

The Brother Group Mid-Term Business Strategy “CS B2018”

We are committed to structural reforms under the theme of “Transform for the Future.”

Formulation of the mid-term business strategy “CS B2018”

The business environment surrounding the Brother Group’s existing business fields keeps on changing rapidly. To realize a company which will be prosperous into the future under such a situation, we have to transform into an enterprise with a leaner structure.

With this recognition in mind, the Brother Group formulated the mid-term business strategy “CS B2018” for the period from FY2016 to FY2018 as a road map to achieve “Global Vision 21.” Advancing three transformations of CS B2018, which are business, operational, and talent transformations, we will differentiate between “businesses for profitability enhancement” and “growth businesses and new businesses,” and reallocate our human resources and investments to strengthen our business portfolio. We undertake these transformations aiming to become a multi-business enterprise with resilient DNA and a track record of success that continually evolves to deliver profitable growth by meeting the challenges of changing times and environments.

Financial Results of FY2017

Sales Revenue713 billion yen

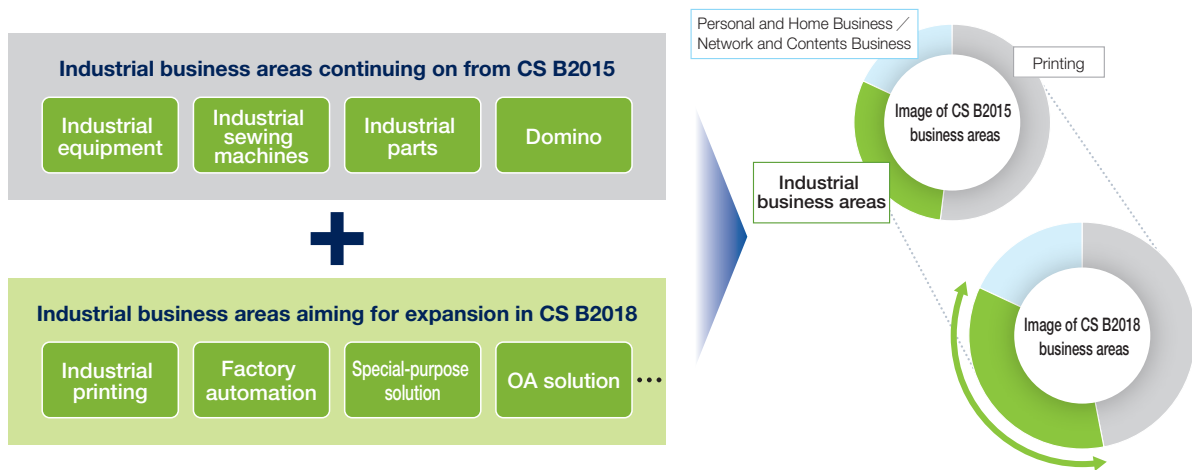
Operating Profit68.7 billion yen

Operating Profit Ratio9.6%

Three Transformations

Three Transformations	Future Business Activities
<p style="text-align: center;">Business Transformation</p> <p>Transition from a printing-focused business to a portfolio-based multi-business enterprise</p>	<p>Printing and Solutions Business: Promote thorough streamlining of product development, manufacturing and sales, etc., and enhance profitability</p> <p>Personal and Home Business: Cultivate a business targeting the craft market as our second pillar and improve its profitability</p> <p>Machinery Business: Aim at further business growth by assisting our customers to realize streamlining of their production operations</p> <p>Network and Contents Business: Complete structural reform and create a synergy effect among different businesses within the group</p> <p>Domino Business: Accelerate global business development and create new customer value</p>
<p style="text-align: center;">Operational Transformation</p> <p>Reinforce customer value creation capability for the future by optimizing use of limited resources and focusing on efficiency</p>	<p>As part of the operational process transformation, promote streamlining of our business operations by actively adopting IT, such as Robotic Process Automation (RPA) and Product Lifecycle Management (PLM). Particularly in product development and production, strengthen manufacturing and improve productivity by working together in these respective areas, and evolve our manufacturing to a higher level in quality and efficiency.</p>
<p style="text-align: center;">Talent Transformation</p> <p>Cultivate the next generation of leadership talent in the context of Brother’s unique DNA and optimize talent deployment across the group</p>	<p>Strive to maximize utilization of the group’s human resources by affirmatively pursuing:</p> <ul style="list-style-type: none"> ● Cultivation of next-generation management personnel through active selection of young employees ● Strengthening of functional and operational manpower which support the company, through passing down of Brother’s DNA by utilizing senior staff, and increasing recruitment of experienced workers ● A reform of our personnel system to support implementation of diversified management practices by selecting from global personnel and promoting empowerment of women in work places.

Image of transition in Brother's business areas



The Market Trends and the Strategies of the Respective Businesses

Businesses/Business Fields	The Market Trends	The Strategies of Respective Businesses
Printing and Solutions Business/ Communications and printing equipment	<ul style="list-style-type: none"> ▶ Shrinking in size of the SOHO*1 market caused by the trend toward a paperless office environment ▶ Expansion of demand for small-size all-in-ones in the SMB*2 market ▶ Market expansion in emerging nations 	<ul style="list-style-type: none"> ▶ Maintain and expand our shares in all the product categories in the SOHO market. Enhance our product lineup for models with larger consumables capacity, and enable our customers to reduce printing costs ▶ Suggest the best-suited products and the best setups for offices as well. Expand contract-type businesses ▶ Generate profit by improving proper inventory management and shifting to a product mix which can offer greater additional value ▶ Respond to the needs of various business situations, including offices, retailing and logistics by enhancing our product lineups
Printing and Solutions Business/Electronic stationery	<ul style="list-style-type: none"> ▶ Maturation of the home and office market and expansion of demand for business use 	<ul style="list-style-type: none"> ▶ Respond to the needs of various business situations, including offices, retailing and logistics by enhancing our product lineups
Personal and Home Business	<ul style="list-style-type: none"> ▶ Steady increase of demand on a global basis (home sewing machines) ▶ Expansion of the craft market mainly in North America (home cutting machines) 	<ul style="list-style-type: none"> ▶ Maintain our market position with our high-end machines, and expand our market share with mid-range machines (home sewing machines) ▶ Obtain new sales channels and expand our business (home cutting machines)
Machinery Business/ Industrial sewing machines	<ul style="list-style-type: none"> ▶ Expansion of demand accompanied by the shift of the sewing industry from China to Southeast Asia 	<ul style="list-style-type: none"> ▶ Market the NEXIO series industrial sewing machines globally. Develop new products and services responding to the needs of automation and IoT. Expand sales areas of the garment printers ▶ Expand sales in the automobile-related market and stabilize our business foundation. Accelerate our business growth by providing business solutions ▶ Develop and provide products, including ones targeting the robotics market, and accelerate sales expansion
Machinery Business/ Industrial equipment	<ul style="list-style-type: none"> ▶ Steady increase of demand for processing of parts for automobile-related products and general machines 	<ul style="list-style-type: none"> ▶ Develop and provide products, including ones targeting the robotics market, and accelerate sales expansion
Machinery Business / Industrial parts	<ul style="list-style-type: none"> ▶ Expansion of demand for highly functional gear motors, in addition to standard models, which currently have steady sales increases ▶ Expansion of demand for high-precision gears and gear motors accompanied with the development of the robot market 	
Network and Contents Business	<ul style="list-style-type: none"> ▶ The number of karaoke users and the number of karaoke clubs on a slight increase 	<ul style="list-style-type: none"> ▶ Create a synergy effect among different businesses within the group from the provision of songs to management of karaoke clubs with sales expansion of models with high product appeal and models targeting the elderly as our main strategy
Domino Business	<ul style="list-style-type: none"> ▶ The growth of the coding and marking market and the digital printing market accompanied by the expansion of demand for product traceability and short run printing 	<ul style="list-style-type: none"> ▶ Maintain a high rate of growth through continuous investment into our sales activities and development of products by utilizing our technologies that we have cultivated throughout our history

*1: Small Office, Home Office.

*2: Small and Medium Business. It includes small offices, small- and medium-size businesses and a business that has offices in multiple dispersed locations.