

Printing and Solutions Business

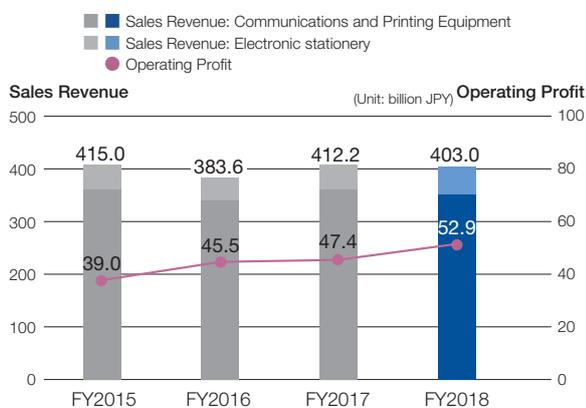


Business Objectives

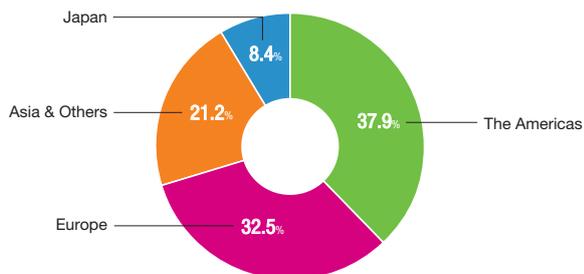
- **Communications and Printing Equipment:**
Strengthen profitability and competitiveness further as a core business supporting group-wide portfolio management
- **Electronic Stationery:**
Maintain the global No. 1 position in Home/Office business with steady profitability and expand specialty printing solutions for further growth

FY2018 Operational Highlights

Transition of Sales Revenue/Operating Profit



Sales Revenue by Region



Sales Revenue: 403.0 billion yen (-2.2% y/y)

■ Communications and Printing Equipment 353.1 billion yen (-3.2% y/y)

In addition to strong global sales of black-and-white laser products targeting the SOHO market, sales of inkjet All-in-One models with large-capacity ink tanks targeting emerging nations outpaced the original plan. However, sales revenue of communications and printing equipment decreased overall due to the application of IFRS 15 and the negative impact of exchange rates.

■ Electronic Stationery 49.9 billion yen (+5.6% y/y)

Sales revenue of electronic stationery increased overall due to strong global sales of the P-touch brand labeling systems and label printers and strong performance in the solutions field, which were mainly driven by the sales increase of mobile printers.

Business Segment Profit: 52.2 billion yen (-1.3% y/y)

Operating profit: 52.9 billion yen (+11.7% y/y)

Business segment profit remained almost the same as the previous year. Operating profit increased significantly due to the absence of last year's impairment loss related to exchange contracts.

*Sales revenue and operating profit are calculated based on International Financial Reporting Standards (IFRS). Business segment profit is calculated by subtracting cost of sales and selling, general and administrative expenses from sales revenue.

Business Summary

Communications and Printing Equipment

Brother's Strength

As for communications and printing equipment, in the early 1990s, Brother developed thermal transfer fax machines and small laser All-in-Ones that met the needs of a work style called SOHO (Small Office, Home Office), in which an individual or a small group of individuals use their homes, and so forth, as an office, and established its position as a pioneer in this market. Even today, our laser printers and All-in-Ones especially have high reputations in the SOHO market for their high printing speed, cost performance and durability, and are receiving good reviews from many business partners and industry magazines all around the world.

In recent years, we have been integrating compact black-and-white and color laser All-in-Ones, and business-use inkjet All-in-Ones for A3-size paper, and so forth into a scanner compatible with mobile devices and cloud networks. With this product approach, we meet customer needs consistently from input to output. Furthermore, we have increased our targeted customer base to the SMB* market and expanded our businesses and services, such as the solutions business that provides solutions to problems, a consultation service to suggest the best-suited products and the best office setups. We have also expanded our contract-type businesses, including print management and automated delivery of consumables. Through these businesses and services, we help our customers improve productivity and actualize cost optimization.

Market Trend and Brother's Business Strategies

- Maintain our position in the SOHO market
- Selectively strengthen our businesses in the SMB and solutions fields
- Grow to realize profit increase in emerging nations
- Enhance our earning capacity by thorough streamlining and prioritized investment leading to profit generation

In the SOHO market in advanced countries, Brother is maintaining and expanding its market share in many product categories, such as black-and-white laser and color laser products. In the SMB market in Europe, contract-type businesses, such as print management for customers and automated delivery of consumables, are expanding smoothly. In addition to the black-and-white laser business, the inkjet business is making a great contribution to profitability enhancement in the markets in emerging nations as sales mainly of the models with built-in refill tanks have exceeded the original target. Overall, the Printing and Solutions business is generating more profit than the target as the business for profitability enhancement as a result of various transformations, such as streamlining of the business, reduction of rework in product development, reduction of manufacturing costs and a shift to product lineups that can offer greater additional value.

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

Main Product Lineup



Black-and-white Laser All-in-One



Color Laser All-in-One



Scanner



Inkjet Printer



Electronic Stationery

Brother's Strength

As for electronic stationery, Brother has been conducting the P-touch brand labeling system and label printer business for about 30 years. We have maintained the top market share in the field of business/professional use as a globally powerful brand which offers highly operable and functional products, an extensive and varied lineup of labels, and products that are equipped with software and corresponding interfaces to meet customer demand.

Market Trend and Brother's Business Strategies

- Firmly secure our position and maintain profit in the office business
- Expand specialty printing solutions

The markets for business/professional use and home use in advanced countries have been steadily growing. To provide new value to customers, Brother released labeling systems with a dedicated smartphone application for label editing and a full-color

label printer capable of printing photos and colorful original labels. Concerning consumables, we are increasing our revenue through improvements which provide further additional value, such as by releasing luxurious-looking premium tapes.

As for the business for specialty printing solutions, in the auto-ID market (barcode printers, etc.), which has high growth potential, Brother will expand its product lineup and respond to various business printing needs, and thus, deliver optimal solutions that help customers improve their productivity.

Mainly in emerging nations, the demand for business use, such as marking on distribution boards and communication cables, and labeling at manufacturing sites, is expanding. To meet these uses more effectively, we will expand the lineup of label consumables, and thus widen our range of target customers and applications.

Main Product Lineup



Labeling System



Label Printer



Mobile Printer

Brother's Value Creation

Brother's printers and All-in-Ones receive excellent reviews from external evaluation agencies around the world

Brother's printers and All-in-Ones have gained high ratings from evaluation organizations around the world. In January 2019, for example, Brother's MFC-J6947DW and MFC-J6945DW received the Winter 2019 Pick Awards from Buyers Lab (BLI), a US-based independent evaluation organization. Brother has won BLI's "Pick Award" for four years in a row since 2016 for its printers, All-in-Ones and scanners. In addition, Brother has been named as a winner

of the "Business Choice" and the "Readers' Choice" awards by PC Magazine in the United States for six consecutive years and for ten consecutive years, respectively. In Japan, Brother has earned the "Best Award" for four consecutive years in the "Page Printer" category of the BCN Awards program organized by BCN Inc.

As for awards related to design for printers, Brother has received the iF Design Award ten years in a row.



▲ For four consecutive years



▲ For four consecutive years



▲ For ten consecutive years