Printing and Solutions Business
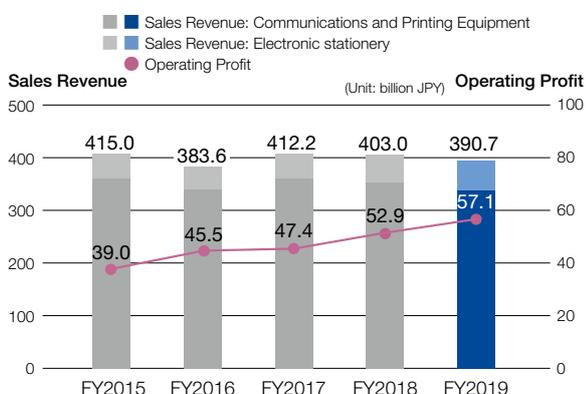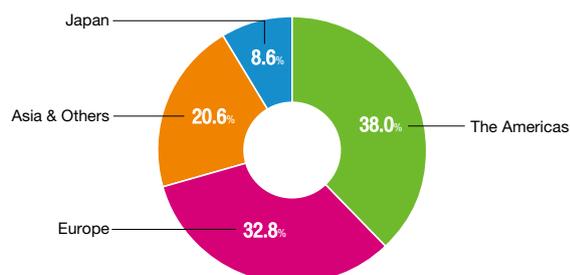
Printing &Solutions

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

FY2019 Operational Highlights

Transition of Sales Revenue/Operating Profit

Legend:
- Sales Revenue: Communications and Printing Equipment
- Sales Revenue: Electronic stationery
- Operating Profit

Sales Revenue (Unit: billion JPY) / Operating Profit

FY	Sales Revenue	Operating Profit
FY2015	415.0	39.0
FY2016	383.6	45.5
FY2017	412.2	47.4
FY2018	403.0	52.9
FY2019	390.7	57.1

Sales Revenue by Region

- Japan: 8.6%
- The Americas: 38.0%
- Europe: 32.8%
- Asia & Others: 20.6%

* 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.

Sales Revenue: 390.7 billion yen (-3.1% y/y)

■ Communications and Printing Equipment 341.7 billion yen (-3.2% y/y)

Sales were strong for inkjet All-in-One models with large-capacity ink tanks for emerging countries, and with large-capacity cartridges for advanced countries. Sales of consumables for laser and inkjet printers were also both strong globally. On the other hand, sales revenue from communications and printing equipment decreased overall due to the negative impact of exchange rates from an appreciating yen, and sluggish demand for black-and-white laser printers in particular from an economic slowdown in China.

■ Electronic Stationery 49.0 billion yen (-1.9% y/y)

Despite strong global sales of labeling systems, and a strong performance in the solutions field that was mainly driven by sales of mobile printers, sales revenue from electronic stationery decreased due to the negative impact of exchange rates from an appreciating yen.

Business Segment Profit: 57.2 billion yen (+9.4% y/y)
Operating profit: 57.1 billion yen (+7.9% y/y)

Despite the negative impact of exchange rates from an appreciating yen, purchasing activities and other factors had the effect of reducing costs, the product mix was improved, and sales of consumables were strong. In addition, operating profit increased due to higher demand from people working at home, as a result of the novel coronavirus disease COVID-19, causing a temporary increase in demand for inkjet All-in-Ones and other equipment, increased demand for stocking up on consumables in anticipation of supply shortages, and the impact from constrained selling, general and administrative expenses.

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 for customer problems, and 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 countries
- Enhance our earning capacity by thorough streamlining and prioritized investment leading to profit generation

In the middle of changing markets, with the markets shrinking and print volumes dropping, Brother is maintaining and expanding its market share in the SOHO market in advanced countries, including many product categories such as black-and-white laser and color laser products, and steadily expanding its contract-type businesses in the SMB market, including customer print management and automated delivery of consumables. 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 countries as sales mainly of the models with built-in refill tanks have steadily grown. On top of this, the Printing and Solutions business is generating good profits as a profitability enhancement business due to 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 strong global 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 strong. As new value for customers,

Brother is providing labeling systems with a dedicated smartphone application for label editing and a full-color label printer capable of printing photos and colorful original labels.

In the area of consumables, we are further improving added value and enhancing profitability by offering such things as tape varieties and materials that meet customer needs.

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.

The demand for business use, such as marking on distribution boards and communication cables, and labeling at manufacturing sites, is also expanding. To meet these uses 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

Solving Social Issues Through Business

Contributing to CO_2 emissions reduction and resource recycling

To help create a sustainable global environment, every product needs reduced CO_2 emissions and efficient use of resources, so Brother provides energy-saving, resource-saving printers and All-in-Ones that are friendly to the environment.

Products must exhibit industry-leading energy-saving performance to qualify for third-party certification according to international standards for eco-conscious products, such as the International ENERGY STAR Program[1] and Blue Angel[2]. Our laser printers and All-in-Ones employ toner fixing and other technologies to comply with these third-party standards while reducing CO_2 emissions during use.

We are also promoting toner cartridge recycling. In addition to promoting the collection of cartridges around the world,

we are reusing cartridges by refilling them with toner in Europe, U.S.A., and Japan. In this way, we are making efficient use of resources and helping to reduce CO_2 emissions from the recycling process.

By providing environment-friendly printers and All-in-Ones, we are contributing to Goal 12 (sustainable production) and Goal 13 (climate action) of the SDGs[3].

[1] An international energy saving program for office equipment begun in October 1995
[2] A third-party eco-label issued by Germany's Federal Environmental Agency and the German Institute for Quality Assurance and Labeling
[3] Sustainable Development Goals