

## To Our Stakeholders

# Passing on our DNA Long Successful Future



Representative Director &  
President

**Ichiro Sasaki**

### **Transforming into a business structure that thrives continuously**

Under Brother's mid-term business strategy, CS B2018 (FY2016 to FY2018) with the theme of "Transform for the Future," we are striving 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, through three transformations: Business Transformation, Operational Transformation and Talent Transformation.

In FY2017, the second year of CS B2018, our sales and profit reached the highest in our corporate history in real terms due to a steady global sales increase in the Printing and Solutions Business and strong sales growth in the industrial equipment business.

To ensure continued success, we are determined to make an organized effort as a whole group to complete the transformations set to be achieved under CS B2018 in its last year.

### **FY2017 activities for transformations**

For "Business Transformation," we are aiming for a transformation from our current business structure, of which the core is the printing business, to a multi-business enterprise focusing on the industrial field and new businesses, which we consider the businesses of future growth. Consequently, we have been shifting our resources to growth businesses and executing prior investments as planned.

To realize "Operational Transformation," we will accelerate the establishment of a system that maximizes the overall efficiency of the entire manufacturing process, which includes development, production, quality control and procurement, while focusing especially on streamlining of the development process. We will also employ IT actively to increase the efficiency of administrative work, such as financial affairs, human resources and general administrative affairs.

To advance "Talent Transformation," we will proactively pursue (1) the cultivation of next-generation management personnel through active selection of young employees, (2) 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, and (3) a reform of our personnel system to support implementation of diversified management practices by selecting from global personnel and promoting empowerment of women in the workplace. Through this approach, we aim to utilize our group's human resources to the highest degree possible and to adopt a new method for human resources development to promote growth of all our employees.

### **Investment and financial strategies to achieve transformations**

Brother bases its investment decisions on accurate understanding of customer needs and the creation of customer value to the highest degree possible. With the "At your side." spirit placing our customers first everywhere and every time as our principle, we will invest in our facilities and research and development in line with

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the strategies of our respective businesses and in establishment and expansion of sales channels, while pursuing efficiency.

As for the business of profitability enhancement, such as communications and printing equipment business and online karaoke systems business (Network and Contents Business), we aim at securing more stable profit continuously through streamlining and structural reform of our business operations. We will invest mainly in businesses with anticipation for future growth and new businesses. We will also consider strategic investments including M&A expeditiously by prioritizing the cases that will lead to strengthening growth businesses and new businesses.

Our cash flow has improved significantly as well. Since our net cash entered the black, we are out of debt in real terms. Furthermore, our equity capital ratio reached 55.8%, allowing us to stay in a strong financial state.

In regard to returning our profits to our shareholders, we will pay stable dividends with a target consolidated payout ratio of 30%, considering the balance with our financial strategies.

\* Net cash: The amount of cash remaining after subtracting interest-bearing debt (borrowings and corporate debentures) from cash and cash equivalents (deposit and short-term securities).

## Remaining a company trusted by stakeholders

In order to remain a company trusted by all stakeholders, Brother also attaches a great deal of importance to environmental commitment, contributing to local communities and society, and practicing good corporate governance.

In April 2018, we formulated the Brother Group Environmental Vision 2050 as our environmental goal and established the medium-term target for FY2030 as its milestone to contribute to resolving environmental issues that we face on a global scale to build a sustainable society.

Meanwhile, we strive to understand the demands and expectations from local communities accurately by communicating with them, and conduct social contribution activities exhibiting shared awareness as the entire group, in which many Brother Group employees participate. Brother also implemented the Brother Group Health and Productivity Management Philosophy to promote employees' health.

As for corporate governance, we place importance on enhancing our corporate value in the long-term by optimizing managerial resources and creating customer value, as well as establishing a long-term trusted relationship with shareholders by improving our corporate transparency. Brother Industries, Ltd. also has a head start over other companies in that it has many independent outside directors who oversee management from an objective perspective.

In FY2018, the Brother Group is celebrating the 110<sup>th</sup> anniversary of its foundation. In order to establish a strong group that can survive in a fierce business environment, we will pursue a shift into a business structure that will continuously strive to transform itself more than ever. We appreciate your continuous support for all of the activities of the Brother Group.



Representative Director &  
Chairman

**Toshikazu Koike**