

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

Brother Industries, Ltd. (President: Toshikazu Koike) has formulated the Brother Group’s new Mid-Term Business Strategy “CS B2018” (hereinafter called “CS B2018”) for the period from FY2016 to FY2018.

We will take on the challenge of implementing structural reform under a new theme of CS B2018—“Transform for the Future.”

### **Background of formulating “CS B2018”**

Under the mid- to long-term vision “Global Vision 21” (hereinafter called “GV21”), the Brother Group sets the following three objects.

1. To become a leading global company with high profitability
2. To become a world-class manufacturer by developing outstanding proprietary technologies
3. To embody Brother’s motto, "At your side." throughout our corporate culture

The Brother Group has been formulating its mid-term strategies as road maps to achieve this GV21. In 2011, we started the Mid-Term Business Strategy “CS B2015” for a five-year period and have strived to grow in each business with our central focus on the printing business. Producing a successful result by our positive M&A, we also expect to achieve the target sales of CS B2015.

In the meantime, in the face of accelerating environmental changes in the printing market, such as a reduction in printing opportunities with the widespread use of mobile devices, we have to transform into an enterprise with a leaner structure capable of generating sustainable profits in order to realize our aim of becoming a company which is prosperous into the future.

Based on this recognition, the Brother Group will commit to three reforms in (1) business, (2) operations, and (3) talent. We aim to become a multi-business enterprise by changing the printing-centric structure and focusing on areas with growth potential, such as industrial areas\*<sup>1</sup> and new businesses.

\* 1 Machinery business (Industrial sewing machines, Machine tools, and Industrial parts) and Domino business

### **Outline of CS B2018**

#### **Theme of CS B2018: “Transform for the Future”**

#### **Financial targets\*<sup>2</sup>:**

Exchange rate : 1USD=115Yen, 1EUR=130Yen

	<b>Targets of FY2018</b>	(Reference* <sup>3</sup> ) Forecasts of FY2015
Sales revenue	<b>750 billion yen</b>	685.4 billion yen
Operating profit	<b>60 billion yen</b>	46.5 billion yen
Operating profit ratio	<b>8.0%</b>	6.8%

\* 2 Based on IFRS

\* 3 Reference values for comparison with FY2018 (Domino business was adjusted to 12-month basis); They do not correspond to the full-year financial forecasts announced in the statements for the third quarter of FY2015.

## ■ Three reforms

### 1. Business reform:

“Transition from a printing-focused business to a portfolio-based multi-business enterprise”

- Enhance profitability and ability to generate cash in existing businesses/products in mature markets (including printing)
- Invest mainly in growth businesses that lead to industrial printing, factory automation, and solution fields in order to strengthen industrial areas
- Evaluate new business growth options and focus on building new businesses in a limited number of priority areas

### 2. Operational reform:

“Reinforce customer value creation capability for the future by optimizing use of limited resources and focusing on efficiency”

- Thoroughly review different operations across the entire group and shift as many resources to customer value creation as possible
- Optimize operating processes and build a flexible and strong value chain which enables full utilization of limited resources
- Establish a functional center of excellence to work across businesses divisions to sharpen manufacturing know how (including future technology) and customer value creation insights

### 3. Talent reform:

“Cultivate the next generation of leadership talent in the context of Brother’s unique DNA and optimize talent deployment across the group”

- Foster next generation talent who will build new businesses and lead the group to growth in the context of portfolio realignment
- Cultivate a global talent pool to carry on the key elements of Brother’s unique DNA: ‘differentiated manufacturing,’ ‘Brother pride,’ and ‘the “At your side.” spirit’
- Maximize the capabilities and contribution of Brother’s diverse talent pool by optimizing HC allocation, career development and evaluation across the group