

We will continue responding to change with flexibility and speed, and providing superior value to customers, with the “At your side.” spirit in mind, always placing our customers first.

#### Brother Group's Value Creation

##### **Always responding to change with flexibility and speed, and providing superior value to customers in line with the Brother Group Global Charter**

The Brother Group has always conducted business with a sensitivity to the needs of customers and society. Underlying our operations is the “At your side.” spirit, which always places our customers first. I believe that, in any era, the most fundamental part of conducting business is to constantly create and provide superior value while adapting our business to the needs of customers.

The Brother Group has also established the Brother Group Global Charter (“Global Charter”), which, in addition to the “At your side.” spirit, consists of the Basic Policies and Codes of Practice that guide and govern the daily decision making and actions of employees. Translated into a total of 28 languages, the Global Charter is the foundation of all operations of our 40,000-strong workforce around the world.

The speed of change in this modern world is increasing in every sense, with unexpected events occurring all the time. To continue providing superior value in such an environment, it is important that each and every one of our employees acts autonomously in line with the Global Charter and responds to change with flexibility and speed with the “At your side.” spirit always in mind.

#### Brother Group's Strengths

##### **Demonstrating flexibility, agility, and cost advantage to provide products and services that meet the needs of customers**

Brother was established in 1908 as a sewing machine repair business. Over the years, we have responded flexibly to

changing times and evolving technologies, changing our core products from sewing machines to typewriters and now printers as we have continued taking on challenges without fear of failure. This flexibility has been cultivated through the consistent provision of products and services from the perspective of what customers need.

In addition to the flexibility to respond to such changes, our strengths also include the agility to provide products and services quickly, and the cost competitiveness achieved through utilization of our efficient global network in development, manufacturing, sales, and service. We have also created a unique management system called “Brother Value Chain Management” (BVCM), which ensures all business activities start from customer demands and expectations. By leveraging our agility when implementing this system, we will be able to continue quickly providing customers with the products and services they need.

#### Implementing the Medium-Term Business Strategy “CS B2021”

##### **A three-year strategy to do everything necessary from the long-term perspective**

Starting from FY2019, the medium-term business strategy “CS B2021” seeks to implement transformation focusing on four management priorities: “Printing - win to survive,” “Machinery/FA - accelerate growth,” “Industrial Printing - develop a growth platform,” and the supporting infrastructure “Form a solid foundation to gain speed/cost advantage.” While achieving growth in the industrial area, we are using this time to build the foundation for future growth (“TOWARDS THE NEXT LEVEL”) rather than just pursuing short-term sales and profits.

The area of office and home printing is a core business for



Representative Director & President

**Ichiro Sasaki**

Brother, but we are expecting these markets to shrink as the world follows the paperless trend. Within this environment, our compact, multifunction, easy-to-use printers and All-in-Ones are also receiving a lot of support from customers who have until now used large copiers and All-in-Ones. Going forward, we aim to win to survive in the area of printing as we continue to quickly meet our customers' needs, such as

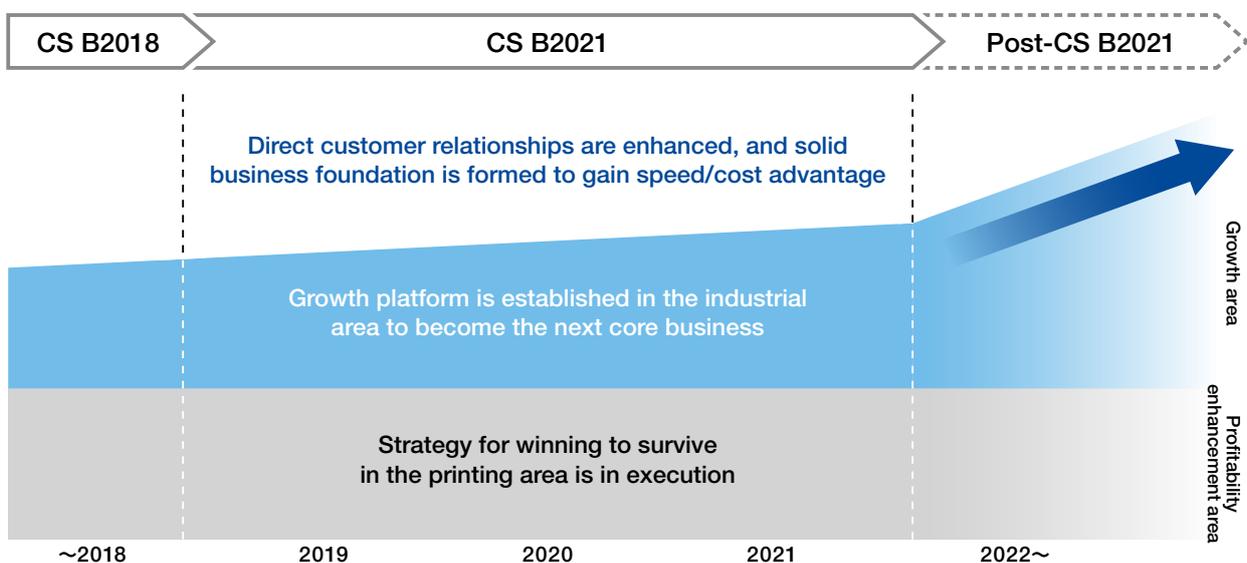
expanding new business models like auto-fulfillment services for consumables and subscription services.

In the area of machinery and factory automation as well, we have developed a full range of machine tools with a focus on compact, high-speed products. In FY2019, we have been providing peripheral equipment designed to meet automation needs, including optional equipment for automated transfer

**Brother's Strengths**



**Positioning of CS B2021**



## Message from the President

and delivery of processed parts. Despite experiencing a drop in orders recently with the downturn in the global economy, we expect demand for machine tools to continue increasing as the global economy grows over the long term. Countries are also facing the structural issue of labor shortages as populations decline, so the need for labor-saving equipment and automation will increase dramatically going forward. As we continue to enhance our product range and provide peripheral equipment designed to meet labor-saving and automation needs, we aim to improve our sales capabilities and service strengths through enhanced sales facilities in Japan and overseas.

In the area of industrial printing, we will accelerate growth through realization of synergies between the printing technologies developed by Brother and the customer base developed over many years by Domino Printing Sciences plc ("Domino"). In FY2019, in a first for Brother, we developed and started marketing an industrial thermal printer for automatic packaging machines. Going forward, in addition to enhancing our sales and service structures, we aim to utilize our development infrastructure to create a rapid development system and accelerate new product development. Through a combination of printing technologies of the Brother Group as well, we will expand this business into new areas such as logistics and manufacturing industries.

We are in what they call the Fourth Industrial Revolution, and the coming decade through to 2030 will see about half the current jobs replaced by computers and robots. Now more than ever we must work together across the Group to "form a solid foundation to gain speed/cost advantage."

We have to start by implementing a thorough review of business processes to improve efficiencies. By reviewing our businesses' activities, automating those activities through RPA, AI and other information technologies, and building optimal personnel systems, Brother Industries aims to reduce total working hours by 10%, or 700,000 hours, by the end of FY2021 from about 7 million hours per year at present. During FY2019, which was the first year of the plan, we achieved a reduction of 410,000 hours. We are using the time saved to work on creating value for customers. We are also fostering talent and enhancing related systems to enable employees to demonstrate their abilities and skills over the long term through activities such as a trainee program that sends trainees between Brother Industries and Brother Group companies outside Japan, and regular one-on-one meetings between supervisors and subordinates. By fostering talent who have a broad vision, high expertise, and the ability to respond to global business challenges, and who are able to implement the BVC system, we are working to maximize the performance of our organization.

### CS B2021 "TOWARDS THE NEXT LEVEL" ~ Establish a firm foothold for the future ~

#### Printing - win to survive

- Maintain scale and raise profitability by acquiring high-PV<sup>1</sup> users and improving hardware profitability
- Accelerate shift to new business models to secure stable profits and closer customer relations

#### Machinery/FA - accelerate growth

- Achieve significant growth in Industrial Equipment with focus on auto/general machine market
- Increase FA<sup>2</sup> business through capturing a surge in labor-saving/automation needs

#### Industrial Printing - develop a growth platform

- Re-accelerate Domino's growth with synergy realization/reinforcement
- Expand Industrial Printing area by inkjet-centered printing technologies

#### Form a solid foundation to gain speed/cost advantage

- Thorough operational transformation across the board by leveraging IT
- Maximize organizational performance by cultivating talent pool and optimizing talent deployment
- Revitalize unprofitable/low-profit businesses

\*1 Print Volume

\*2 Factory Automation: Automation of various factory work and processes using machines and information systems

## Implementing Environmental, Social and Governance (ESG) Management

### Building a strong management structure to create social value through business activities

The Global Charter shows our commitment to building long-term trusting relationships with all our customers and stakeholders by developing our business and fulfilling social responsibilities. The Brother Group has always provided social value through our businesses, from reducing power consumption of printers in use, to reducing the environmental impact of printers by recycling used toner cartridges, meeting labor-saving needs by automating sewing processes with our high-productivity industrial sewing machines, and providing musical healing content called “Kenko Okoku” as a response to the aging of society, with efforts to maintain health and improve quality of life while having fun. As the world becomes increasingly aware of environmental and social issues, every employee must be conscious of ESG and the SDGs<sup>\*1</sup>, and work harder than ever to create social value through our business activities.

As part of our environmental initiatives and in line with the Brother Group’s Environmental Policy, we formulated the Brother Group Environmental Vision 2050 in March 2018 to contribute to solving global environmental issues such as climate change to help build a society that can achieve sustainable development. Based on this environmental vision, we have further strengthened our activities related to CO<sub>2</sub> emissions reduction, resource recycling, and biodiversity conservation. Among these activities, in July 2018, our 2030 medium-term targets for CO<sub>2</sub> emissions reduction were approved by the international environmental initiative “Science Based Targets initiative” as “science-based reduction targets” for achieving the Paris Agreement’s goal of limiting global warming to well below 2 degrees Celsius. We have also been working to meet the high standards of Europe, including compliance with the RoHS Directive, the Ecodesign Directive (ErP Directive), and the REACH Regulation (EU).

In FY2019, we signed the United Nations Global Compact<sup>\*2</sup>, an initiative advocated by the United Nations, and announced that we will continue contributing to sustainable development of society by putting into practice the Ten Principles of the United Nations Global Compact relating to human rights, labor and other issues. We also declared our support of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and while analyzing business risks and opportunities presented by climate change, and reflecting the results in our business strategies, we are making all relevant disclosures.

In November 2015, we established the “Brother Group Basic Policies on Corporate Governance” and since then we have worked to strengthen our governance in line with these policies. The presence of outside directors is essential for ensuring the transparency of management and appropriately implementing governance. Our board of directors consists

of 11 directors, of which five are outside directors, which is a comparatively high ratio. These outside directors are able to offer guidance based on their own experience and specialist knowledge, which leads to productive discussions in meetings of the Board of Directors and many other places. Going forward, we will continue to strengthen our corporate governance while enhancing corporate value over the long term by optimizing management resources and creating customer value, and focusing on building long-term trusting relationships with all stakeholders by enhancing corporate transparency.

### To Our Stakeholders

#### Passing on the DNA of manufacturing that has confidently taken on challenges, and continuing to evolve as a company providing superior value

We expect the business environment in which the Brother Group operates to continue undergoing dramatic changes into the future, but it is essential that we are able to operate in any environment. This is yet another reason that we must pass on Brother’s DNA of manufacturing, that has confidently taken on challenges, to enable every one of our employees to improve their abilities by taking on a wide range of challenges and using those diverse experiences to create new value for customers.

It is precisely because the business environment is changing so rapidly that we will continue to evolve as a company, uniting with employees with the “At your side.” spirit in mind to quickly deliver superior value and greater satisfaction than ever to customers.



<sup>\*1</sup> SDGs: The Sustainable Development Goals are a set of common goals for the international community, consisting of 17 goals and 169 targets, that were adopted by the world’s leaders at a UN summit in September 2015.

<sup>\*2</sup> The United Nations Global Compact is a voluntary initiative where, through responsible and creative leadership, participating businesses and organizations act as good members of society to build a global framework for the realization of sustainable growth.