

- ✓ The profit growth remained at a similar level to the previous year on a yen basis but increased significantly on a pound basis due to various and active prior investments made to actualize future profit growth and accelerated depreciation of the pound caused by Brexit.



✓ Forecast for FY2017



Forecast for FY2017

(100 Millions of Yen)

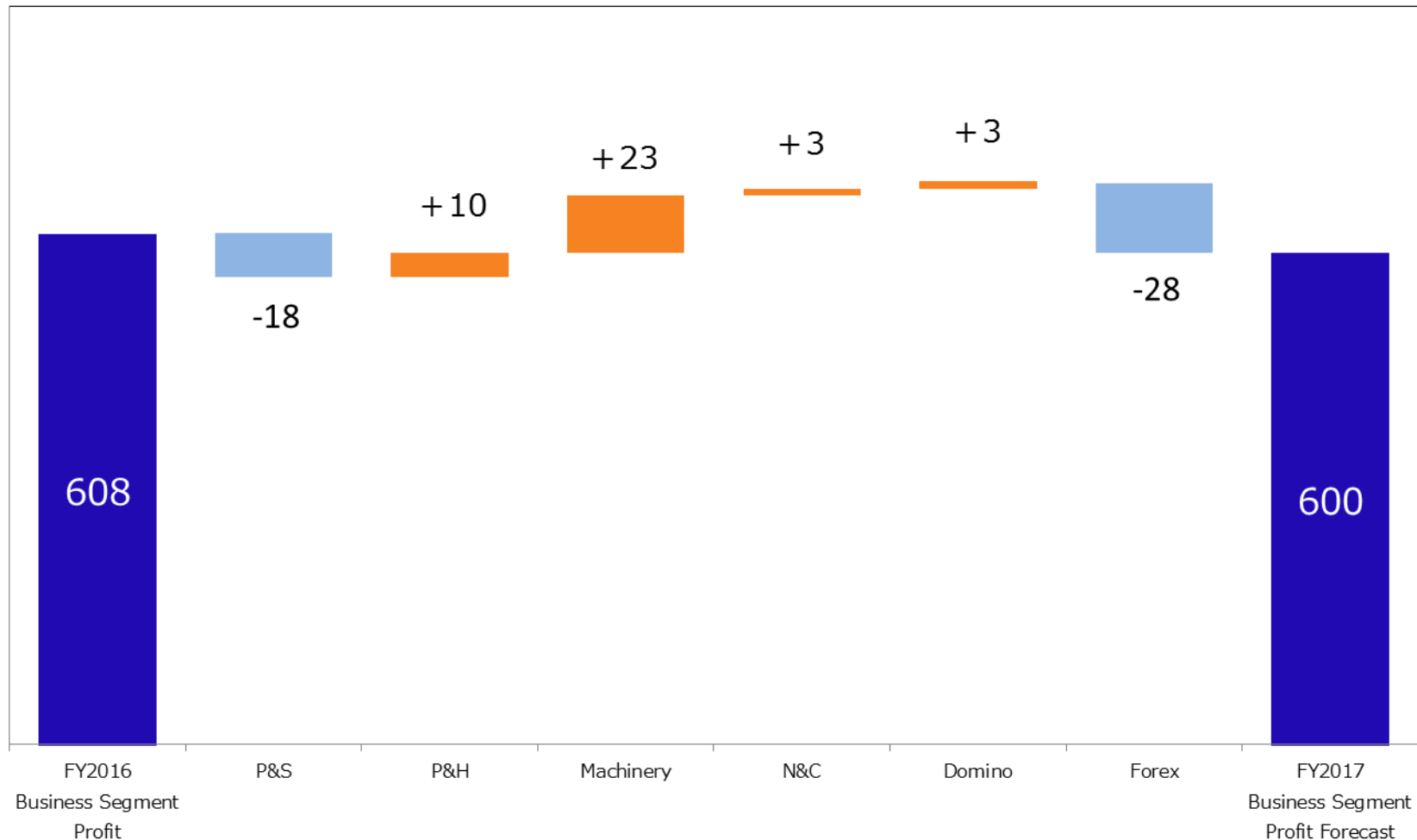
	FY17 Forecast	FY16	Rate of Change (w/o forex impact)
Sales Revenue	6,550	6,412	2.2% (+4.2%)
Business Segment Profit	600	608	-1.2%
Business Segment Profit Ratio	9.2%	9.5%	
Operating Profit	600	592	1.4%
Operating Profit Ratio	9.2%	9.2%	
Income before Tax	595	613	-2.9%
Net Income	430	472	-9.0%
Adjusted Net Income	430	430	0.0%
ROE (Adjusted)	12.7%	12.5%	-
Exchange Rates			
USD	108.00	109.03	
EUR	116.00	119.37	

- ✓ Although a negative impact of the yen's appreciation is anticipated, sales are expected to increase as the growth businesses, such as the machinery business and Domino business, lead the sales growth.
- ✓ Both business segment profit and operating profit are expected to increase in real terms, excluding a negative impact of forex rate due to the yen's appreciation
- ✓ Current profit is expected to be at a similar level as the previous year, when compared on a real-term basis excluding the special factors reported in the previous year*.
*①The impact of tax effect accounting resulting from the acquisition of Xing Inc. as a 100% subsidiary of Brother in the previous fiscal year. ② Gain on valuation of interest-rate swaps of the dollar-based debt payable

Main Factors for Changes in Business Segment Profit (FY2017 Forecast)

(100 Millions of Yen)

The growth businesses leading the profit growth of the entire group.
Profit expected to increase in real terms without a negative impact of forex rate.



Forecast for 2017 by business segment

(100 Millions of Yen)

Sales Revenue	FY17	FY16	Rate of Change	Rate of Change (w/o forex impact)
Total	6,550	6,412	2.2%	4.2%
Printing & Solutions	3,779	3,836	-1.5%	0.2%
Personal & Home	492	444	10.8%	11.9%
Machinery	1,026	909	12.8%	13.5%
Network & Contents	500	497	0.5%	0.6%
Domino business	628	594	5.8%	11.3%
Other	125	131	-4.7%	11.4%

Business Segment Profit	FY17	FY16	Rate of Change
Total	600	608	-1.2%
Printing & Solutions	416	457	-8.9%
Personal & Home	29	20	42.2%
Machinery	82	62	32.7%
Network & Contents	25	22	12.9%
Domino business	43	42	2.9%
Other	5	7	-28.3%
Adjustment	-	-2	-

Operating Profit	FY17	FY16	Rate of Change
Total	600	592	1.4%
Printing & Solutions	425	455	-6.6%
Personal & Home	23	19	22.3%
Machinery	83	60	38.8%
Network & Contents	22	9	157.3%
Domino business	41	44	-6.1%
Other	6	7	-20.0%
Adjustment	-	-2	-

✓ **Changing the target figure
of CS B 2018**



The profit targets will be attained mostly during the first fiscal year of the mid-term business plan. The profit targets were raised, though the negative impact of yen's appreciation was reflected.

2018 Performance goal (Revised)

Sales revenue **685B Yen**

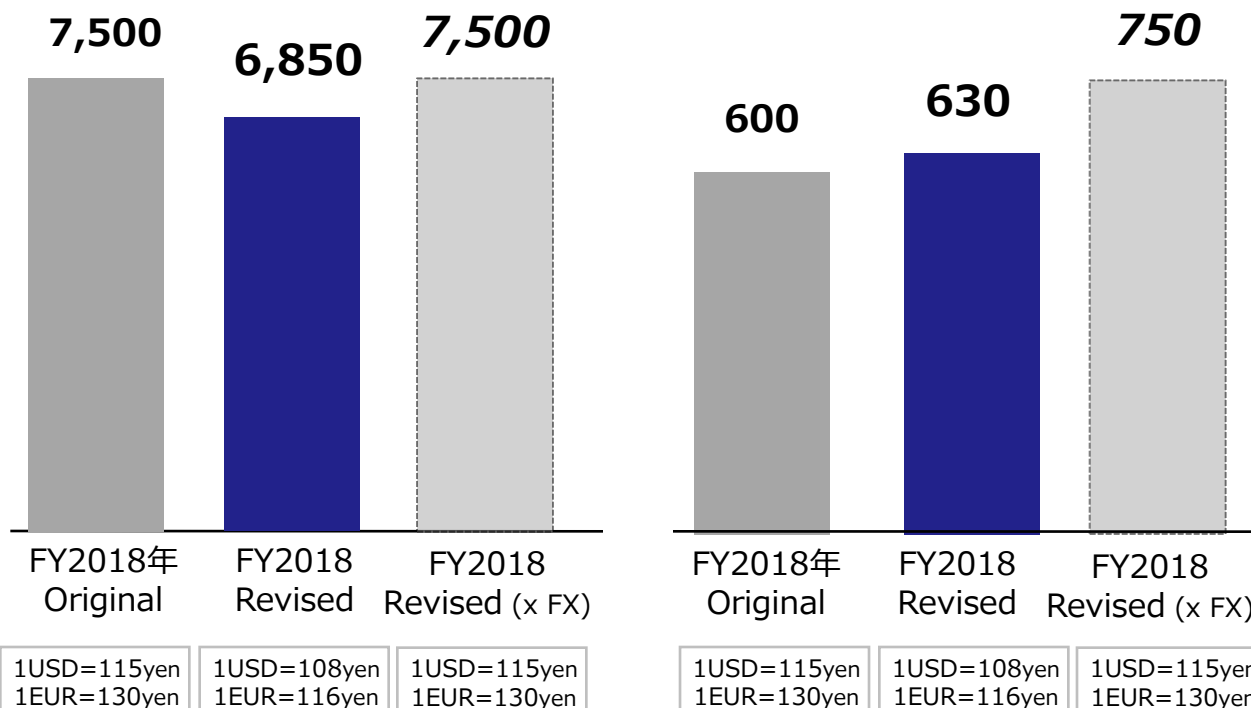
Operating Profit **63B Yen**

Operating Profit rate **9.2%**

Changing the target figure of CS B 2018

Sales Revenue [100 million yen]

Operating Profit [100 million yen]



Changing the target figure of CS B 2018

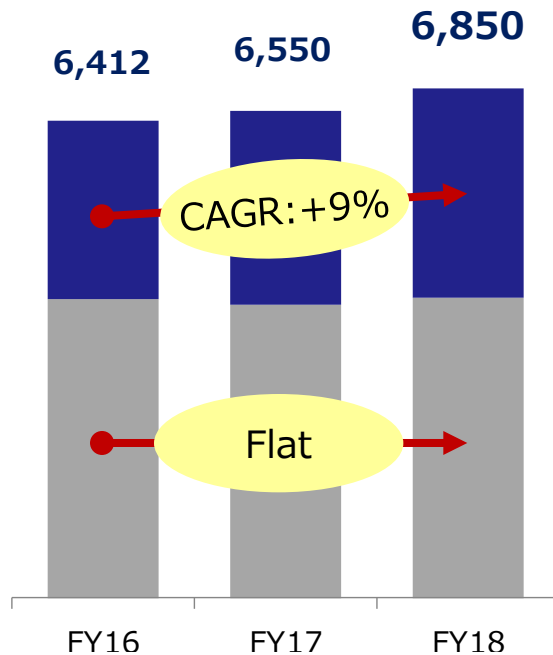
(100 Millions of Yen)

Operating profit ratio remains more than 9% steadily
Sales growth continues due to strengthening of the growth businesses

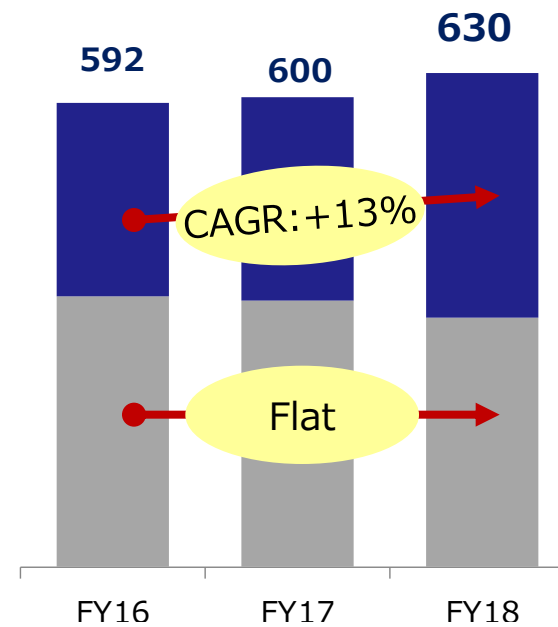
	FY16	FY17	FY18	16 v 17	17 v 18
Sales Revenue	6,412	6,550	6,850	2.2%	4.6%
Business Segment Profit	608	600	650	-1.2%	8.3%
Business Segment Profit Ratio	9.5%	9.2%	9.5%		
Operating Profit	592	600	630	1.4%	5.0%
Operating Profit Ratio	9.2%	9.2%	9.2%		
Net Income	472	430	450	-9.0%	4.7%
Adjusted Net Income	430	430	450	0.0%	4.7%
Exchange Rates					
USD	109.03	108.00	108.00		
EUR	119.37	116.00	116.00		

The business for profitability enhancement is expanding the growth businesses to complete business reform, while propping up group-wide performance.

Sales Revenue



Operating Profit



- Growth businesses and new businesses → P&S in SMB, L&M, P&H, Machinery, Domino
- Businesses for profitability enhancement → P&S in SOHO, N&C

P&S

✓ Communications & Printing equipment

- Maintaining Brother's presence in the SOHO market and maximizing the profit
- Business growth in the SMB market
- Profitability improvement in the emerging nations
- Profitability enhancement in the inkjet business
- Firmly maintaining the supply business model

✓ Electronic stationery

- Maintain the overwhelming position of No.1 in the labeling market
- Increase sales in the solution business area

P&H

✓ Home sewing machines

- Exploitation of purchasing-customer base for high-end machines
- Strengthen sales activities to expand share in the mid-range/high-end markets
- Enhance development of sales channels towards growth in the craft area

Machinery

✓ Industrial sewing machines

- Improvement of a process to support sales growth in the Asian market
- Strengthening of the business by offering solutions
- Growth of the garment business

✓ Machine tools

- Strengthen sales and service capabilities to increase sales to the automobile and motorcycle industries
- Optimize production structure with an eye to a recovery in demand from IT related customers

✓ Industrial parts

- Productivity improvement and profitability enhancement through cost reduction
- Development of products with a competitive edge

N&C

- Recovery of the number of karaoke machines in operation
- Concentrating resources in the karaoke business
- Expansion and enhancement of the business of directly operated karaoke clubs

Domino

- Invest in sales/service network to strengthen sales
- Realize synergies with Brother (in R&D and production)
- Increase production facilities (in U.K. and China)

✓ Shareholder Return



Cancellation of the majority of treasury shares with the intent of eliminating concerns about future shares dilution.

Type of shares to be cancelled

Common shares of Brother Industries, Ltd.

Number of shares to be cancelled

15,315,336 shares
(5.52% of the total number of shares outstanding prior to cancellation)

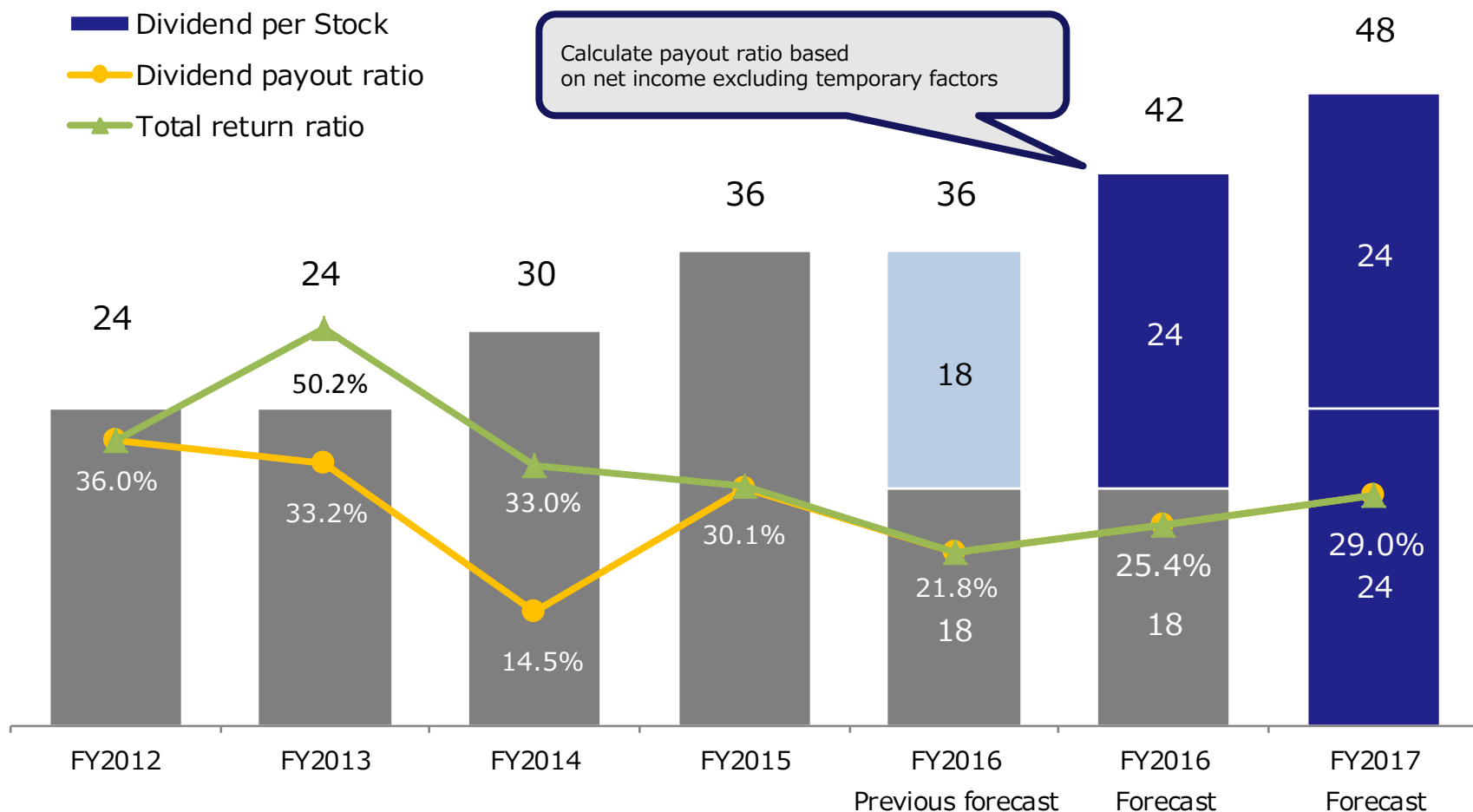
Scheduled date of cancellation

May 31st, 2017

Total number of issued shares after cancellation

262,220,530 shares
(Before cancellation: 277,535,866 shares)

- Maintaining consolidated dividend payout ratio of 30% stably -
 The annual dividend per share for FY2016 increased by 6 yen to 42 yen per year.
 The annual dividend for FY2017 is expected to be 48 yen.



Appendix



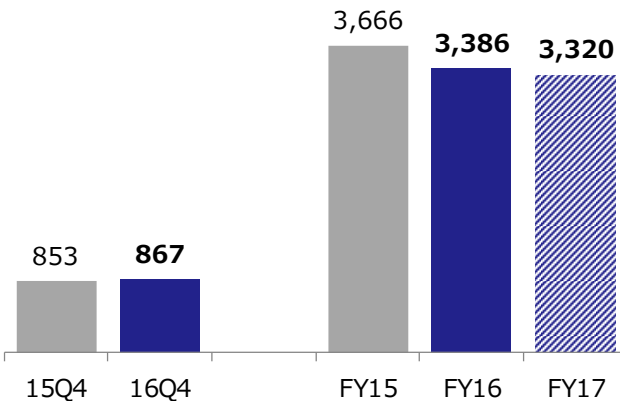
Printing & Solutions Sales Revenue & Business Segment Profit

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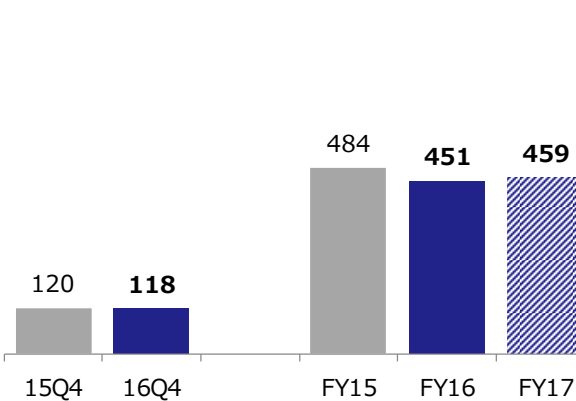
(100 Millions of Yen)

	15Q4	16Q4	Change	Change x FX	15TY	FY16	Change	Change x FX	FY17	Change	Change x FX
Sales Revenue	973	985	1.2%	4.7%	4,150	3,836	-7.6%	2.6%	3,779	-1.5%	0.2%
Communications & Printing equipment	853	867	1.6%	5.1%	3,666	3,386	-7.7%	2.5%	3,320	-1.9%	-0.3%
Americas	314	330	5.2%	7.5%	1,393	1,283	-7.9%	3.4%	1,276	-0.6%	0.6%
Europe	313	286	-8.8%	-2.1%	1,221	1,076	-11.9%	0.2%	1,068	-0.7%	2.1%
Asia & Others	124	133	7.9%	9.5%	600	546	-8.9%	2.6%	539	-1.4%	0.4%
Japan	103	118	14.6%	14.6%	453	480	5.9%	5.9%	437	-9.0%	-8.9%
Electronic stationery	120	118	-1.3%	2.0%	484	451	-6.9%	3.6%	459	1.8%	3.5%
Americas	55	57	3.6%	5.9%	230	214	-6.9%	3.7%	220	2.5%	3.6%
Europe	39	34	-11.1%	-4.7%	147	132	-10.4%	1.6%	133	0.7%	3.5%
Asia & Others	15	16	7.6%	8.8%	69	66	-4.2%	8.2%	66	-0.1%	1.6%
Japan	11	11	-2.6%	-2.6%	38	39	2.5%	2.5%	41	5.3%	6.2%
Business Segment Profit	69	77	11.4%	-	336	457	36.1%	-	416	-8.9%	-
Operating Profit	77	95	23.7%	-	390	455	16.7%	-	425	-6.6%	-

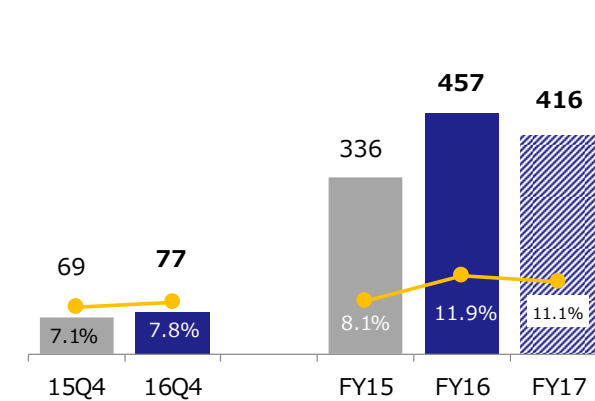
<Sales Revenue>
Communications & Printing equipment



<Sales Revenue>
Electronic stationery



<Business Segment Profit>

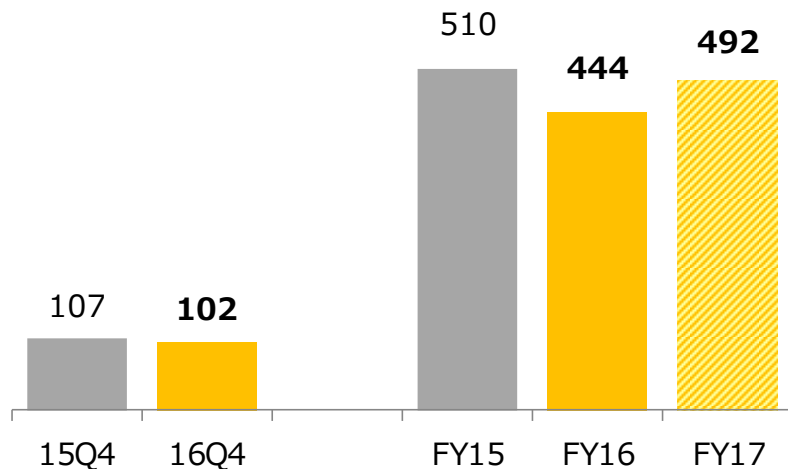


Personal & Home Sales Revenue & Business Segment Profit

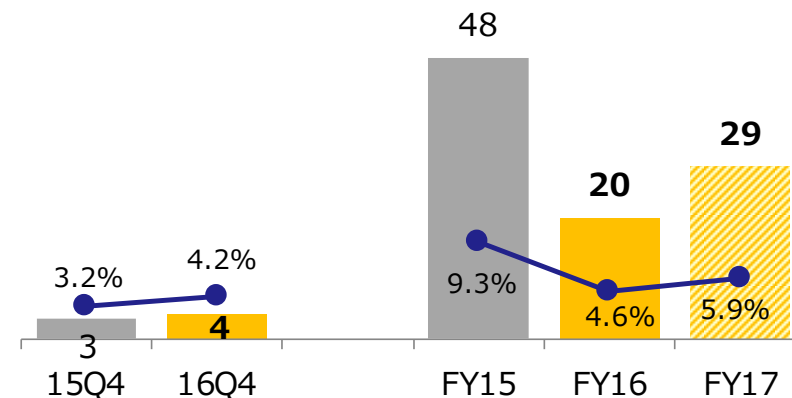
(100 Millions of Yen)

	15Q4	16Q4	Change	Change x FX	FY15	FY16	Change	Change x FX	FY17	Change	Change x FX
Sales Revenue	107	102	-4.7%	-1.9%	510	444	-12.9%	-3.2%	492	10.8%	11.9%
Americas	56	54	-4.4%	-2.3%	304	253	-16.7%	-5.9%	272	7.5%	8.1%
Europe	24	23	-3.6%	2.6%	101	96	-5.5%	5.3%	94	-2.1%	0.5%
Asia & Others	13	13	-4.7%	-2.9%	62	55	-11.0%	-1.4%	59	7.8%	9.5%
Japan	14	13	-7.5%	-7.5%	43	41	-6.2%	-6.2%	67	65.5%	65.0%
Business Segment Profit	3	4	25.4%	-	48	20	-57.1%	-	29	42.2%	-
Operating Profit	3	3	15.1%	-	49	19	-61.4%	-	23	22.3%	-

<Sales Revenue>



<Business Segment Profit>

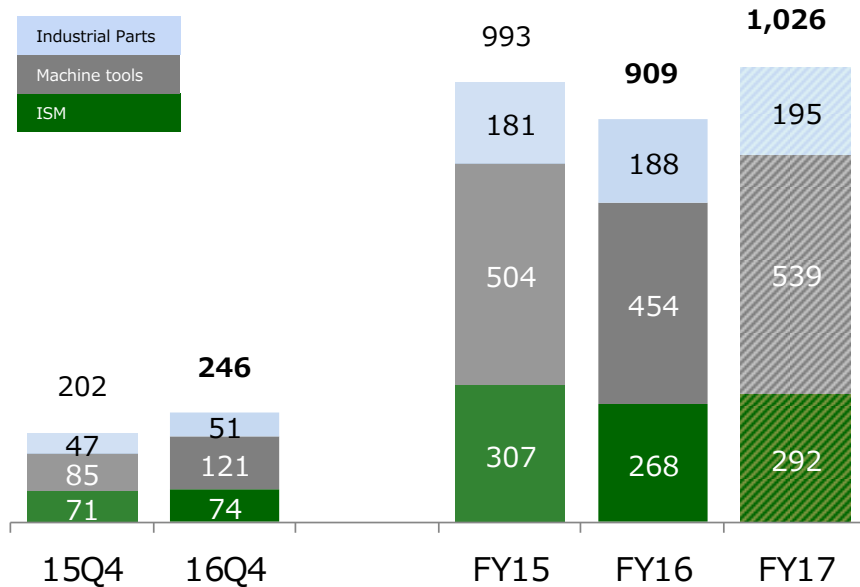


Machinery Business Sales Revenue & Business Segment Profit

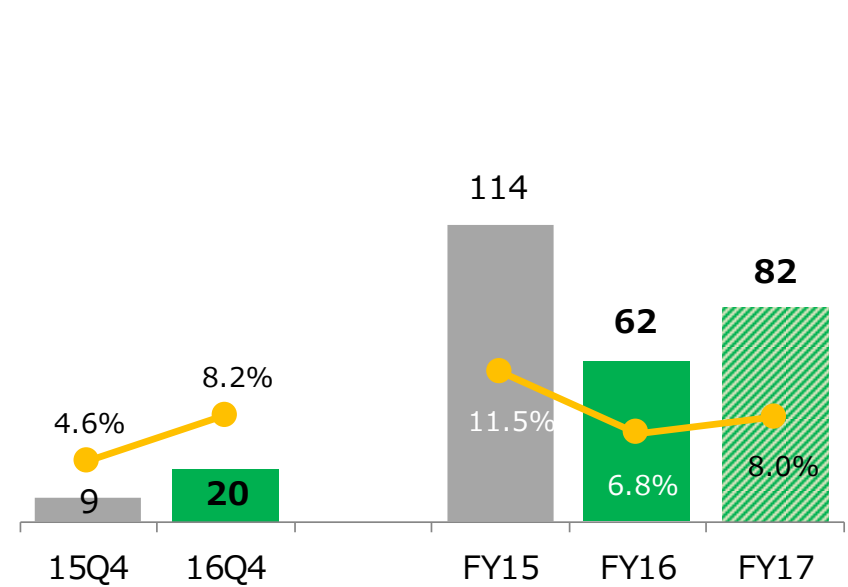
(100 Millions of Yen)

	15Q4	16Q4	Change	Change x FX	FY15	FY16	Change	Change x FX	FY17	Change	Change x FX
Sales Revenue	202	246	21.5%	25.1%	993	909	-8.4%	-2.4%	1,026	12.8%	13.5%
Industrial sewing machines	71	74	4.2%	8.7%	307	268	-12.8%	-2.4%	292	8.9%	10.4%
Machine tools	85	121	42.4%	46.8%	504	454	-10.0%	-5.5%	539	18.8%	19.4%
Industrial Parts	47	51	10.0%	10.6%	181	188	3.6%	6.2%	195	3.8%	3.9%
Business Segment Profit	9	20	114.0%	-	114	62	-45.9%	-	82	32.7%	-
Operating Profit	6	15	136.8%	-	114	60	-47.4%	-	83	38.8%	-

<Sales Revenue>



<Business Segment Profit>



Machinery Business Sales Revenue & Business Segment Profit

brother
at your side

(100 Millions of Yen)

	15Q4	16Q4	Change	Change x FX	FY15	FY16	Change	Change x FX	FY17	Change	Change x FX
Sales Revenue	202	246	21.5%	25.1%	993	909	-8.4%	-2.4%	1,026	12.8%	13.5%
Industrial sewing machines	71	74	4.2%	8.7%	307	268	-12.8%	-2.4%	292	8.9%	10.4%
Americas	13	13	-1.2%	1.4%	63	54	-13.5%	-3.4%	60	11.1%	11.7%
Europe	10	10	-7.3%	-1.5%	46	41	-10.2%	0.1%	46	12.0%	14.8%
Asia & Others	46	50	8.3%	13.1%	192	167	-13.4%	-2.5%	179	7.6%	8.9%
Japan	1	1	10.1%	10.1%	6	6	-8.7%	-8.7%	6	5.2%	8.9%
Machine tools	85	121	42.4%	46.8%	504	454	-10.0%	-5.5%	539	18.8%	19.4%
Americas	6	6	-5.8%	-	25	27	7.8%	-	32	20.0%	-
Europe	3	6	129.8%	-	19	21	8.0%	-	25	20.7%	-
Asia & Others	58	90	55.4%	-	392	334	-14.7%	-	397	19.0%	-
Japan	18	19	4.8%	-	68	72	5.1%	-	84	17.2%	-
Industrial Parts	47	51	10.0%	10.6%	181	188	3.6%	6.2%	195	3.8%	3.9%
Americas	7	7	5.6%	8.5%	28	26	-6.7%	3.2%	27	3.6%	4.5%
Europe	-	-	-	-	-	-	-	-	-	-	-
Asia & Others	3	5	60.6%	62.9%	15	17	17.1%	31.3%	19	8.0%	11.0%
Japan	37	39	6.4%	6.4%	139	145	4.2%	4.2%	149	3.3%	3.0%
Business Segment Profit	9	20	114.0%	-	114	62	-45.9%	-	82	32.7%	-
Operating Profit	6	15	136.8%	-	114	60	-47.4%	-	83	38.8%	-

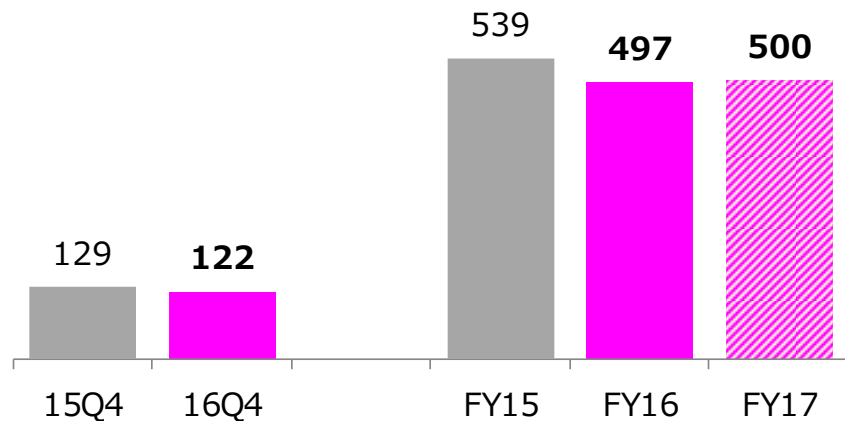
Network & Contents

Sales Revenue & Business Segment Profit

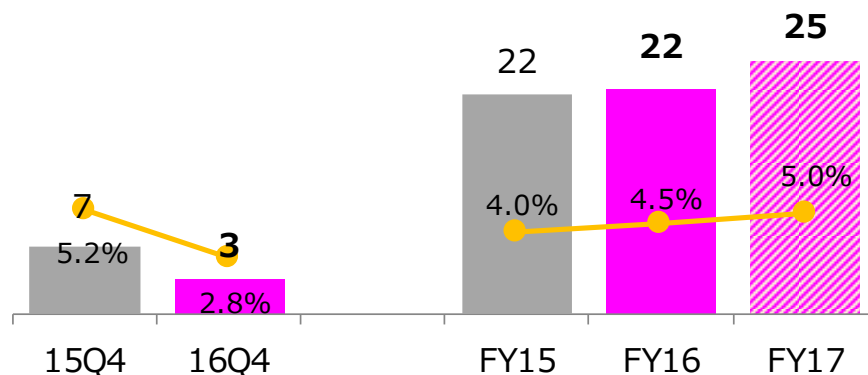
(100 Millions of Yen)

	15Q4	16Q4	Change	15TY	FY16	Change x FX	FY17	Change
Sales Revenue	129	122	-5.2%	539	497	-7.7%	500	0.5%
Business Segment Profit	7	3	-49.0%	22	22	1.7%	25	12.9%
Operating Profit	-18	0	-	-5	9	-	22	157.3%

<Sales Revenue>



<Business Segment Profit>



Domino Business Sales Revenue & Business Segment Profit

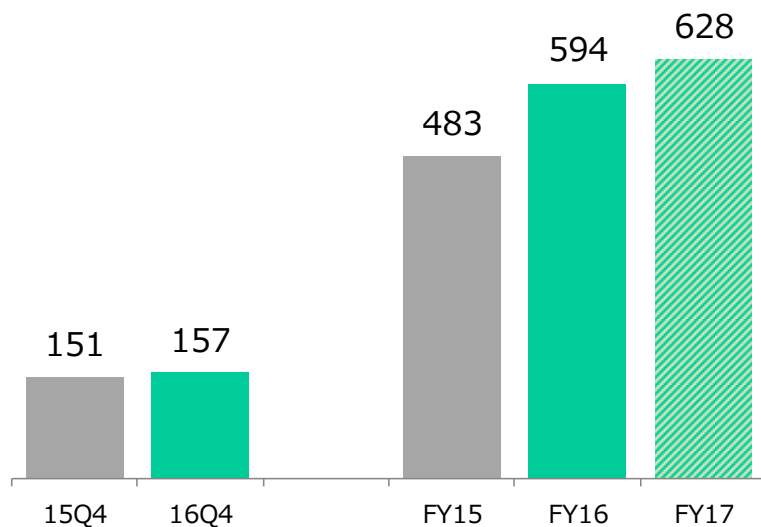
(100 Millions of Yen)

	15Q4	16Q4	Change	Change x FX	FY15	FY16	Change	Change x FX	FY17	Change	Change x FX
Sales Revenue	151	157	4.2%	23.8%	483	594	-	-	628	5.8%	10.9%
Americas	37	41	10.0%	30.7%	112	150	-	-	154	2.6%	7.3%
Europe	74	74	0.3%	19.1%	239	283	-	-	304	7.5%	12.8%
Asia & Others	40	42	6.1%	26.0%	133	161	-	-	170	5.9%	11.0%
Business Segment Profit	9	8	-8.1%	7.8%	38	42	-	-	43	2.9%	7.0%
Operating Profit	6	4	-31.0%	-9.6%	35	44	-	-	41	-6.1%	-2.3%

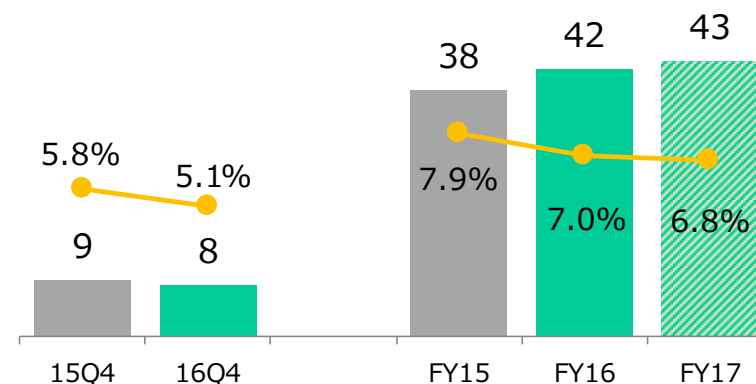
*The FY 2015 figures are the results for the nine months from the 2nd quarter when Domino became a consolidated company.

*The growth rates are shown on a British pound basis.

<Sales Revenue>

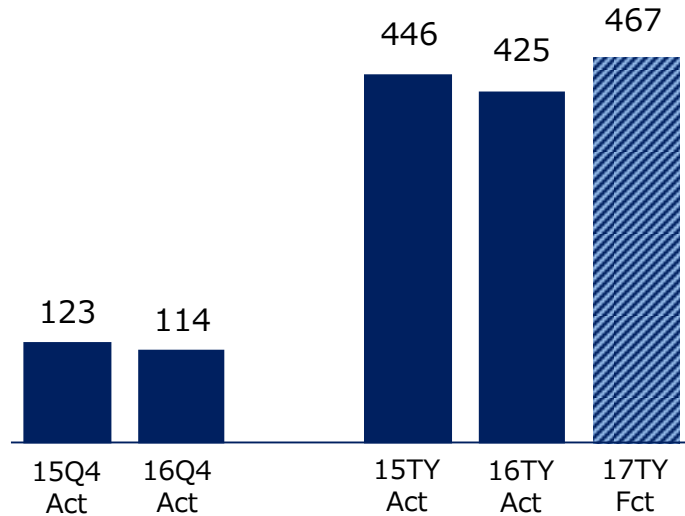


<Business Segment Profit>

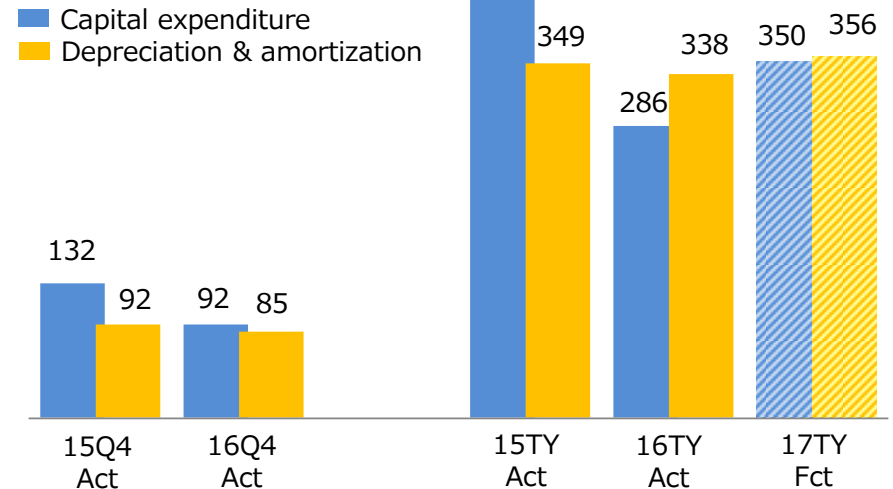


R&D expenses / Capital expenditure / Depreciation and amortization / Inventories

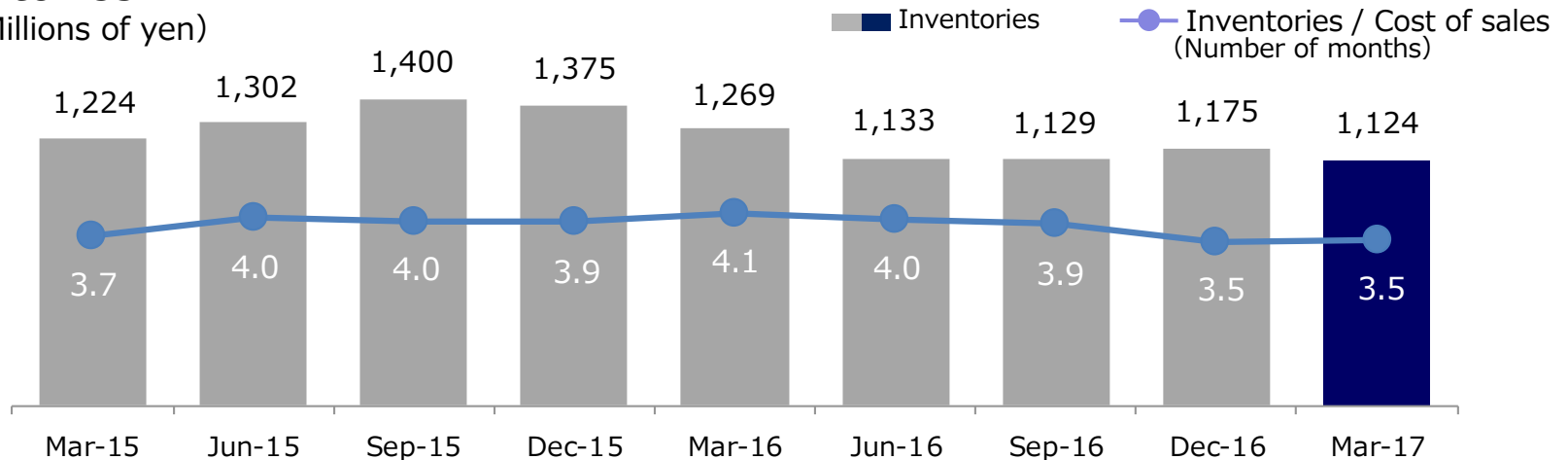
R&D expenses (100 Millions of Yen)



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



Inventories (100 Millions of yen)



*Jun-15 actual for Inventories does not include Domino business figures.

brother
at your side