Financial Results for Fiscal Year 2013 (ended March 31, 2014)

Brother Industries, Ltd. May 8, 2014

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 FY2013



<100 Millions of Yen>

Net Sales

■6,168 (+19.5%)

Steady growth toward the achievement of the medium-term business plan.

Operating Income

■433 (+45.4%)

The effect of weak JPY compensated for an increase in fixed costs such as investment spending for future growth.

Current Profits

■ 356 (+53.9%)

Losses on foreign exchange contracts recorded continuously from the previous period.

Income Before Tax **■** 335 (+20.0%)

Unlike the previous period, no large extraordinary gains occurred in this period.

Net Income

■192 (+7.8%)

Net income slightly increased due to a tax rate hike caused by tax effect accounting.

Highlight for FY2013



<100 Millions of Yen>

P&S

■ Net Sales 4,308/+22.8% (+4.4%)

European economy bottomed out.

Continuously steady demand for consumables.

P&H

■ Net Sales 432/+28.0% (+9.1%)

Attractive product line expanded customer base.

M&S

■ Net Sales 631/+2.7% (-9.0%)

Recovery in sales of industrial sewing machines. Steady demand for machine tools mainly in the IT industry.

N&C

■ Net Sales 476/-5.0%

Hardware sales decreased due to lack of new products. Shored up the direct-managed karaoke shop business.

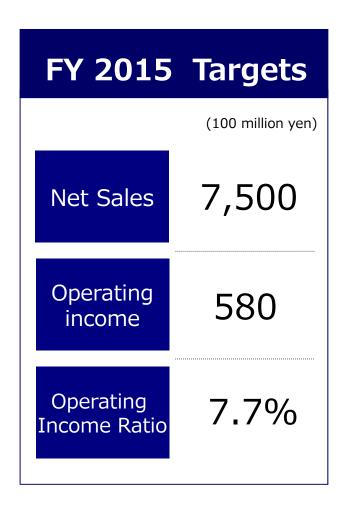
Industrial Part ■ Net Sales 161/ (Due to a newly consolidated company)

Implemented measures to increase overseas sales.

CS B2015(Mid-Term Business Strategy)

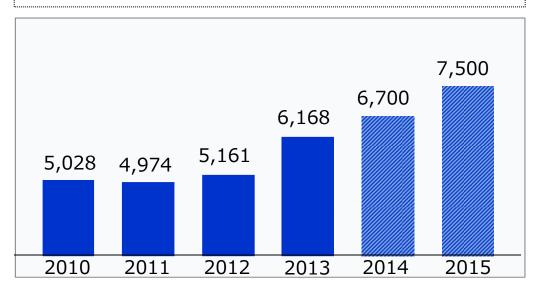


Basic policy of CS B2015 remains unchanged



Grow in all business and all regions

- Development/expansion of new business/new product
- Expansion in emerging market
- Promote global business strategy
- Promote M&A and business alliance



Highlight on forecast for FY2014



<100 Millions of Yen>

Net Sales

■6,700 (+8.6%)

Set high targets in all businesses and all regions, aiming for the achievement of the medium-term business plan.

Operating Income

■470 (+8.5%)

Operating income increase in spite of negative factors such as strategic investment for future sales growth and other expense increase.

Current Profits

■430 (+20.7%)

Unlike the previous period, no large losses on foreign exchange contracts occurred in this period.

Income Before Tax **■**580 (+73.0%)

Record extraordinary gains associated with sales of fixed assets.

Net Income

■460 (+139.3%)

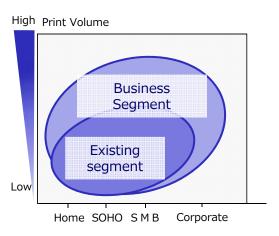
Net income up significantly due to increased pre-tax profits and a temporally lower effective tax rate caused by tax effect accounting.

Main measures in Printing & Solutions business or other at your side

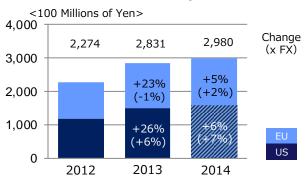
Make aggressive investments for sales growth in all regions and expand sales

USA/EU

Maintain presence through retail channels and strengthen investments for sales growth to expand sales to SMB customers.



< Sales in USA/EU >



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Emerging market

Strengthen sales channels to expand sales of mono laser printer models targeted at emerging countries

- Support promotion activities
- Increase number of sales staff
- •Enhance models targeted at emerging countries

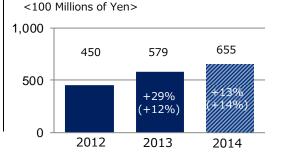




HL-1110

MFC-1810

< Sales in Asia >



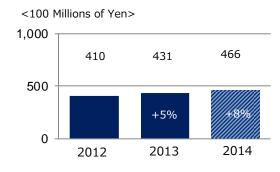
Japan

Continue measures to expand market share of inkjet printers

- Aggressive mass advertising strategies
- Appeal by New Year greeting card application



< Sales in Japan >



Main measures in Printing & Solutions business brother at your side

Service and Solutions

<Scanner>

 Provide added value by strengthening product competitiveness and software and improving services



<Web conference>

- Conduct aggressive sales activities to expand sales to SMB customers
- Promote solution suggestions from engineers



web conferencing solution
Omnijoin

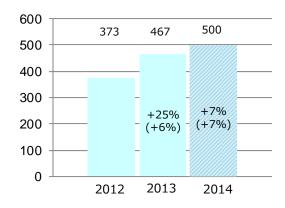
Electronic stationery

- Realize steady growth in office area
- Accelerate growth in solution area
- Expand in emerging markets
- Launch new products



<Sales of electronic stationery>

<100 Millions of Yen>



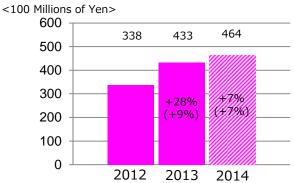
Main measures in Personal & Home business



Strengthen development in hobby area and emerging markets



<Sales of Home sewing machines>



"Innovations & Design Award 2014" was awarded in "Show Stoppers@CES"





Main measures in Industrial sewing machines business



Suggest newly added value and build sales & services network

<Highly competitive product line>

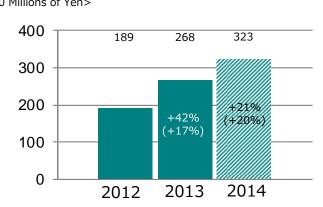
•Expand market share by lock stitchers with high usability, and improve customer satisfaction by high added value product line.

<Strengthen sales force in Asia>

·Established Brother Machinery (Asia) Ltd. in April 2014

In response to the expansion of Asian market brought by the shift of the sewing industry from China, reorganize and strengthen sales companies in Asia, and expand sales by enhancing customer relations.

<Sales of industrial sewing machines>





Industrial sewing machine S7000DD



Garment printer





Bonding Machine

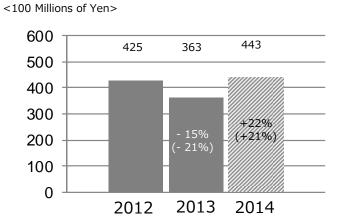
Main measures in Machine tools business



Strengthen sales force to expand sales to clients in the automobile & motorcycle industries

- Strengthen technical centers and workforce in China and Southeast Asia
- Provide customer support regularly
- Boost technical support
- Launch new products

<Sales of Machine tools>







Main measures in other businesses



Network & contents business

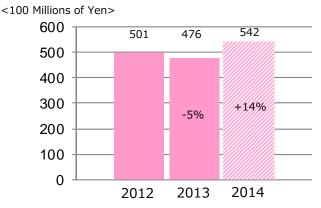
- Expand directly-managed karaoke business through the integration of Media Create Co., Ltd. and opening up new shops.
- Expand overseas sales of karaoke contents
- Promote new business utilizing contents, such as marketing music boxes





Primotone

<Sales of N&C business >

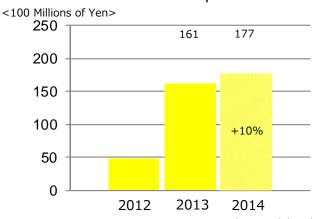


<u>Industrial part business</u>

- Promote business synergies with Nissei Corp. at an early stage
- Strengthen the Americas business through collaboration between Brother Industries, Ltd. and Nissei. Corp.
- Improve productivity by renewing manufacturing facilities



<Sales of Industrial part business>



*A company was newly consolidated in FY2012 Q4.

Transfer of Fixed Asset



For higher asset efficiency, Brother decided to sell its own rental building.



•Name of the building: Brother-Travel Bureau

Shinjuku Kyodo Building

Assignee : a Japanese companyTransfer price : 17,000 million yenBook value : 695 million yen

•Profit from sales: 16,302 million yen

Transfer schedule

May 8, 2014

:Resolution at the Board of Directors meeting

:Contract to be concluded

May 29, 2014

:Delivery of property

•Impact on outlook for the future
The gain from the sale of the fixed asset
(16,302 million yen) is reported as
extraordinary income in the forecast for FY2014.

Enhancement of return to shareholders of at your side

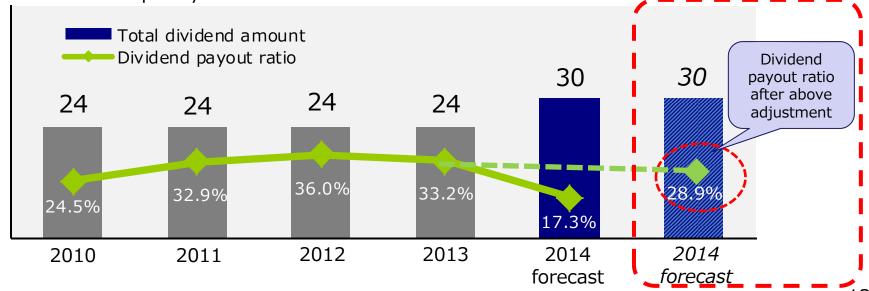


- Basic policy remains unchanged with consolidated payout ratio of about 30%
- Stable return to shareholders: Annual dividend for FY2014 increases to 30 year per share
- Brother Industries Ltd. acquires its treasury stock by utilizing gain from sale of fixed asset as dividend resource (Upper limit of 10 billion yen).

<Dividend record>

- 1. After excluding gain from sale of fixed asset (approx. 16.3 billion yen), pre-tax income is calculated.
- 2. By using the average tax rate for FY2008 to 2012 (approx. 33%), net income for FY2014 is calculated.

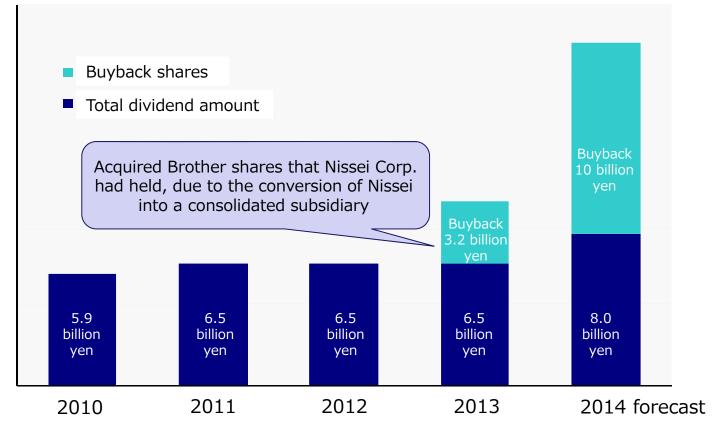
=> Dividend amount is determined based on forecast income which is adjusted for temporary factors.



Dividend and Payout ratio



- ✓ Basic policy remains unchanged with consolidated payout ratio of about 30%.
- ✓ Stable return to shareholders: Annual dividend for FY2014 increases to 30 yen per share
- ✓ Brother Industries Ltd. acquires its treasury stock by utilizing gain from sale of fixed asset as dividend resource (Upper limit of 10 billion yen).
 - ·Acquisition period: From May 9, 2014 to September 2014
 - •% to total number of shares issued excluding treasury stock: 2.71%

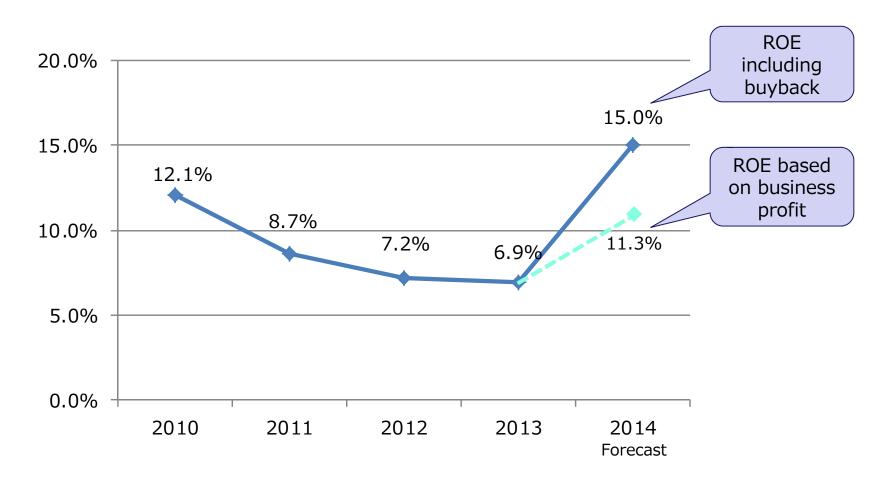


*"Total dividend amount" represents the dividend resolved based on the fiscal year's profit.

ROE record



ROE for FY2014 is expected to be 15%, due to significantly increased net income and buyback of Brother shares



Details of Financial Results for FY2013(ended March 31,2014) and Forecasts for FY2014(ending March 31,2015)

Consolidated Results for FY2013 (ended March 31,2014) brother



(100 Millions of Yen)

	3/2014	3/2013			3/2014	
	[Actual]	[Actual]	Change	Rate of Change (w /o forex impact)	[Previous Forecast]	Change
	(A)	(B)	(A - B)	(A/B - 1)	(C)	(A - C)
Net Sales	6,168	5,161	1,008	19.5% (+4.3%)	6,150	18
Operating Income	433	298	135	45.4%	380	53
Operating Income Ratio	7.0%	5.8%			6.2%	
Non-operating Income (Loss)	-77	-66	-11		-75	-2
Current Profits	356	231	125	53.9%	305	51
Extraordinary Income (Loss)	-21	48	-69		-5	-16
Income Taxes	143	101	42		145	-2
Net Income	192	178	14	7.8%	155	37

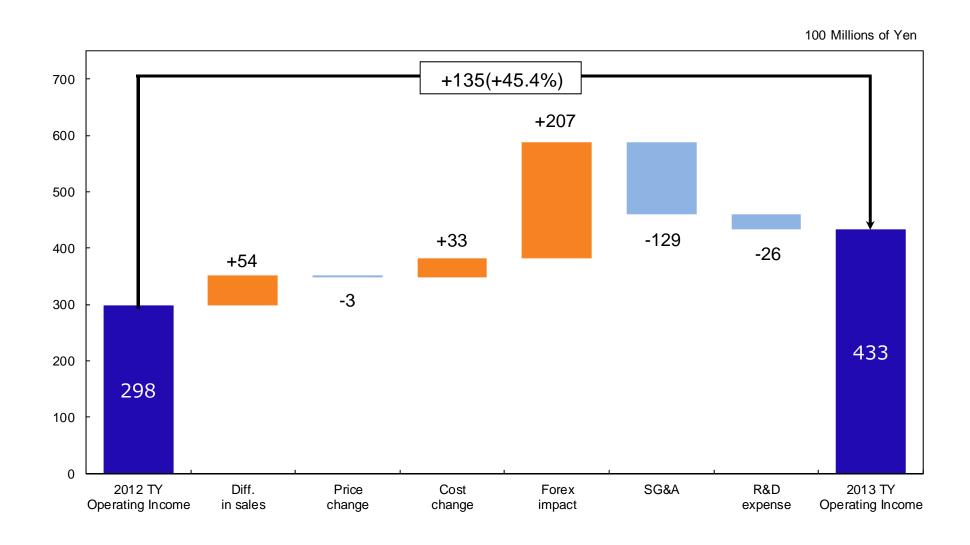
(Yen)

Exchange	USD	100.00	83.23	16.77
Rates	EUR	134.01	107.57	26.44

99.74 133.45

Main Factors for Changes in Operating Income < Results for FY2013(ended March 31, 2014 >





Printing & Solutions Sales & Operating Income < Results for FY2013(ended March 31, 2014 >



Net Sales

(100 Millions of Yen)

Operating Income

Change

(w/o forex impact)

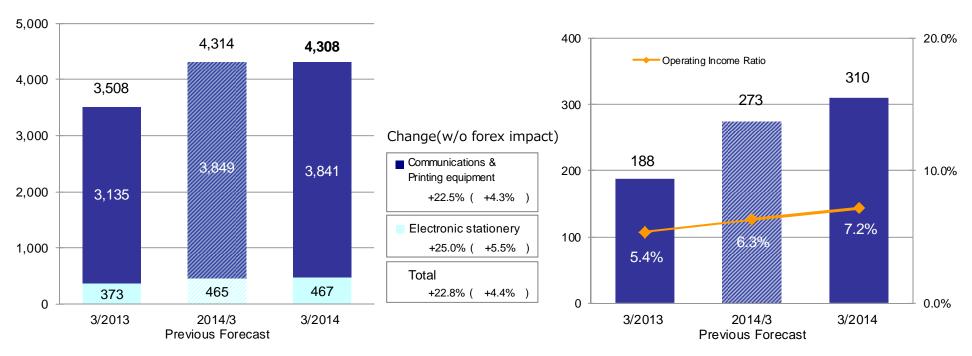
+23.1% (+3.0%)

+29.4% (+4.0%)

+31.3% (+10.6%)

+14.9% (+14.9%)

(100 Millions of Yen)



Communications & Printing equipment Geographical Sales(100 Millions of Yen)

	3/2013	2014/3 Previous Forecast	3/2014	Change (w/o forex impact)		3/2013	2014/3 Previous Forecast
Americas	1,193	1,515	1,504	+26.1% (+6.0%)	Americas	176	216
Europe	1,081	1,321	1,327	+22.7% (-1.2%)	Europe	114	145
Asia & Others	406	513	514	+26.6% (+8.2%)	Asia & Others	43	56
Japan	454	500	497	+9.3% (+9.3%)	Japan	41	48

Electronic stationery

Geographical Sales(100 Millions of Yen)

3/2014

216

147

56

47

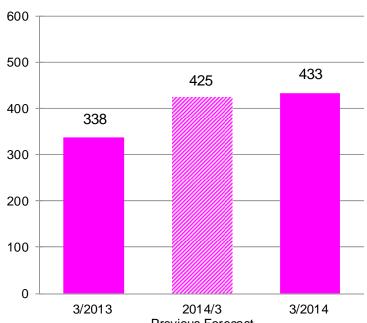
- ✓ Sales increased in each region due to the positive effect of forex.
- ✓ Operating income significantly increased due to the positive effect of forex, despite negative factors, such as investments for future growth of new business and a onetime expense recorded in the first half.

Personal & Home Sales & Operating Income < Results for FY2013(ended March 31, 2014 >



Net Sales

(100 Millions of Yen)



Previous Forecast

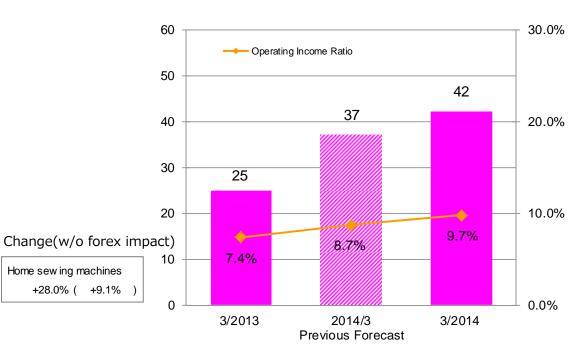
Home sewing machines

Geographical Sales(100 Millions of Yen)

	3/2013	2014/3 Previous Forecast	3/2014	Change (w/o forex impact)
Americas	174	225	229	+31.6% (+10.1%)
Europe	78	103	107	+37.4% (+9.6%)
Asia & Others	28	36	36	+29.5% (+11.6%)
Japan	59	61	61	+4.2% (+4.2%)

Operating Income

(100 Millions of Yen)



- ✓ Sales grew due to steadily increased sales in Europe and the Americas.
- ✓ Operating income significantly increased mainly due to the positive effect of forex.

Machinery & Solution Sales & Operating Income < Results for FY2013(ended March 31, 2014 >



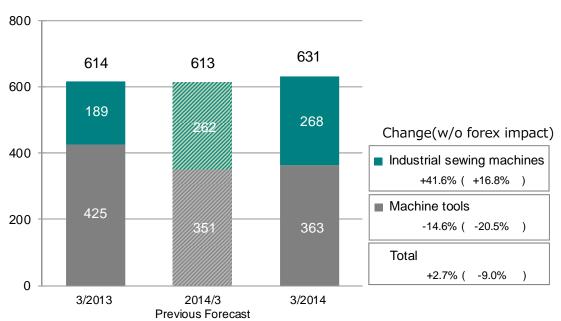
Net Sales

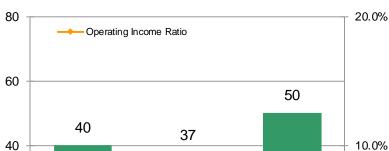
Operating Income (100 Millions of Yen)

6.5%

3/2013

(100 Millions of Yen)





2014/3

Previous Forecast

Industrial sewing machines

Geographical Sales(100 Millions of Yen)

	3/2013	2014/3 Previous Forecast	3/2014	Change (w/o forex impact)
Americas	36	44	45	+24.0% (+2.8%)
Europe	30	37	38	+26.3% (+1.0%)
Asia & Others	117	175	178	+51.8% (+24.9%)
Japan	5	6	7	+22.6% (+22.6%)

Machine tools

Geographical Sales(100 Millions of Yen)

			•		•
ct)		3/2013	2014/3 Previous Forecast	3/2014	Change
%)	Americas	20	21	21	+7.7%
%)	Europe	11	14	16	+36.0%
%)	Asia & Others	348	274	282	-19.0%
%)	Japan	46	41	44	-3.6%

✓ Sales of industrial sewing machines increased due to a recovery in demand in the sewing industry and the contribution of new products.

7.9%

3/2014

- ✓ Although sales of machine tools decreased, demand in the IT industry expanded over the second half of the year.
- ✓ Operating income increased overly due to a recovery in sales of industrial sewing machines.

20

0

0.0%

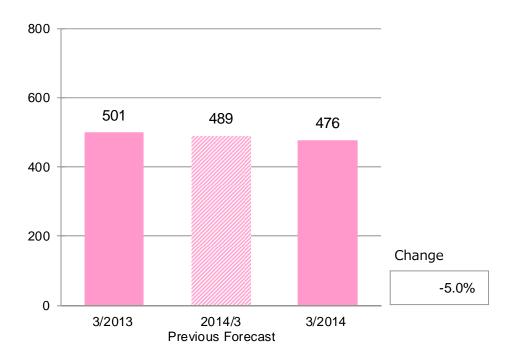
^{*}As machine tools are mostly exported to customers abroad directly from Japan, sales are reported in 'Japan' segment regardless of destination of exports. Therefore, for the purpose of this material, the regional breakdown ratios of exports from Japan multiplied by total consolidated sales is shown here.

Network & Contents Sales & Operating Income < Results for FY2013(ended March 31, 2014 >



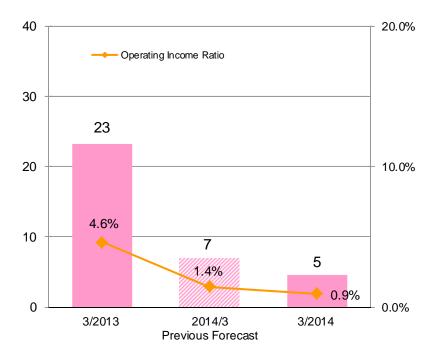
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



- ✓ Sales decreased due to a reactionary decline from the launch of new karaoke machines in the previous year.
- ✓ Operating income significantly decreased due to a sales decrease and an increase in SGA including service improvement and remodeling costs for directly-managed karaoke shops.

^{*} Regional sales breakdown for "Network & Contents" is not referred to here because the major part of sales are made in Japan.

Consolidated Forecast for FY 2014 (ending March 31, 2015) brother



(100 Millions of Yen)

	3/2015 [Forecast]	3/2014 [Actual]	Change	Rate of Change
Net Sales	6,700	6,168	532	8.6% (+8.2%)
Operating Income	470	433	37	8.5%
Operating Income Ratio	7.0%	7.0%		
Non-operating Income (Loss)	-40	-77	37	
Current Profits	430	356	74	20.7%
Extraordinary Income (Loss)	150	-21	171	
Income Taxes	120	143	-23	
Net Income	460	192	268	139.3%

(Yen)

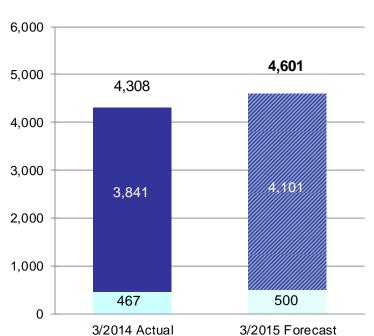
Exchange	USD	100.00	100.00	0.00
Rates	EUR	138.00	134.01	3.99

Printing & Solutions Sales & Operating Income < Forecast for FY2014(ending March 31,2015) >



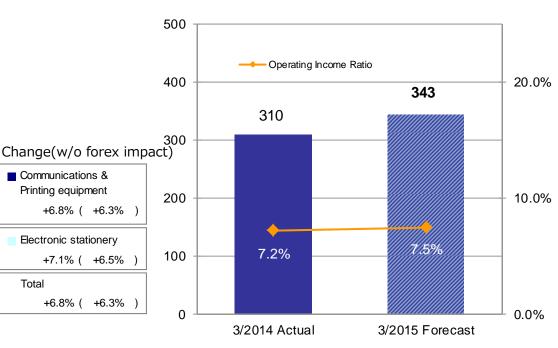
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



Communications & Printing equipment Electronic stationery

Geographical Sales(100 Millions of Yen)

	3/2014 Actual	3/2015 Forecast	Change (w/o forex impact)		3/2014 Actual	3/2015 Forecast	Change (w/o forex impact)
Americas	1,504	1,591	+5.8% (+6.5%)	Americas	216	228	+5.5% (+6.2%)
Europe	1,327	1,389	+4.7% (+2.1%)	Europe	147	157	+6.8% (+3.9%)
Asia & Others	579	655	+13.1% (+14.1%)	Asia & Others	62	75	+20.6% (+20.8%)
Japan	431	466	+8.1% (+8.1%)	Japan	42	40	-3.7% (-3.7%)

- ✓ Increase sales in all regions due to aggressive investments for sales growth.
- ✓ Although operating income will increase, the growth rate is expected to be limited due to aggressive investment spending for future growth.

^{*}In accordance with a change in scope of consolidation this year, some figures, which were presented in "Japan" in the prior year, are reclassified into "Asia and Others". © 2014 Brother Industries, Ltd. All Rights Reserved.

Personal & Home Sales & Operating Income < Forecast for FY2014(ending March 31,2015) >



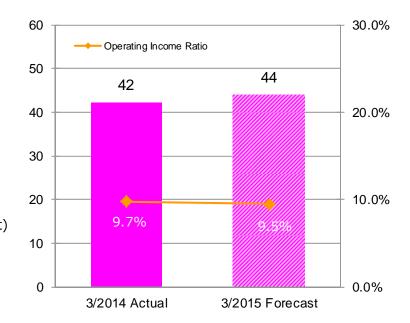
Net Sales

(100 Millions of Yen)

600 500 433 400 300 200 100

Operating Income

(100 Millions of Yen)



Change(w/o forex impact)

Home sew ing machines +7.2% (+7.2%)

Home sewing machines

3/2014 Actual

Geographical Sales(100 Millions of Yen)

	3/2014 Actual	3/2015 Forecast	Change (w/o forex impact)
Americas	229	243	+6.1% (+7.1%)
Europe	107	110	+3.0% (+0.6%)
Asia & Others	46	58	+24.9% (+25.8%)
Japan	51	53	+4.9% (+4.9%)

3/2015 Forecast

- ✓ Expand sales further by developing in hobby area and emerging markets.
- ✓ Operating income is expected to grow due to increased sales.

^{*}In accordance with a change in scope of consolidation this year, some figures, which were presented in "Japan" in the prior year, are reclassified into "Asia and Others". © 2014 Brother Industries, Ltd. All Rights Reserved.

Machinery & Solution Sales & Operating Income < Forecast for FY2014(ending March 31,2015) >

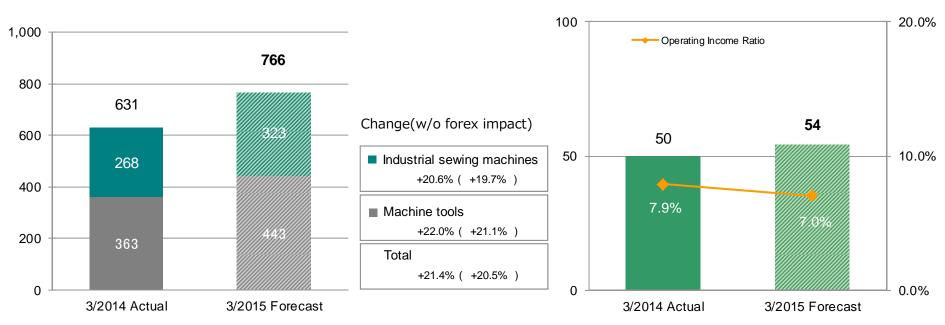


Net Sales

(100 Millions of Yen)

Operating Income

(100 Millions of Yen)



Industrial sewing machines Geographical Sales(100 Millions of Yen)

3/2014 3/2015 Change (w/o forex impact) Actual Forecast **Americas** 45 45 +0.2% (+0.4%) Europe 38 44 +16.4% (+13.4%) Asia & Others 178 229 +28.4% (+27.6%) 7 5 Japan -25.8% (-25.8%)

Machine tools

	3/2014 Actual	3/2015 Forecast	Change
Americas	21	22	+2.5%
Europe	16	17	+9.0%
Asia & Others	282	358	+27.2%
Japan	44	45	+2.7%

- ✓ Increase significantly sales of industrial sewing machines by strengthening sales in Asian markets.
- ✓ Increase sales of machine tools by strengthening sales to clients in the automobile-related industries.
- ✓ Operating income is expected to grow due to increased sales.

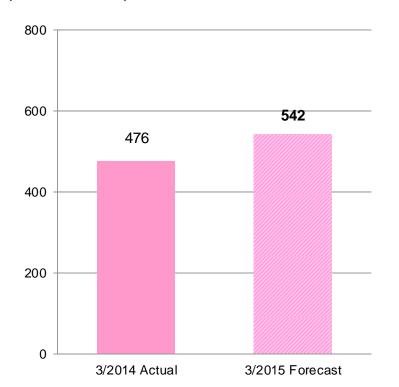
^{*}As machine tools are mostly exported to customers abroad directly from Japan, sales are reported in 'Japan' segment regardless of destination of exports. Therefore, for the purpose of this material, the regional breakdown ratios of exports from Japan multiplied by total consolidated sales is shown here. 26

Network & Contents Sales & Operating Income < Forecast for FY2014(ending March 31,2015) >



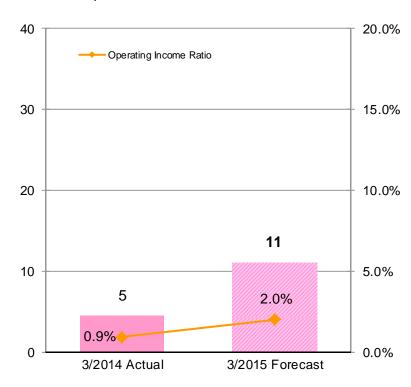


(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



- ✓ Sales are expected to increase due to the integration of Media Create Co., Ltd. and opening up karaoke shops.
- ✓ Operating income is expected to grow due to increased sales.

Change

+13.9%

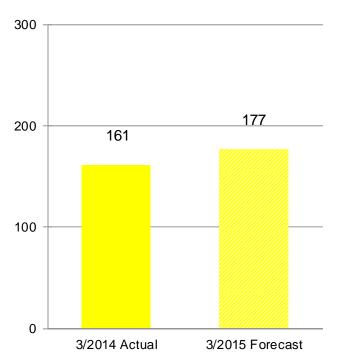
^{*} Regional sales breakdown for "Network & Contents" is not referred to here because the major part of sales are made in Japan.

Industrial Part Sales & Operating Income < Forecast for FY2014(ending March 31,2015) >



Net Sales

(100 Millions of Yen)





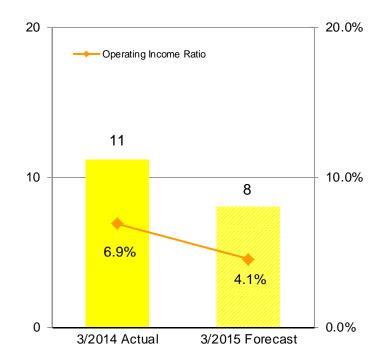
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	3/2014 Actual	3/2015 Forecast	Change (w/o forex impact)
Americas	20	29	+43.0% (+43.2%)
Asia & Others	0	5	- (-)
Japan	141	143	+1.6% (+1.6%)

Operating Income

(100 Millions of Yen)

Change

+9.9%



- ✓ Expand overseas sales by strengthening sales in North America.
- ✓ Operating income is expected to decrease due to an increase in fixed costs such as depreciation.

Consolidated Results for FY2013(ended March 31,2014) < FY2013 Q4(3-month Results) >



(100 Millions of Yen)

	Thr	ee months end	ded Mar. 31, 2	014
	Q4 3/2014 [Actual]	Q4 3/2013 [Actual]	Change	Rate of Change (w/o torex impact)
Net Sales	1,650	1,388	262	18.9% (+8.9%)
Operating Income	126	40	85	211.9%
Operating Income Ratio	7.6%	2.9%	4.7%	
Non-operating Income (Loss)	-11	-30	19	
Current Profits	115	10	105	1053.7%
Extraordinary Income (Loss)	-22	49	-71	
Income Taxes	19	3	16	
Net Income	74	56	18	32.7%

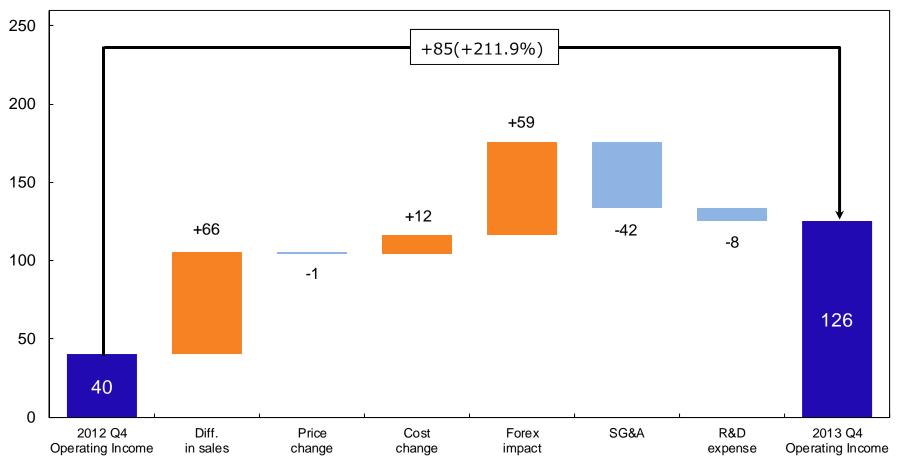
(Yen)

Exchange	USD	103.28	91.07	12.21
Rates	EUR	141.47	120.20	21.27

Main Factors for Changes in Operating Income < FY2013 Q4(3-month Results) >





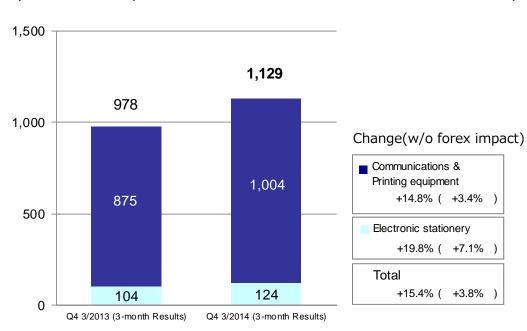


Printing & Solutions Sales & Operating Income < FY2013 Q4(3-month Results) >



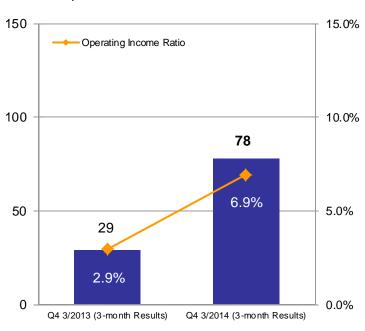
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



Communications & Printing equipment Electronic stationery

Geographical Sales(100 Millions of Yen)

	Q4 3/2013 (3-month Results)	Q4 3/2014 (3-month Results)	Change (w/o forex impact)
Americas	334	379	+13.3% (+2.6%)
Europe	325	377	16.1% (-1.3%)
Asia & Others	110	127	+16.3% (+9.0%)
Japan	106	121	+14.3% (+14.3%)

	Q4 3/2013 (3-month Results)	Q4 3/2014 (3-month Results)	Change (w/o forex impact)
Americas	46	54	+18.7% (+6.5%)
Europe	33	43	+28.7% (+9.3%)
Asia & Others	11	13	+15.3% (+5.9%)
Japan	13	14	+4.9% (+4.9%)

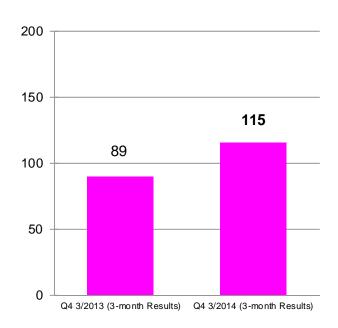
- ✓ Overall sales increased steadily.
- ✓ Demand in Europe was recovering gradually. Sales in Japan grew due to a demand rush prior to the consumption tax hike.
- ✓ Operating income increased due to improvements in the product mix and the positive effect of forex.

Personal & Home Sales & Operating Income < FY2013 Q4(3-month Results) >



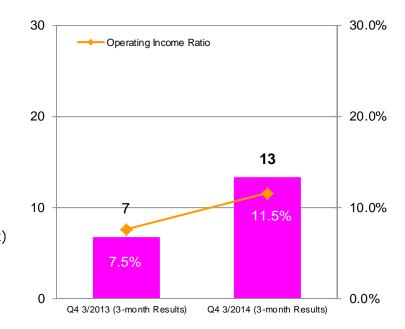
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



Change(w/o forex impact)

Home sew ing machines +28.8% (+17.2%)

Home sewing machines

	Q4 3/2013 (3-month Results)	Q4 3/2014 (3-month Results)	Change (w/o forex impact)
Americas	42	54	+27.6% (+15.1%)
Europe	21	30	+41.4% (+20.2%)
Asia & Others	7	9	+31.7% (+23.7%)
Japan	19	22	+16.1% (+16.1%)

- ✓ Sales increased due to strong sales in all regions.
- ✓ Operating income significantly increased mainly due to the positive effect of forex.

Machinery & Solution Sales & Operating Income < FY2013 Q4(3-month Results) >



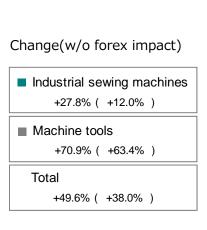
Net Sales

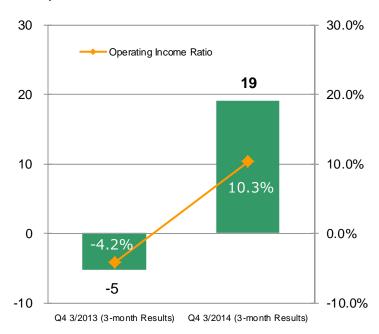
(100 Millions of Yen)



Operating Income

(100 Millions of Yen)





Industrial sewing machines

Geographical Sales(100 Millions of Yen)

	Q4 3/2013 (3-month Results)	Q4 3/2014 (3-month Results)	Change (w/o forex impact)
Americas	10	10	+1.0% (-10.0%)
Europe	9	11	+22.0% (+3.8%)
Asia & Others	40	54	+35.6% (+18.6%)
Japan	2	2	+33.4% (+33.4%)

Machine tools

	Q4 3/2013 (3-month Results)	Q4 3/2014 (3-month Results)	Change (w/o forex impact)
Americas	6	5	-6.5%
Europe	3	4	+44.0%
Asia & Others	46	81	+76.5%
Japan	8	16	+103.5%

- ✓ Sales of industrial sewing machines increased due to a recovery in demand in the sewing industry and the contribution of new products.
- ✓ Sales of machine tools increased due. to a recovery in demand in the ITrelated industry.
- ✓ Operating income turned into the black due to increased sales.

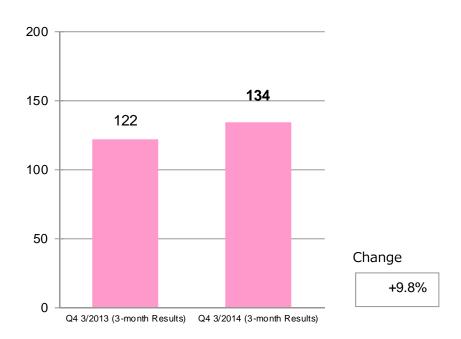
^{*}As machine tools are mostly exported to customers abroad directly from Japan, sales are reported in 'Japan' segment regardless of destination of exports. Therefore, for the purpose of this material, the regional breakdown ratios of exports from Japan multiplied by total consolidated sales is shown here. 33

Network & Contents Sales & Operating Income < FY2013 Q4(3-month Results) >



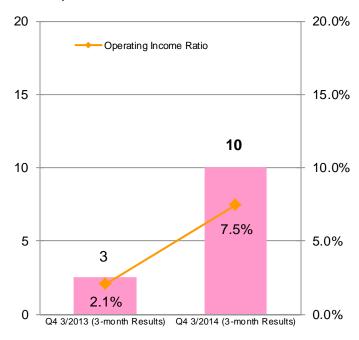
Net Sales

(100 Millions of Yen)



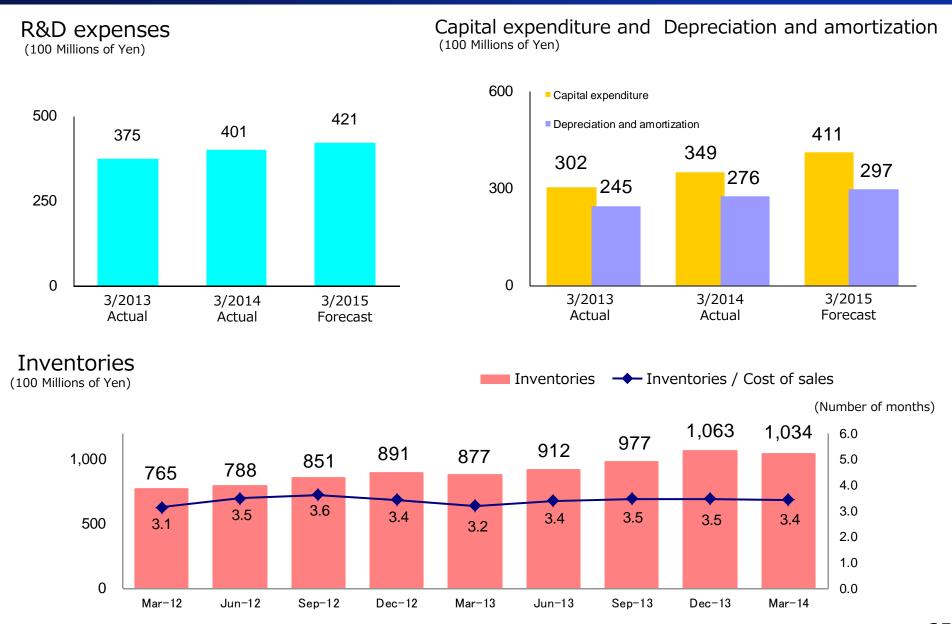
Operating Income

(100 Millions of Yen)



- ✓ Sales grew because the unit sales of karaoke machines increased. The karaoke shop business achieved sales growth.
- ✓ Operating income grew due to increased sales.
- Regional sales breakdown for "Network & Contents" is not referred to here because majority of sales are made in Japan.

R&D expenses, Capital expenditure, Depreciation and amortization and Inventories at your side





> Sales by geography and growth rates based on change in scope of consolidation

◆Communications & Printing equipment

	3/2013	3/2014	Change (w/o FX impact)
Asia & Others	450	579	+28.6% (+12.2%)
Japan	410	431	+5.2%

◆Printing & Solutions

	3/2013	3/2014	Change (w/o FX impact)
Asia & Others	497	641	+29.0% (+12.3%)
Japan	447	472	+5.7%

◆ Electronic stationery

	3/2013	3/2014	Change (w/o FX impact)
Asia & Others	47	62	+32.3% (+13.5%)
Japan	37	42	+11.8%

◆Personal & Home

	3/2013	3/2014	Change (w/o FX impact)
Asia & Others	36	46	+27.3% (+13.4%)
Japan	50	51	+1.3%

> Due to the change in scope of consolidation this year, some figures, which would have been presented in "Japan" in prior years, are presented in "Asia and Others". As for businesses affected by this change, their figures for the previous years (FY 2012 & 2013) are reclassified in accordance with the new standard.

