

The summary of Q&A at the Brother Group Mid-term Business

Strategy “CS B2018” briefing

Q) The current mid-term business strategy focuses on growth. However, the next strategy focuses on profitability. What is the background behind the change?

A) Since Printing & Solutions market, our current core business, has already become mature, we cannot continue to expect growth at the same level as before. In addition, in the Machine tools business, our driving force in the most recent financial performance, we don't predict large demand for capital investments from IT-related customers. Amid the changing business environment, we have wanted to transform our business structure immediately. And the thought led us to acquire Domino last year. The acquisition is one of our measures to transform our business portfolio.

With a backdrop of this changing environment, we think that in this mid-term business strategy we should put priority on profitability enhancement over growth and then prepare for future growth.

Q) Although the P&S business sales target is almost at the same level as that for FY 2015, operating income is expected to grow. What is the reason for the improvement?

A) In the P&S business, we will shift approximately 20 % of its resources to the growth business over the next 3 years, resulting in reductions in fixed costs. In addition, we will monitor sales promotion expenses and manufacturing costs more strictly so that we will improve profitability.

Q) The Machine tools sales target is lower than its record-high sales. Can we get more details on this?

A) In the Machine tool, we hold a harsh view that sales will not return to its record high level during the next 3 years. We assume that sales to IT-related customers will not rise significantly. However, we would like to increase sales to Automobile-related customers, and we will first strive to achieve this level of sales target.

Q) How will you improve profitability in the N&C business?

A) Since the number of people who enjoy Karaoke has peaked, further growth is hardly expected. We will proceed with (1) improving operational efficiency in directly-managed karaoke club business, (2) thorough cost saving, and (3) development of elderly market. We are determined to secure at least an operating profit margin of 5%.

Q) What is necessary for the Domino business to grow? Is it expansion of market share of your existing businesses or sales increase by synergies generated with Brother Industries?

A) Domino has unique sales channels in the industrial area that the Brother Group does not have. We would like to continue necessary investments to strengthen Domino's sales network and service network so that we will increase Domino's sales channels.

Also, Brother would like to help Domino's R&D and manufacturing as much as possible so that Brother and Domino can better complement each other.

Furthermore, we would like to accomplish high growth in the Domino business in the future by strengthening Domino's product line-up with Brother's existing industrial printing technologies.