

Brother Communication Report
2018

110TH
ANNIVERSARY

Embrace the past. Create the future.

At

your

side.

“At your side.” story

At your side.

With the “At your side.” spirit in mind, the Brother Group aims to continually create value.

Place our customers first everywhere, every time, and provide them with superior value by quickly creating and delivering high-quality products and services.

“At your side.” represents this wish of the Brother Group.

The Brother Group aims to provide unique and original products and services at all times to help our global customers achieve new work styles and lifestyles.

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Developing “At your side.” into Shapes

The Brother Group has responded to the needs of various customers at offices, factories, and homes through manufacturing. We will continue listening to customers’ opinions with the “At your side.” spirit in mind, always placing our customers first. We also create new value by passing down Brother’s DNA that has confidently taken on challenges and adapted to changing times and environments.



Coding and Marking Equipment



Color Laser All-in-One



Industrial Sewing Machine



Online Karaoke System



Garment Printer



Digital Printing Equipment



Reducer



Gear



Labeling System



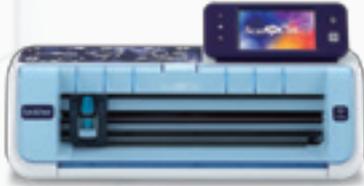
Scanner



Black-and-white Laser All-in-One



Laser Marker



Home Cutting Machine



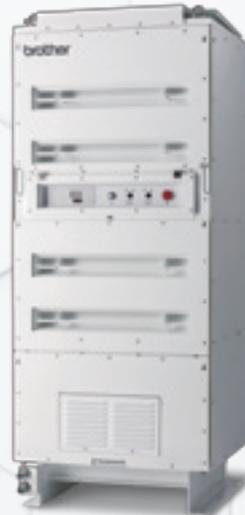
Mobile Printer



Sewing and Embroidery Machine



Machine Tool



Fuel Cell



Inkjet Printer

The beginning of the Brother Group dates back to 1908, when YASUI SEWING MACHINE CO. started a business of repairing and producing parts for sewing machines. At that time, almost all the sewing machine were foreign-made. In 1928, the Yasui brothers, the founders of NIPPON SEWING MACHINE MANUFACTURING CO. (which became Brother Industries, Ltd.), developed and produced a “Chain-stitch sewing machine for the production of straw hats”* in an effort to manufacture home sewing machines in Japan. This sewing machine became popular for its durability, which was superior to that of sewing machines made in Germany. The brand name was named “Brother” as the brothers took on the challenge of producing sewing machines together.

* This product was recognized as a “product that represents a significant achievement in the history of the development of mechanical engineering in Japan” and was certified as “Mechanical Engineering Heritage No.15” by the Japan Society of Mechanical Engineers in 2007.



Chain-Stitch Sewing Machine for Production of Straw Hats

History of the Brother Group

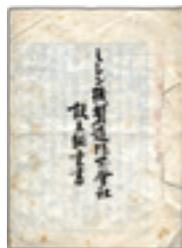
Since its foundation, Brother has been transforming its businesses to meet the needs of the time

The Brother Group started by providing repair services for sewing machines in 1908. Since then, we have been growing by focusing on development of our own technologies, promoting the diversification of our businesses through applying accumulated core technologies, and consistently continuing to cultivate new markets. Our unique and original manufacturing, always placing our customers first everywhere, every time, has been the driving force of our growth.



Foundation - 1940s Developing an Import-based Industry into an Export-based Industry

The beginning of the Brother Group dates back to 1908, when Kanekichi Yasui established a sewing machine repair business. Subsequently, Kanekichi's son, Masayoshi, took over the family business and began to develop a great ambition to manufacture sewing machines domestically within Japan to convert the import-based sewing machine industry into an export-based industry. He gained a foothold when he manufactured a chain-stitch sewing machine for the production of straw hats and successfully produced the first home sewing machine in 1932.



Prospectus of Establishment

1950s Applying Its Core Technologies to Promote Diversification

After fulfilling his long-cherished ambition of exporting made-in-Japan sewing machines in 1947, Masayoshi Yasui visited the United States to assess the sewing machine market in 1950. The trip led him to make a decision to diversify Brother's business. After that, the company developed such items as knitting machines, washing machines, vacuum cleaners and electric fans by utilizing its technologies, such as the motor development technology, which it had cultivated through manufacturing of sewing machines. Around the same time, Brother launched the development of a portable typewriter. By researching typeset manufacturing and applying the press technology gained through the development of sewing machines and knitting machines, Brother actualized commercialization of the typewriter.

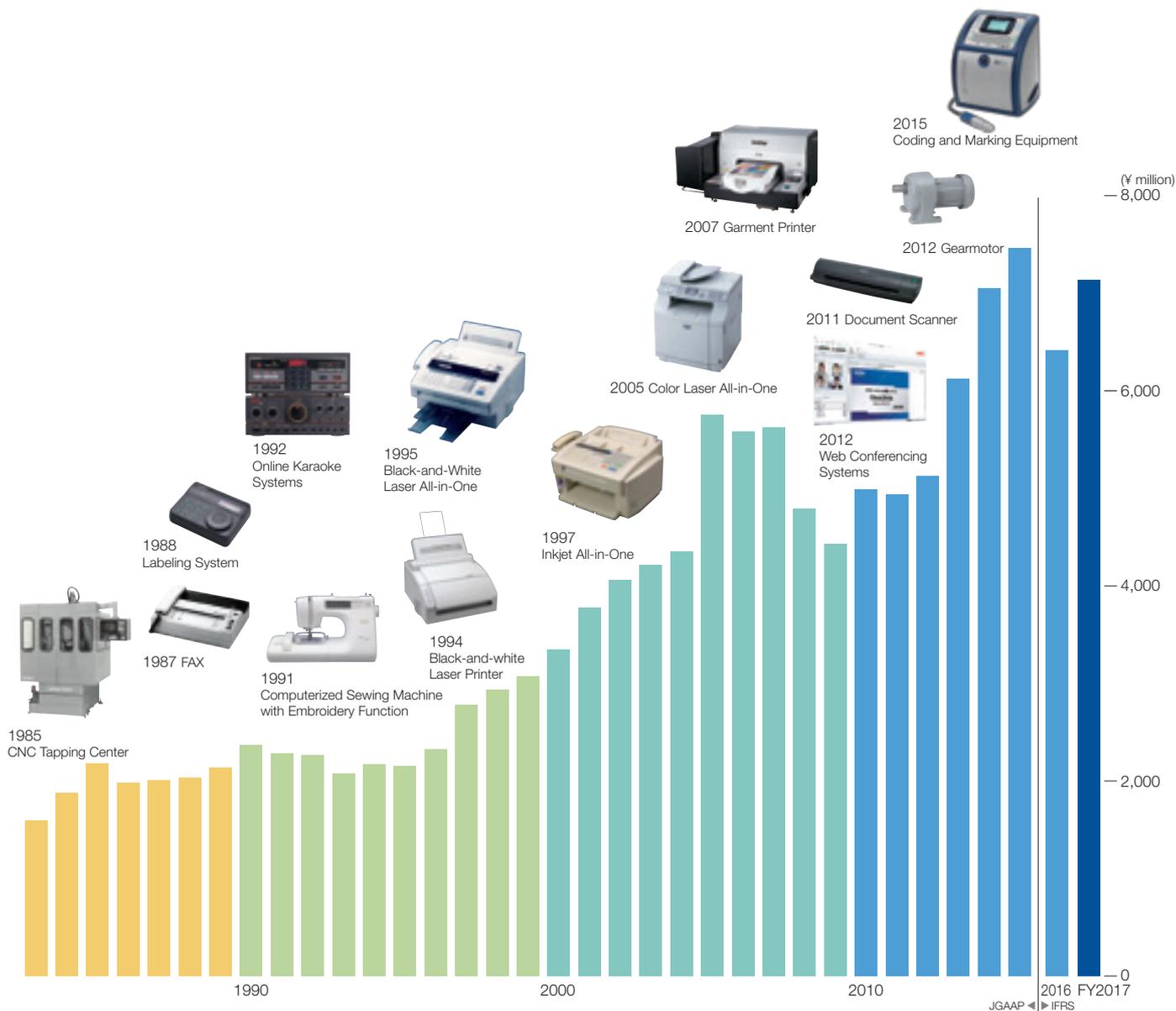
1960s Advancing into the Global Market

Brother's global business, which started with the export of sewing machines, began full-scale operations after it established overseas subsidiaries in the United States in 1954 and in Ireland in 1958. Subsequently, Brother continued to increase the number of its sales facilities around the world, mainly in Europe and the Americas, and it acquired a major sewing machine manufacturer in the United Kingdom in 1968.



1970s Developing a High-speed Dot-matrix Printer and Promoting Electronization

While popularization of personal computers accelerated computerization, Brother co-developed a high-speed dot-matrix printer for small-size computers with Centronics Data Computer Corp. in the United States in 1971. Later, Brother worked on developing its own in-house electronic control technology and print heads. These technologies were subsequently applied to fax machines and printers. In the 1970s, electronization of various industrial products progressed, and Brother also pursued incorporation of electronic technologies in its existing products, including sewing machines and typewriters.



1980s Progressing into the Information and Communications Equipment Field and Expanding the Industrial Equipment Business

In 1982, Brother developed an electronic personal printer equipped with thermal printing technology. Later, this technology was applied to label printers, the products with which Brother has high market shares today. In the late 1980s, Brother also developed thermal fax machines and laser printers, entering into the information and communications equipment field. In 1985, Brother released the CNC Tapping Center, a tapping machine equipped with a numerical control system, and advanced its industrial equipment business dramatically.

1990s Leading in the SOHO Market and Entering into the Online Karaoke Business

Brother developed a fax machine and small All-in-Ones that met the needs of a work-style called SOHO, in which an individual or a group of a few individuals runs a business by using their home, and so on, as their office, and became a pioneer in this market. In 1992, the company entered into the online karaoke business by utilizing self-developed content distribution technologies and infrastructure.



2000s Developing Business Globally and Integrating Business Management

After the late 1990s, Brother actively shifted its production to China and reconstructed its sales structure. Due to these strategies, Brother's business operation as one united group started heading in the right direction after the 2000s. Subsequently, Brother launched manufacturing operations in Vietnam and the Philippines, and established a manufacturing structure that has multiple facilities for respective businesses.



2010s Expanding into New Businesses and Strengthening the Business Portfolio

After overcoming the Lehman shock, in the 2010s, Brother has been creating new products with high added value in its existing businesses and expanding into new business fields, such as the services and solutions field, for further growth. In addition, Brother has strengthened the group's business portfolio by continuously conducting M&A in its mobile printer, online karaoke, web conference system, reducer and gear, and industrial printing businesses.

Brother at Present

Brother offers products and services that meet the needs of customers all over the world.

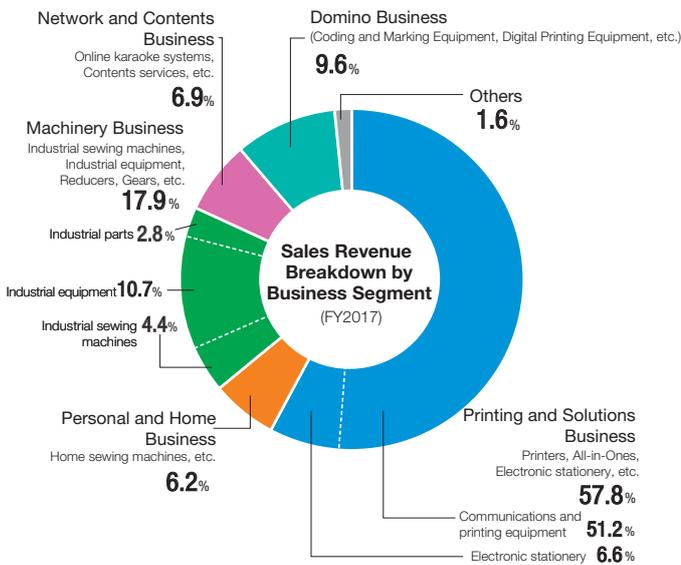
Since we established a sales company in the United States in 1954, the Brother Group has expanded its business operations on a global basis. In order to optimize the respective functions of our operations, such as development, production and sales, in the most appropriate regions, we currently have manufacturing, sales and servicing facilities in more than 40 countries and regions, and our sales generated outside Japan make up more than 80% of our overall sales.

We operate our business activities that meet the needs of respective areas and regions on a global basis, and promote globalization of our management framework, such as production and development capacities and human resources, which support our business growth.

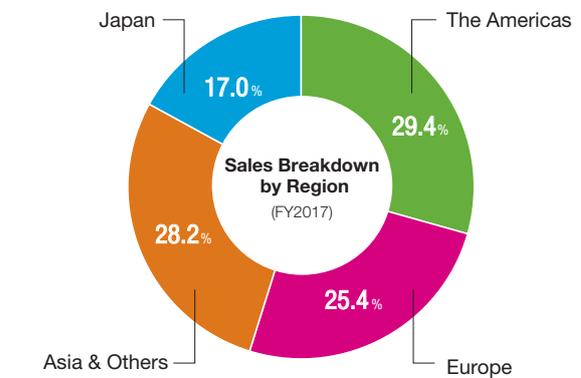
(As of March 31, 2018)



An Extensive Range of Business Segments including Printer and Industrial Equipment



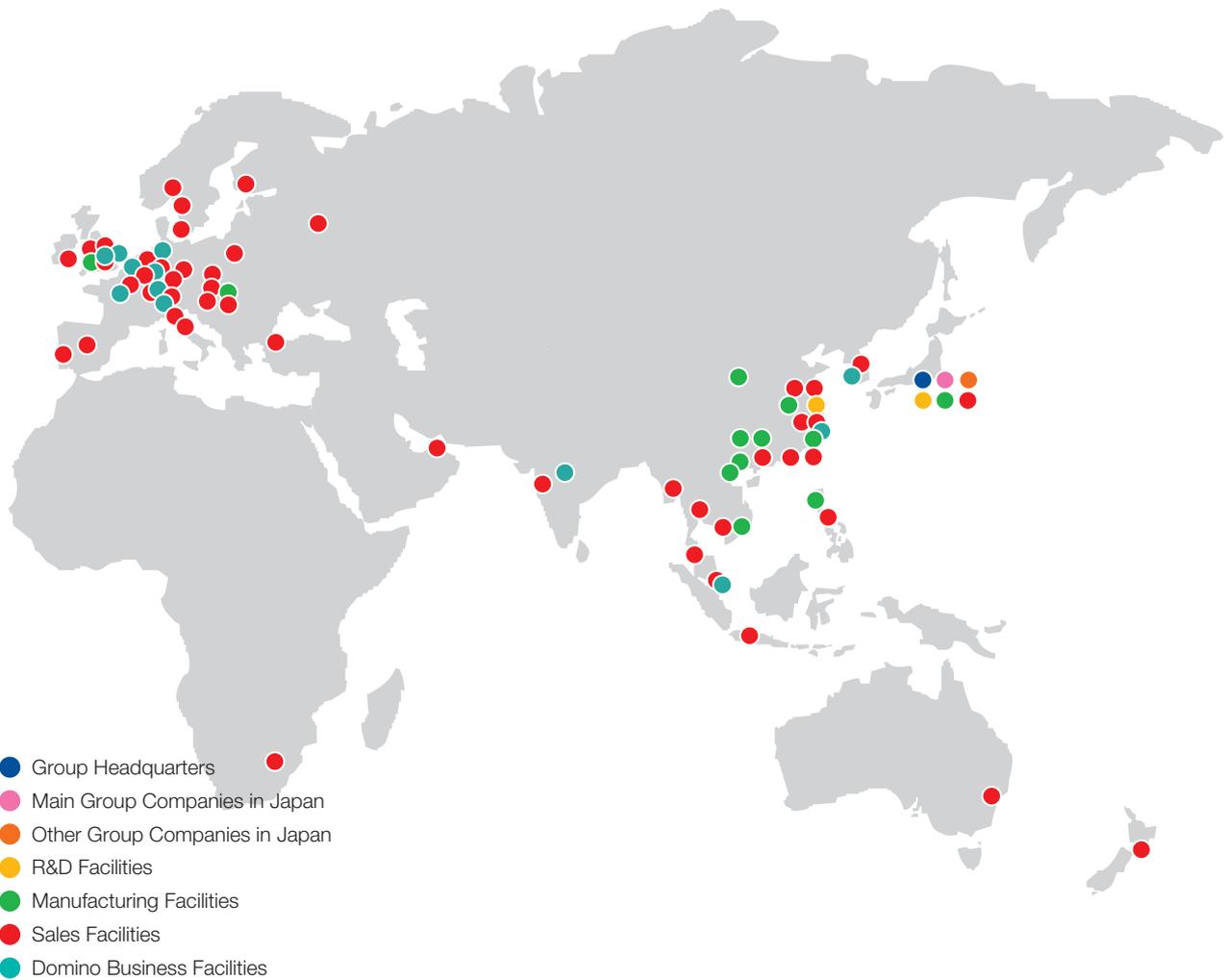
Balanced Proportion of Sales Revenue by Region



*Classified by region based on the locations of the customers

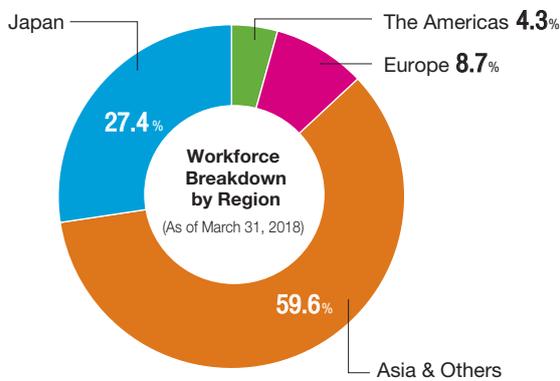
Consolidated Sales Revenue (FY2017)

713.0 billion yen



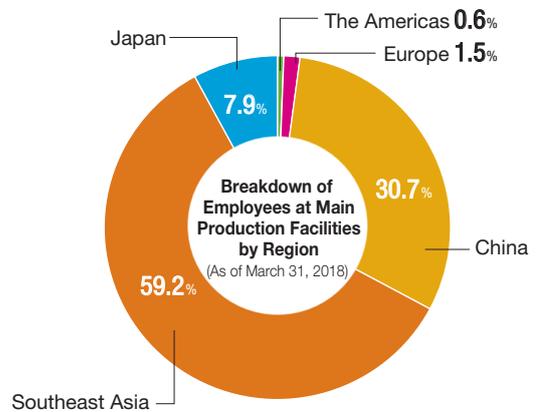
Approximately 70% of Our Employees Work outside Japan

Manufacturing Facilities, of which the Majority Are Located in Southeast Asia



Number of Group Employees
* Number of permanent employees in the Group

38,628



Number of Main Production Facilities Employees
* Number of permanent employees in the Group

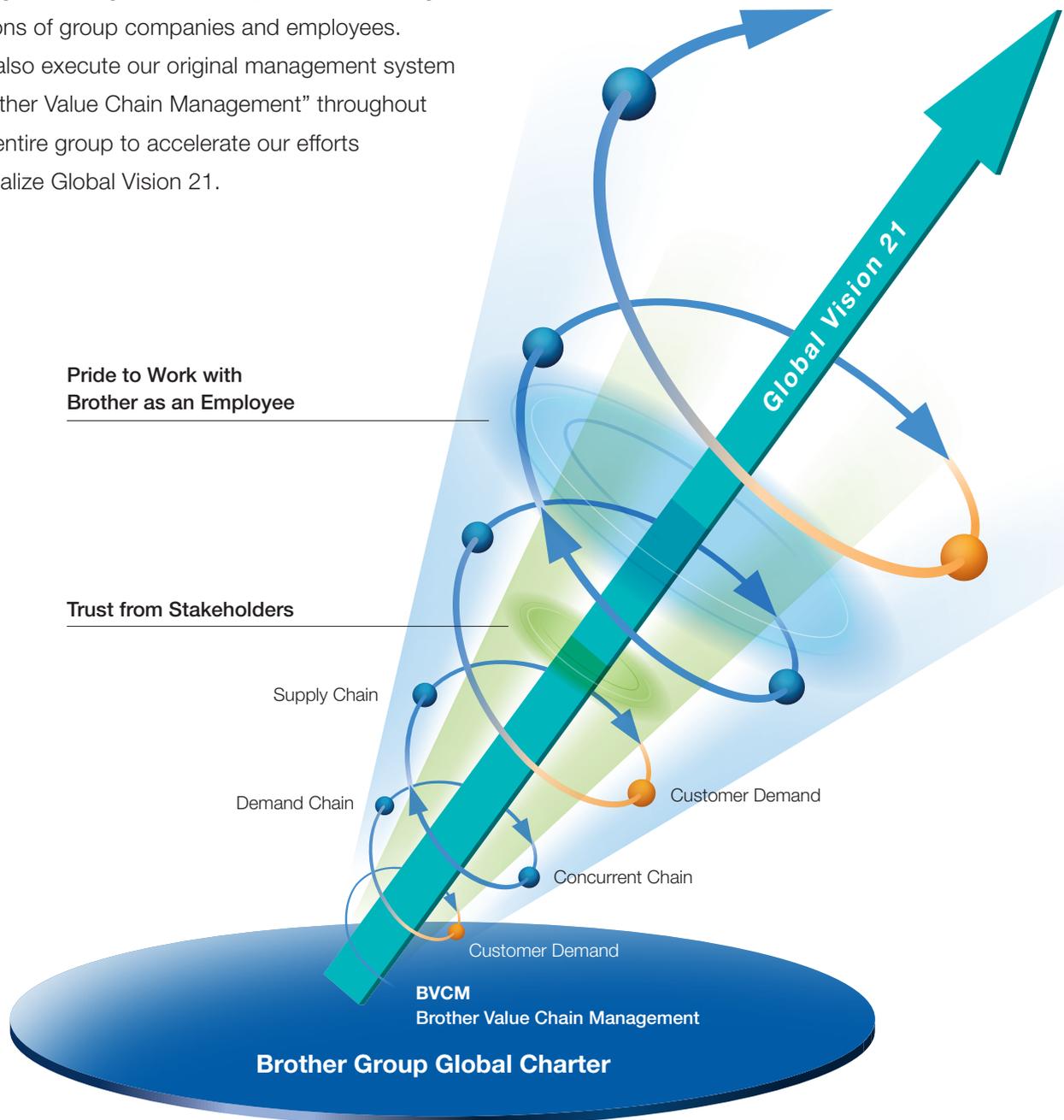
22,909

Corporate Vision of the Brother Group

We ensure continuous growth and strive to be a company that is trusted by all stakeholders.

The Brother Group aims at achieving its mid- to long-term corporate vision “Global Vision 21” to become a company that all stakeholders can trust and employees can take great pride in working for. It aims to achieve this by continuing various activities to create customer value based on the Brother Group Global Charter, which consists of Basic Policies and Codes of Practice that guide and govern the daily decision making and actions of group companies and employees.

We also execute our original management system “Brother Value Chain Management” throughout the entire group to accelerate our efforts to realize Global Vision 21.



Global Vision 21 – the Mid- to Long-Term Corporate Vision

As an organization that does business on a global scale, the Brother Group places its customers first in all activities and in many ways. Based on this idea, the Brother Group sets up three goals in its mid- to long-term corporate vision “Global Vision 21” for further growth, and effectively uses its wide variety of management resources to achieve the goals.

To become a leading global company with high profitability

While promoting globalization not only in the scale of the business, but also in our way of thinking, Brother will flexibly react to various changes, and keep evolving swiftly. We will also establish a highly profitable and solid financial strength.

To become a world-class manufacturer by developing outstanding proprietary technologies

Brother will push forward in the manufacturing of unique and original products based on the customer-first standpoint, by developing outstanding proprietary core technologies and acquiring patents.

To embody Brother’s motto “At your side.” throughout our corporate culture

Brother will foster a customer-first corporate culture in all the stages of our operations, including product planning, development, design, manufacturing, sales, and services. Our goal is to ensure the customer perception that Brother is a “trustworthy brand.”

Brother Value Chain Management (BVCM) – the System to Create Brother’s Value

The Brother Group considers customer demands and expectations top priority as our guide for all of our business operations including product planning, development, design, manufacturing, sales and service. In order to create and deliver new value, an original management system was built and named the Brother Value Chain Management (BVCM) system. BVCM is a process for delivering superior value to customers, consisting of three chains—the Demand Chain, the Concurrent Chain, and the Supply Chain. We will continue to advance this BVCM system with the “At your side.” spirit in mind and deliver better products and services.

Customer Demand:

The opinions of existing customers who have already purchased Brother products and potential customers who may purchase products in the future are the starting point for all business activities.

Demand Chain (Choosing Value): Product Planning, Research and Development

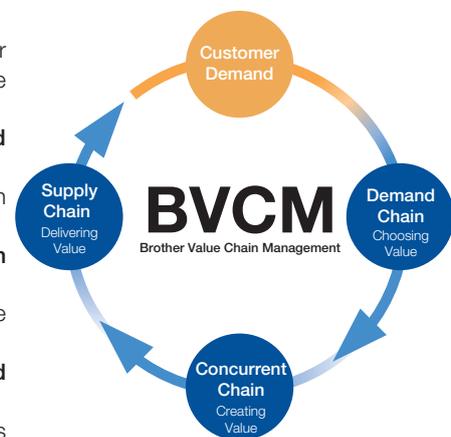
Customer expectations and demands are carefully analyzed and reflected in product development.

Concurrent Chain (Creating Value): Development Design, Production Engineering

Product concepts summarized in the Demand Chain are given a concrete shape.

Supply Chain (Delivering Value): Manufacturing, Distribution, Sales and Service

Products designed in the Concurrent Chain are manufactured, and products and services are delivered to customers the world over.



Our value creation through BVCM is supported by a variety of management resources, such as “product development,” “technical capabilities,” “talent development,” “global structure,” “flexibility,” and “cooperation with business partners.”

Brother Group Global Charter – the Basis for All Operations

The Brother Group Global Charter (“Global Charter”), which consists of Basic Policies and Codes of Practice that guide and govern the decision making and actions of employees, was established in 1999 to represent the DNA of Brother passed down since its founding. With the Global Charter as the basis for all business activities, Brother has responded to changes in customer needs and society, and technological evolution, and generated or developed various businesses, to grow globally. We will move forward while continuously strengthening our technologies and leveraging each employee’s ingenuity to achieve the “At your side.” manufacturing.

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

We are committed to structural reforms under the theme of “Transform for the Future.”

Formulation of the mid-term business strategy “CS B2018”

The business environment surrounding the Brother Group’s existing business fields keeps on changing rapidly. To realize a company which will be prosperous into the future under such a situation, we have to transform into an enterprise with a leaner structure.

With this recognition in mind, the Brother Group formulated the mid-term business strategy “CS B2018” for the period from FY2016 to FY2018 as a road map to achieve “Global Vision 21.” Advancing three transformations of CS B2018, which are business, operational, and talent transformations, we will differentiate between “businesses for profitability enhancement” and “growth businesses and new businesses,” and reallocate our human resources and investments to strengthen our business portfolio. We undertake these transformations aiming to become a multi-business enterprise with resilient DNA and a track record of success that continually evolves to deliver profitable growth by meeting the challenges of changing times and environments.

Financial Results of FY2017

Sales Revenue713 billion yen

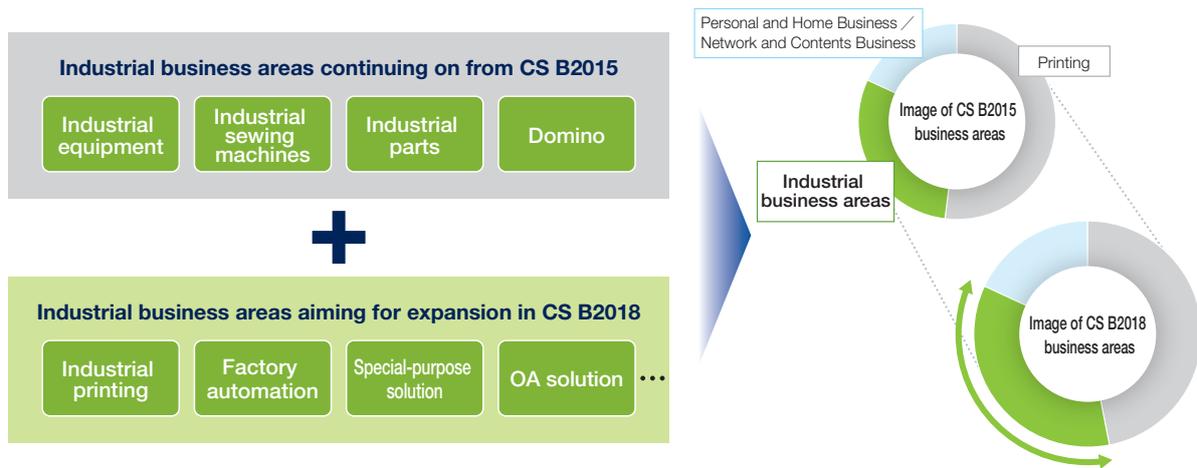
Operating Profit68.7 billion yen

Operating Profit Ratio9.6%

Three Transformations

Three Transformations	Future Business Activities
<p style="text-align: center;">Business Transformation</p> <p>Transition from a printing-focused business to a portfolio-based multi-business enterprise</p>	<p>Printing and Solutions Business: Promote thorough streamlining of product development, manufacturing and sales, etc., and enhance profitability</p> <p>Personal and Home Business: Cultivate a business targeting the craft market as our second pillar and improve its profitability</p> <p>Machinery Business: Aim at further business growth by assisting our customers to realize streamlining of their production operations</p> <p>Network and Contents Business: Complete structural reform and create a synergy effect among different businesses within the group</p> <p>Domino Business: Accelerate global business development and create new customer value</p>
<p style="text-align: center;">Operational Transformation</p> <p>Reinforce customer value creation capability for the future by optimizing use of limited resources and focusing on efficiency</p>	<p>As part of the operational process transformation, promote streamlining of our business operations by actively adopting IT, such as Robotic Process Automation (RPA) and Product Lifecycle Management (PLM). Particularly in product development and production, strengthen manufacturing and improve productivity by working together in these respective areas, and evolve our manufacturing to a higher level in quality and efficiency.</p>
<p style="text-align: center;">Talent Transformation</p> <p>Cultivate the next generation of leadership talent in the context of Brother’s unique DNA and optimize talent deployment across the group</p>	<p>Strive to maximize utilization of the group’s human resources by affirmatively pursuing:</p> <ul style="list-style-type: none"> ● Cultivation of next-generation management personnel through active selection of young employees ● Strengthening of functional and operational manpower which support the company, through passing down of Brother’s DNA by utilizing senior staff, and increasing recruitment of experienced workers ● A reform of our personnel system to support implementation of diversified management practices by selecting from global personnel and promoting empowerment of women in work places.

Image of transition in Brother's business areas



The Market Trends and the Strategies of the Respective Businesses

Businesses/Business Fields	The Market Trends	The Strategies of Respective Businesses
Printing and Solutions Business/ Communications and printing equipment	<ul style="list-style-type: none"> ▶ Shrinking in size of the SOHO*1 market caused by the trend toward a paperless office environment ▶ Expansion of demand for small-size all-in-ones in the SMB*2 market ▶ Market expansion in emerging nations 	<ul style="list-style-type: none"> ▶ Maintain and expand our shares in all the product categories in the SOHO market. Enhance our product lineup for models with larger consumables capacity, and enable our customers to reduce printing costs ▶ Suggest the best-suited products and the best setups for offices as well. Expand contract-type businesses ▶ Generate profit by improving proper inventory management and shifting to a product mix which can offer greater additional value ▶ Respond to the needs of various business situations, including offices, retailing and logistics by enhancing our product lineups
Printing and Solutions Business/Electronic stationery	<ul style="list-style-type: none"> ▶ Maturation of the home and office market and expansion of demand for business use 	<ul style="list-style-type: none"> ▶ Maintain our market position with our high-end machines, and expand our market share with mid-range machines (home sewing machines) ▶ Obtain new sales channels and expand our business (home cutting machines)
Personal and Home Business	<ul style="list-style-type: none"> ▶ Steady increase of demand on a global basis (home sewing machines) ▶ Expansion of the craft market mainly in North America (home cutting machines) 	<ul style="list-style-type: none"> ▶ Market the NEXIO series industrial sewing machines globally. Develop new products and services responding to the needs of automation and IoT. Expand sales areas of the garment printers ▶ Expand sales in the automobile-related market and stabilize our business foundation. Accelerate our business growth by providing business solutions ▶ Develop and provide products, including ones targeting the robotics market, and accelerate sales expansion
Machinery Business/ Industrial sewing machines	<ul style="list-style-type: none"> ▶ Expansion of demand accompanied by the shift of the sewing industry from China to Southeast Asia 	<ul style="list-style-type: none"> ▶ Steady increase of demand for processing of parts for automobile-related products and general machines
Machinery Business/ Industrial equipment	<ul style="list-style-type: none"> ▶ Expansion of demand for highly functional gear motors, in addition to standard models, which currently have steady sales increases ▶ Expansion of demand for high-precision gears and gear motors accompanied with the development of the robot market 	<ul style="list-style-type: none"> ▶ The number of karaoke users and the number of karaoke clubs on a slight increase
Machinery Business / Industrial parts	<ul style="list-style-type: none"> ▶ The growth of the coding and marking market and the digital printing market accompanied by the expansion of demand for product traceability and short run printing 	<ul style="list-style-type: none"> ▶ Create a synergy effect among different businesses within the group from the provision of songs to management of karaoke clubs with sales expansion of models with high product appeal and models targeting the elderly as our main strategy
Network and Contents Business	<ul style="list-style-type: none"> ▶ The growth of the coding and marking market and the digital printing market accompanied by the expansion of demand for product traceability and short run printing 	<ul style="list-style-type: none"> ▶ Maintain a high rate of growth through continuous investment into our sales activities and development of products by utilizing our technologies that we have cultivated throughout our history
Domino Business		

*1: Small Office, Home Office.

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

To Our Stakeholders

Passing on our DNA and Long Successful Future



Representative Director & President

Ichiro Sasaki

Transforming into a business structure that thrives continuously

Under Brother's mid-term business strategy, CS B2018 (FY2016 to FY2018) with the theme of "Transform for the Future," we are striving to become a multi-business enterprise with resilient DNA and a track record of success that continually evolves to deliver profitable growth by meeting the challenges of changing times and environments, through three transformations: Business Transformation, Operational Transformation and Talent Transformation.

In FY2017, the second year of CS B2018, our sales and profit reached the highest in our corporate history in real terms due to a steady global sales increase in the Printing and Solutions Business and strong sales growth in the industrial equipment business.

To ensure continued success, we are determined to make an organized effort as a whole group to complete the transformations set to be achieved under CS B2018 in its last year.

FY2017 activities for transformations

For "Business Transformation," we are aiming for a transformation from our current business structure, of which the core is the printing business, to a multi-business enterprise focusing on the industrial field and new businesses, which we consider the businesses of future growth. Consequently, we have been shifting our resources to growth businesses and executing prior investments as planned.

To realize "Operational Transformation," we will accelerate the establishment of a system that maximizes the overall efficiency of the entire manufacturing process, which includes development, production, quality control and procurement, while focusing especially on streamlining of the development process. We will also employ IT actively to increase the efficiency of administrative work, such as financial affairs, human resources and general administrative affairs.

To advance "Talent Transformation," we will proactively pursue (1) the cultivation of next-generation management personnel through active selection of young employees, (2) strengthening of functional and operational manpower which support the company through passing down of Brother's DNA by utilizing senior staff, and increasing recruitment of experienced workers, and (3) a reform of our personnel system to support implementation of diversified management practices by selecting from global personnel and promoting empowerment of women in the workplace. Through this approach, we aim to utilize our group's human resources to the highest degree possible and to adopt a new method for human resources development to promote growth of all our employees.

Investment and financial strategies to achieve transformations

Brother bases its investment decisions on accurate understanding of customer needs and the creation of customer value to the highest degree possible. With the "At your side." spirit placing our customers first everywhere and every time as our principle, we will invest in our facilities and research and development in line with

Transforming for a

the strategies of our respective businesses and in establishment and expansion of sales channels, while pursuing efficiency.

As for the business of profitability enhancement, such as communications and printing equipment business and online karaoke systems business (Network and Contents Business), we aim at securing more stable profit continuously through streamlining and structural reform of our business operations. We will invest mainly in businesses with anticipation for future growth and new businesses. We will also consider strategic investments including M&A expeditiously by prioritizing the cases that will lead to strengthening growth businesses and new businesses.

Our cash flow has improved significantly as well. Since our net cash entered the black, we are out of debt in real terms. Furthermore, our equity capital ratio reached 55.8%, allowing us to stay in a strong financial state.

In regard to returning our profits to our shareholders, we will pay stable dividends with a target consolidated payout ratio of 30%, considering the balance with our financial strategies.

* Net cash: The amount of cash remaining after subtracting interest-bearing debt (borrowings and corporate debentures) from cash and cash equivalents (deposit and short-term securities).

Remaining a company trusted by stakeholders

In order to remain a company trusted by all stakeholders, Brother also attaches a great deal of importance to environmental commitment, contributing to local communities and society, and practicing good corporate governance.

In April 2018, we formulated the Brother Group Environmental Vision 2050 as our environmental goal and established the medium-term target for FY2030 as its milestone to contribute to resolving environmental issues that we face on a global scale to build a sustainable society.

Meanwhile, we strive to understand the demands and expectations from local communities accurately by communicating with them, and conduct social contribution activities exhibiting shared awareness as the entire group, in which many Brother Group employees participate. Brother also implemented the Brother Group Health and Productivity Management Philosophy to promote employees' health.

As for corporate governance, we place importance on enhancing our corporate value in the long-term by optimizing managerial resources and creating customer value, as well as establishing a long-term trusted relationship with shareholders by improving our corporate transparency. Brother Industries, Ltd. also has a head start over other companies in that it has many independent outside directors who oversee management from an objective perspective.

In FY2018, the Brother Group is celebrating the 110th anniversary of its foundation. In order to establish a strong group that can survive in a fierce business environment, we will pursue a shift into a business structure that will continuously strive to transform itself more than ever. We appreciate your continuous support for all of the activities of the Brother Group.



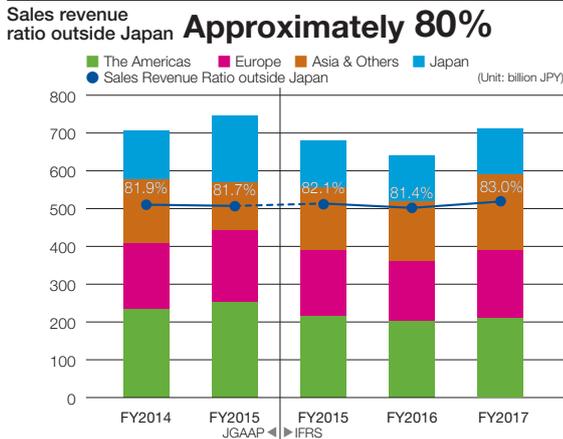
Representative Director & Chairman

Toshikazu Koike

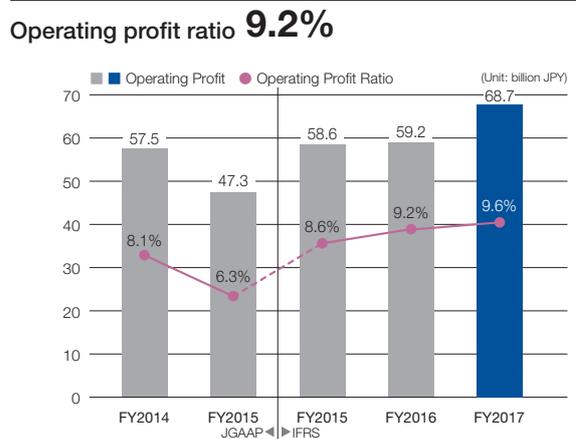
Financial and Non-financial Highlights

* The subject names used for IFRS are applied. The subject names based on the Japanese standards are switched to the subject names indicated below.
 * Net Sales (JGAAP)/Sales Revenue (IFRS)
 * Net Income per Share (JGAAP)/Basic Current Profit per Share (IFRS) Operating Income (JGAAP)/Operating Profit (IFRS)

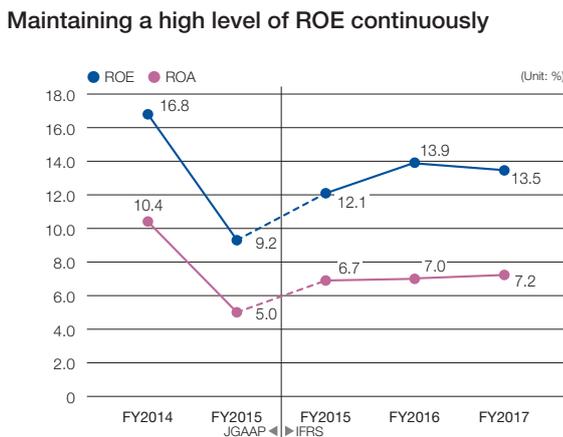
Sales Revenue by Region



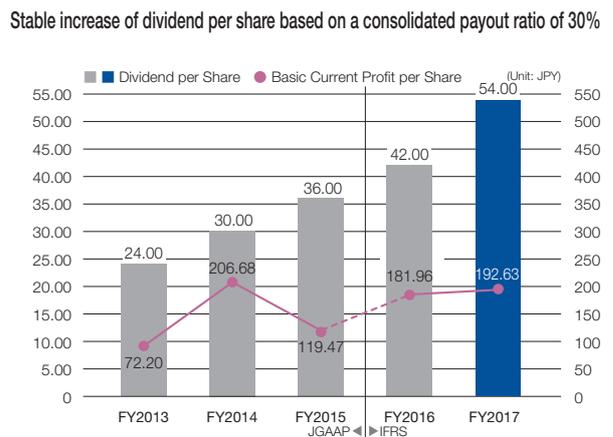
Operating Profit/Operating Profit Ratio



ROE/ROA

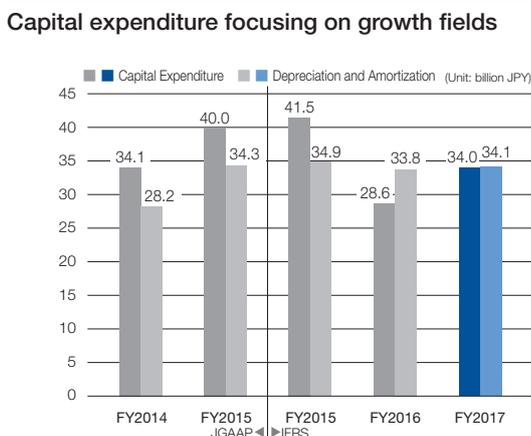


Basic Current Profit per Share^{*1}/Dividend per Share



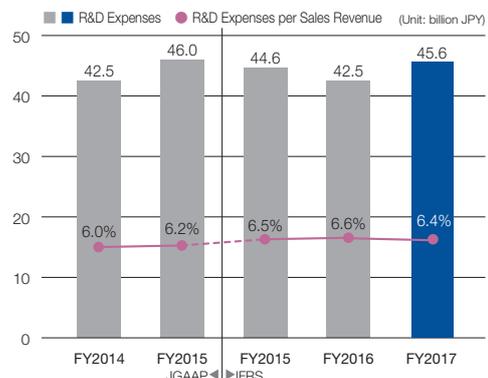
*1 Net income attributable to owners of the parent for FY2015 and onward

Capital Expenditure/Depreciation and Amortization



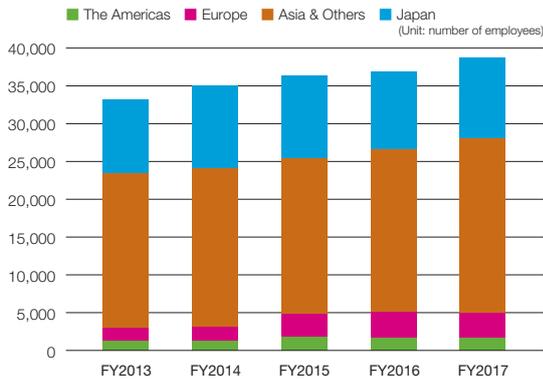
R&D Expense/R&D Expense per Sales Revenue

Focused on research and development in the growth field



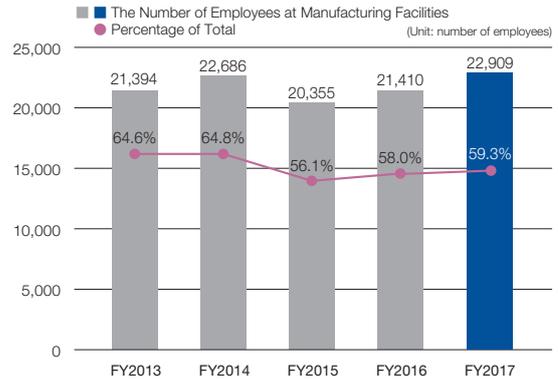
Workforce Breakdown by Region

Allocating employees worldwide



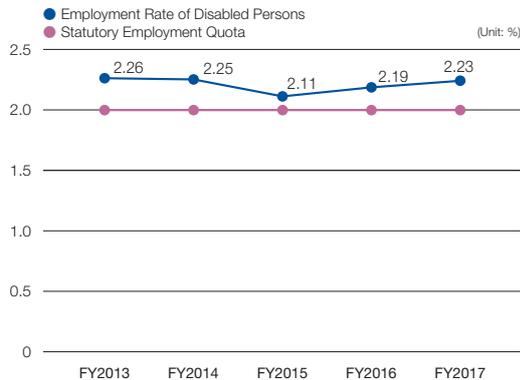
Number of Employees Working at Manufacturing Facilities

Approximately 60% of employees are involved in manufacturing



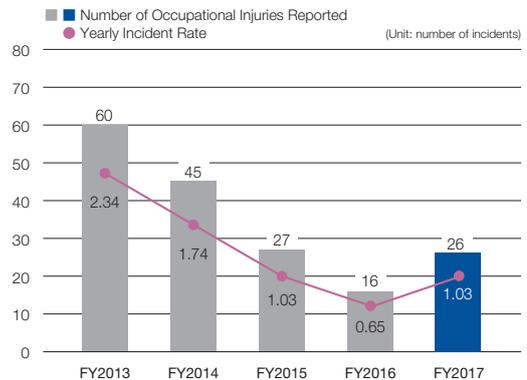
Employment Rate of Disabled Persons (Brother Industries, Ltd.)

Maintaining an employment rate in compliance with the legal requirement



Number of Occupational Injuries Reported at Manufacturing Facilities

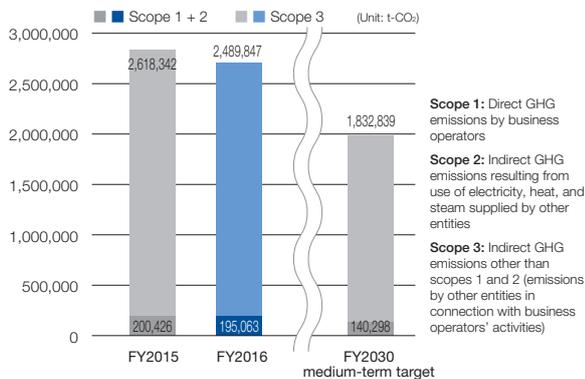
Succeeded in keeping the number of work-related injuries low



Incident rate: (number of incident/number of employees) x 1,000

CO₂ emissions² by the Brother Group throughout the entire Value Chain³

Scopes 1 and 2, and scope 3 reduce by 30% (FY2030 medium-term target)

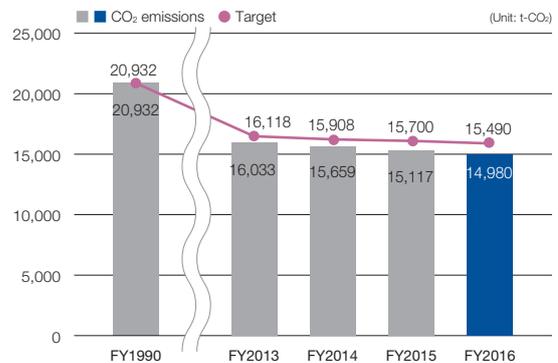


² CO₂ emissions are calculated based on the review of results regarding the calculation of greenhouse gas emissions by the Ministry of the Environment, Japan. The list of emissions coefficients defined in the Order for Enforcement that came into force in December 2002 was applied to the calculation.

³ CO₂ emissions are calculated in accordance with ISO14064-1 and the rules stipulated in the basic guidelines concerning calculation of greenhouse gas emissions throughout the supply chain.

CO₂ Emissions^{*2} at Eight Business Sites in Japan

Cut total CO₂ emissions by 30% from FY1990 levels at eight business sites in Japan by FY2020 (absolute value)



² CO₂ emissions are calculated based on the review of results regarding the calculation of greenhouse gas emissions by the Ministry of the Environment, Japan. The list of emissions coefficients defined in the Order for Enforcement that came into force in December 2002 was applied to the calculation.

All our businesses support customers' working styles and personal lifestyles by offering superior value

The Brother Group's mission is to place our customers first everywhere, every time, and provide them with superior value by quickly creating and delivering high-quality products and services. We offer products and services with our distinctive expertise in a wide range of fields, such as communications and printing equipment, electronic stationery, home sewing machines, industrial sewing machines, industrial equipment, industrial parts, online karaoke systems, and coding and marking equipment.



Printing and Solutions Business

Business Objectives

- **Communication and Printing Equipment:** Strengthen profitability and competitiveness further as a core business supporting group-wide portfolio management.
- **Electric Stationery:** Maintain the global No.1 position in Home/Office business with steady profitability and make a full-scale entry into the solutions business for further growth.

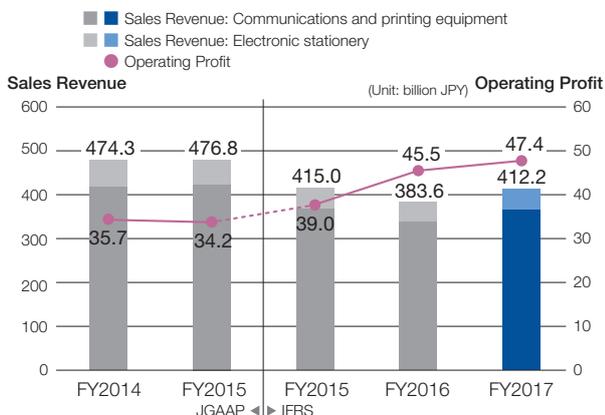
Representative Director & Senior Managing Executive Officer
Head of Printing and Solutions Business Division

Tadashi Ishiguro



FY2017 Operational Highlights

Transition of Sales Revenue/Operating Profit



* The subject names used for IFRS are applied. The subject names based on Japanese GAAP are switched to the subject names indicated below: * Net sales (JGAAP)/Sales revenue (IFRS)

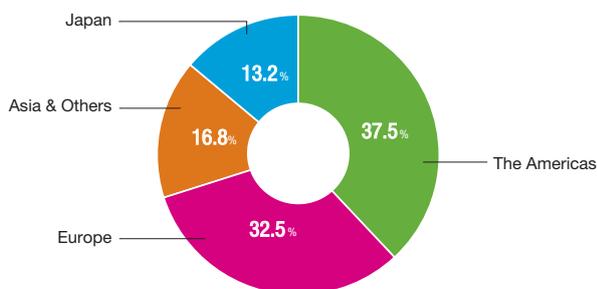
Sales Revenue: 412.2 billion yen (+7.4% y/y)

■ Communications and Printing Equipment 364.9 billion yen (+7.8% y/y)

In addition to a solid global sales increase of black-and-white laser products targeting the SOHO market, the sales of black-and-white laser products targeting the SMB market, our core focus for sales enhancement, also grew steadily mainly in Europe.

Sales of color laser products increased steadily on a global basis due partly to the release of new products of highly durable models. Meanwhile, sales of inkjet products remained at a level lower than that of the previous year in the overall market. However, sales growth of models with high-yield ink tanks targeting the emerging nations outpaced the original plan. In addition, we received a positive impact from the forex rate which resulted from depreciation of the yen, and thus, sales revenue of communications and printing equipment increased overall.

Sales Revenue by Region (FY2017)



*Classified by region based on the locations of the sales facilities

■ Electronic Stationery

47.3 billion yen (+4.9% y/y)

Sales revenue of electronic stationery increased due to steady global sales growth of the P-touch brand label writers/printers, including P-TOUCH CUBE, which allows editing of a label by using a smart phone app and resulted in strong sales growth in Japan, as well as the positive impact of depreciation of the yen.

Operating profit: 47.4 billion yen (+4.0% y/y)

Operating profit increased due mainly to the positive impact from the forex rate resulting from depreciation of the yen, in addition to a steady increase of product sales on a global basis.

Printing and Solutions Business

Business Overview

Communications and Printing Equipment

< Brother's Strength >

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. The scanners developed by utilizing the technologies used for our All-in-Ones enable direct uploading of scanned images and documents to a cloud network without accessing a computer. The extensive lineup, which is differentiated from other products available in the market and allows users to reduce their costs, is Brother's advantage.

In recent years, we have been integrating compact black-and-white and color laser All-in-Ones, 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 web conference system, 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.

* 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.

< Market Trend and Brother's Business Strategy >

- 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-style 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 a built-in refill tank 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, enhancement of proper inventory management and shift to product lineups that can offer greater additional value.

Main Product Lineup



Black-and-white Laser All-in-One



Color Laser All-in-One



Scanner



Inkjet Printer

Electronic Stationery

< Brother's Strength >

Brother has been conducting the P-touch brand labeling system and label printer business for about 30 years as the leading manufacturer of electronic stationery. 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 for labeling systems, and products that are equipped with software and corresponding interfaces to meet customer demand. As for mobile printers, our product lineup, including those which use roll paper and single sheet paper, are used in a wide range of industries including financial, service and maintenance service industries.

< Market Trend and Brother's Business Strategy >

- Firmly secure our position and maintain profit in the office business
- Strategically expand our business into the solutions field

As the markets for business/professional use and home use in advanced countries have matured, Brother released a labeling

system, with which a user can edit a label by using a smartphone app, to provide new value to customers. The labeling system is receiving positive reviews from our customers. Concerning consumables, we are maintaining and expanding our sales through improvements which provide further additional value, such as by introducing a glossy tape that provides a sense of enhanced value and a tape to print on a ribbon for gift purposes. In the market in emerging nations, which seems promising as a growing market, the demand for business use, such as marking of distribution boards and communication cables, and labeling at manufacturing sites, is expanding.

In the solutions field, we will enhance our product lineups for label printers and mobile printers, and strategically enter into the solutions field targeting specific industries, including the retailing, manufacturing and logistic industries in addition to business offices. With these strategies, we aim at expanding the market and increasing our share.

Main Product Lineup



Labeling System



Mobile Printer

Brother's Value Creation

An Independent Review Organization Gives an Excellent Evaluation of Brother's Laser Printers and All-in-Ones for the SMB Market

In 2017, Brother introduced a full lineup of black-and-white and color laser printers and All-in-Ones for the SMB* market. The products offered high-speed and highly durable features and high paper feeding capacity, and received excellent reviews from an external review organization.

In February 2018, Brother's MFC-L9570CDW received the Winter 2018 Pick Award by Buyers Laboratory Inc. (BLI), an independent evaluation organization based in the United States, for its excellent functionality and productivity. As a color All-in-One for offices of small and medium-size businesses, the MFC-L9570CDW is compact in size and affordable in price. Despite its low price, it has Web Connect, a feature that enables saving and printing of

scanned data by utilizing various cloud services, and NFC, a feature that allows printing and personal verification from a mobile device, as well as an intuitive interface and high robustness.

Also from BLI, Brother received the Summer 2017 Pick Awards for the HL-L9310CDW, a color printer which is part of the same series as the MFC-L9570CDW, in August 2017, and the Line of the Year award for its black-and-white printers and All-in-Ones, such as the MFC-L6900DW, in February 2017.



Brother MFC-L9570CDW
Outstanding Color Multifunction-Printer for SMBs

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

Business Summary by Segment

Personal and Home Business

Business Objectives

- Maintain the dominant global No. 1 position for the full range of high-end to low-end machines, while stepping up to a new level of “joys of creation”

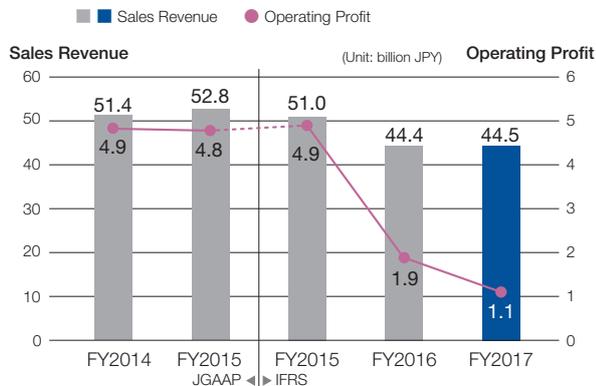
Managing Executive Officer
Head of Personal and Home Business Division

Mitsuyasu Kyuno



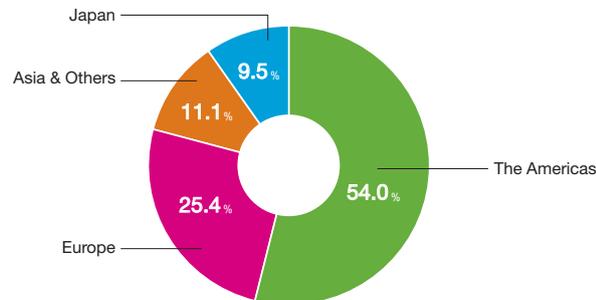
FY2017 Operational Highlights

Transition of Sales Revenue & Operating Profit



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Sales Revenue by Region (FY2017)



* Classified by region based on the locations of the sales facilities

Main Product Lineup



Sewing and Embroidery Machine

Sales Revenue: 44.5 billion yen (+0.1% y/y)

Sales revenue remained at a level similar to the previous term's level overall due to factors such as sluggish demand in the Americas and Asia, despite the steady demand in Europe.

Operating Profit: 1.1 billion yen (-44.1% y/y)

Business segment profit decreased slightly due partly to the increase of prior investment, including R&D expenditure. Operating profit declined significantly due to the fact that impairment loss related to exchange contracts was reported, in addition to depreciation of the yen from the end-of-period exchange rate.

Business Summary

< Brother's Strength >

Brother has leading-edge development capabilities in the home sewing machine industry, which allows it to provide highly functional products with high added value. In particular, we have been leading the market by offering our customers state-of-the-art features that are also easy to operate, utilizing our forte of electronic technologies. As for production, we manufacture a wide range of products from high-end to low-end at our facilities in Vietnam, Mainland China and Taiwan. As for sales, we maintain outstanding visibility in North America. We have established strong ties with powerful, major retailers and close partnerships with our prominent business partners, such as major sewing machine dealers handling high-end machines. Furthermore, our sales facilities around the world provide precise services and education along with superior products, enabling the group to maintain and further enhance the strength of the Brother brand.

< Market Trend and Brother's Business Strategies >

- Firmly maintain our current position in the home sewing machine market while strengthening profitability
- Firmly maintain our current position in the high-end machine market and expand our share in the mid-range sewing machine market
- Aggressively pursue growth in the craft market

In the home-sewing machine market, the demand in North America appears to be stagnant. However, the demand is increasing steadily on a global basis. In such an environment, Brother will strive to expand its profit by enhancing the customer satisfaction level of its embroidery machines with high added value and mid-grade machines. The market for home cutting machines is expanding mainly in North America. We will promote the value of our scanning functions that no other manufacturers can offer, and pursue development of new sales channels to actualize business expansion.



Sewing Machine



Commercial Embroidery Machine



Home Cutting Machine

Brother's Value Creation

Brother provides product value to a wide range of customers with its entry models of sewing machines and cutting machines.

'Parie' is a small-size entry model of an embroidery machine with which users can enjoy casual embroidering. We renovated the hardware functionality of our small embroidery machine significantly for the first time in approximately ten years by adding a large, easily viewable color liquid crystal display to enhance its interface and by improving its sewing capacity to enable sewing of thick materials smoothly.

Parie also has built-in embroidery designs which were created in collaboration with a popular embroidery designer.

It provides a new level of fun and joy for craft making to a wide range of customers by offering the features that allow them to express their own style by adding embroidery to off-the-shelf items and to create items that add more color to their lives.

Brother's DesignNCut is a cutting machine that a user can connect to a PC, and so forth, by using a wireless LAN or a USB cable and operate by using a special app.

Our existing products use a stand-alone method which requires a user to operate them by using the liquid crystal screen on the hardware. However, by adopting a new operational method using an app for the first time, we can promote DesignNCut by targeting new clientele.

DesignNCut are being sold through mass craft retailers, and are being used and enjoyed by a larger number of users.



Machinery Business

Business Objectives

- Industrial Sewing Machines: Expand customer base by strengthening sales capacity and ability to provide solutions in Asia
- Industrial Equipment: Expand customer base in the automobile-related market by strengthening the ability to provide solutions
- Industrial Parts: Contribute to strengthening of the business in the industrial area by increasing profit of the reducer and high-precision gear businesses

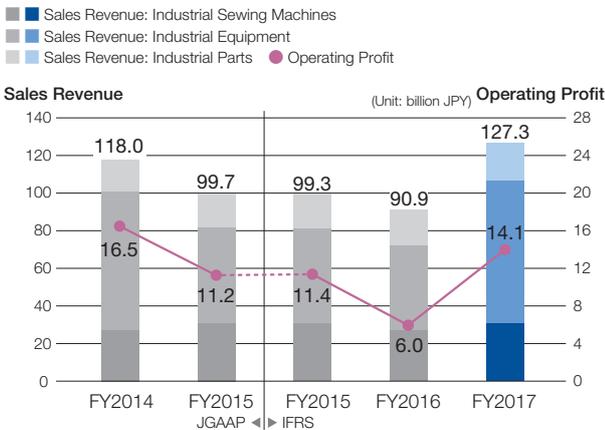
Representative Director & Senior Managing Executive
Officer Head of Machinery Business Division

Tasuku Kawanabe



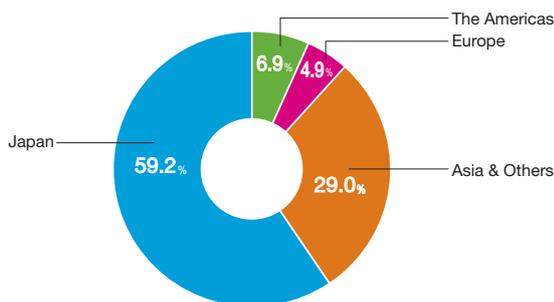
FY2017 Operational Highlights

Transition of Sales Revenue/Operating Profit



* The subject names used for IFRS are applied. The subject names based on Japanese GAAP are switched to the subject names indicated below: * Net sales (JGAAP)/Sales revenue (IFRS)

Sales Revenue by Region (FY2017)



* Classified by region based on the locations of the sales facilities

Sales Revenue: 127.3 billion yen (+40.0% y/y)

Industrial Sewing Machines 31.1 billion yen (+16.0% y/y)

Sales of industrial sewing machines increased steadily overall due to recovery of demand in China and Europe, despite weakened demand in the rest of Asia. In addition, sales of the new garment printer, GTX, showed solid increases mainly in Europe and the United States. Consequently, sales revenue of industrial sewing machines increased overall.

Industrial Equipment 76 billion yen (+67.6% y/y)

Sales revenue of machine tools increased significantly due to strong sales increases of products targeting the automobile-related industry, which is the focus of our business, in addition to the large orders received from the IT-related industry.

Industrial Parts 20.2 billion yen (+7.4% y/y)

Sales revenue of industrial parts increased due to larger demand for reducers and gears owing to the rise in the number of capital investments for factory automation.

Operating Profit: 14.1 billion yen (+136.3% y/y)

Operating revenue increased drastically due to strong sales increases mainly of machine tools and garment printers.

Business Summary

Industrial Sewing Machines

< Brother's Strength >

An industrial sewing machine is a product that Brother has been developing, manufacturing and selling since its foundation, and we have continuously been leading the industrial sewing machine industry in fabric (cotton, linen, and so forth) sewing. In 2015, we launched a next-generation sewing machine brand. Also, our lock stitch sewing machine has features that revolutionize the conventional norms of the industry, such as the world's first electronic feeding system, and it is receiving good reviews from users.

By employing its original technologies as a printer manufacturer, Brother also develops and sells garment printers (printers used for garment and fabric printing). In 2017, we released a new garment printer product, GTX, which achieves outstanding productivity with one-third of the printing time compared to other existing printers.

Industrial Equipment

< Brother's Strength >

Brother's industrial equipment was developed through our manufacturing of machine tools needed to make key parts of sewing machines in-house. In 1985, Brother released the CNC Tapping Center. It has been well received by our customers because it is compact in size, but yet offers high productivity and environmental performance for processing parts needed by the automobile and IT industries. After the launch of our next-generation machine tool brand, SPEEDIO, in 2013, we have released models that can process bigger parts and models that are capable of lathe turning processing, and have been entering new markets.

Industrial Parts

< Brother's Strength >

In 2013, Brother acquired Nissei Corporation, which has a high market share for reducers and high-precision gears in Japan, as its consolidated subsidiary, and entered into the industrial parts business, which can give us opportunities to provide high added value for customers. As for gear motors, our core products of reducers, we offer an extensive product lineup, and have the ability to deliver products within a short period of time and handle special order items flexibly, and are responding to various customer demands. As for high-precision gears, we develop and manufacture products used for robots and machine tools mainly. By executing the entire process from product designing to manufacturing consistently within the company, we create high-precision and high-quality products. Thus, our products have a high reputation in the market, especially for our cutting technology for bevel gears*.

* Cone-shaped gears that transmit motion between two intersecting axes

< Market Trend and Brother's Business Strategies >

- **Expand sales of lock stitch sewing machines of which Brother has a competitive edge**
- **Ride the wave of automation and IoT, and develop new products and services**
- **Expand the garment printer business with an eye to the future**

The demand for industrial sewing machines is shifting widely from China to Southeast Asia. In response to such changes in the market, we will market the NEXIO series industrial sewing machines worldwide, and continue to offer new products and services to meet the needs for factory automation and IoT compatibility in sewing plants. As for garment printers, we will pursue business expansion in Asia in addition to Europe and the United States, in which we have been successful, by exploiting the release of our new product, GTX, as an opportunity.

< Market Trend and Brother's Business Strategies >

- **Expand sales in the automobile-related market and stabilize Brother's business foundation**
- **Accelerate business growth by providing solutions, including provision of equipment for a peripheral domain**

In the machine tool market, the demand for machine tools for manufacturing of automobile-related products and general machinery remains steady overall.

In such a market environment, Brother will continue to expand its product lineup, and develop machine tools that will encourage users to replace other manufacturers' machine tools which are slightly larger than ours, with our products. We will also make continuous investments to strengthen our sales, marketing and maintenance services to accommodate business expansion mainly in the automobile-related market.

< Market Trend and Brother's Business Strategies >

- **Enhance profitability of the core business (reducers, high-precision gears)**
- **Pursue synergy with other machinery businesses**

In the reducer market in Japan, sales increases of low-voltage gear motors and high-precision reducers are expected in addition to the standard models of gear motors, which currently have steady sales increases. In the growing robotics industry, demand for high-precision reducers and high-precision gears from manufacturers inside and outside Japan are expected to expand. Brother will strengthen its profitability continuously through capacity enhancement and improvement of production efficiency, expand its sales channels into the markets outside Japan, and further expand development and sales of products targeting robot manufacturers. As for creation of synergy effects with other machinery businesses, we will strive to boost the competitive edge of our products in the industrial area through efforts such as provision of high-precision reducers for industrial equipment and execution of product co-development within the group.

Machinery Business

Main Product Lineup



Machine Tool



Industrial Sewing Machines



Garment Printer



Reducer



Gear

Brother's Value Creation

SPEEDIO Singularly Provides a Wide Range of Added Value to Customers by Offering Applications that Meet Their Needs

Brother's machine tool, the Compact Machining Center SPEEDIO, is leading the small-size machine tools market by providing various products in its lineup and by offering solutions that meet the respective needs of production facilities.

Particularly, the M140 series is a small-size machine tool that can conduct two separate processing functions, lathe turning and machining, which were conducted by separate machines before, on its own. This produces efficiency in various ways, such as by reducing operational time and manpower and shortening of a production line.

In addition to multiple machining involving lathe turning and machining for items such as automobile parts for which the machine was originally designed, the M140 series can also conduct multi-face machining operations, which allows machining from every direction except for

the direction of the surface where the work is fixed at one setup.

The customers who use one of the M140 series products, the M140X2, gave us an excellent review of the product for the unique product value it creates. They said that the M140X2 allowed them to eliminate certain processes needed to manufacture fixtures and it cut delivery time. It also improves quality because they do not have to change fixtures numerous times.



Network and Contents Business

Business Objectives

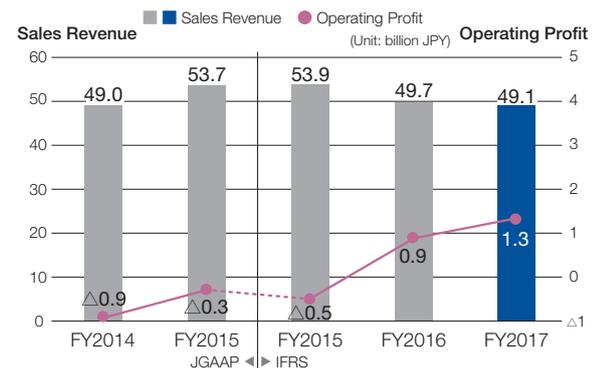
- Shift to a Highly Profitable Business through Every Method of Reformation

Director & Managing Executive Officer
Head of Network and Contents Business Division **Jun Kamiya**



FY2017 Operational Highlights

Transition of Sales Revenue/Operating Profit



* The subject names used for IFRS are applied. The subject names based on Japanese GAAP are switched to the subject names indicated below: * Net sales (JGAAP)/Sales revenue (IFRS)

Sales Revenue: 49.1 billion yen (-1.4% y/y)

Both the karaoke business and karaoke club management business basically remained steady, and sales revenue stayed at a level similar to the previous term's.

Operating Profit: 1.3 billion yen (+57.2% y/y)

Business segment profit increased due to cost reduction efforts, and so forth, as well as steady sales growth of the new model of an online karaoke system. Operating profit surged significantly since the temporary expenditure needed for structural reformation for profitability enhancement, which had been reported during the previous term, no longer existed.

Main Product Lineup



JOYSOUND MAX2



JOYSOUND Hibiki



JOYSOUND FESTA2

Online Karaoke Systems

Business Summary

< Brother's Strength >

Xing Inc., Brother Industries, Ltd.'s consolidated subsidiary, has a high reputation for its JOYSOUND MAX2 and JOYSOUND HIBIKI online karaoke systems for business use which offer 285,000 songs (the largest number in the industry) and are compatible with high-resolution audio*1. The company is also valued for its original services linked to smartphones, such as Utasuki*2 which has more than 10 million registered members. Through collaborations with our group companies, Teichiku Entertainment, Inc. and Standard Corporation, we operate a diverse business with the ability to provide consistent services from the upstream business (content business) to the downstream business (karaoke club business) as a diversified music entertainment company.

*1 Voice input from a microphone was sound processed at 24bit/192kHz. As for music, a material's waveform is converted from CD spec to high-resolution audio through sound processing.

*2 A membership-only karaoke SNS operated by Xing Inc., which is linked with an online karaoke system, JOYSOUND.

< Market Trend and Brother's Business Strategies >

- Strive to maximize operating profit
- Optimize investments to ensure cash generation

The number of karaoke users and the number of karaoke clubs, which had been declining since the peak period, are continuing to bottom out. Thus, we are aiming at stimulating the market with sales expansion of two models that have high product appeal as our main strategy. We have also released JOYSOUND FESTA2, a new model of a karaoke system containing musical healing content for the elderly called 'Kenko Okoku,' which targets the health care market. Furthermore, we are actively developing services to launch on new platforms, such as a full-fledged home karaoke service for Nintendo Switch*3 by Nintendo. Through these approaches, we are striving to differentiate our services from our competitors and expand our profits.

*3 Nintendo Switch is a trademark of Nintendo.

Business Summary by Segment

Domino Business

Business Objectives

- Maximize synergy as Brother's next pillar

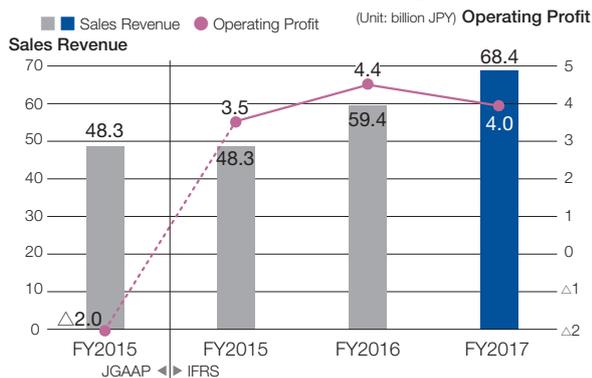
Group Managing Executive Officer
CEO of Domino Printing Sciences plc

Nigel Bond



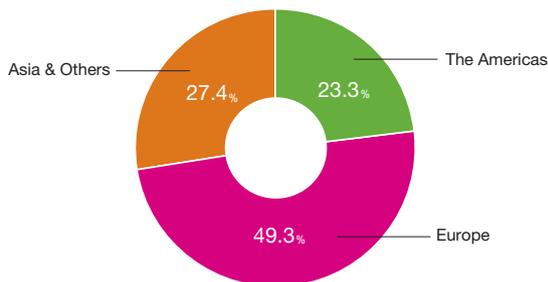
FY2017 Operational Highlights

Transition of Sales Revenue/Operating Profit



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Sales Revenue by Region (FY2017)



* Classified by region based on the locations of the customers

Sales Revenue: 68.4 billion yen (+15.2% y/y)

Sales revenue increased due to steady global sales growth of both coding and marking ("C&M") equipment and digital printing equipment.

Operating Profit: 4 billion yen (-8.4% y/y)

Business segment profit increased as sales grew despite the increase of prior investment, such as R&D expenditure, for further business growth. Operating profit decreased due to the fact that a foreign exchange loss was reported.

* The sales revenue, and profit and loss related to Domino and its subsidiaries, which were allocated after July 1, 2015 are disclosed as those of the Domino Business segment. Therefore, there is no comparison of the results of the current term with those of the previous term.

Business Summary

< Brother's Strength >

Domino Printing Sciences plc ("Domino"), a consolidated subsidiary of Brother, has been growing its business steadily for the past 30 years as a UK-based industrial printing equipment manufacturer. It develops and manufactures C&M equipment which is used to print expiration dates, and so forth, on plastic bottles and cans, and digital printing equipment. In both of these fields, the number of operating units is expected to increase steadily, and consumption of consumables with a high genuine product ratio is anticipated.

< Market Trend and Brother's Business Strategies >

- Target a CAGR of 9 percent in sales in the 5 years between 2017 and 2021 as the core growth area
- Expand business by enhancing Domino Group's sales strength and collaboration with Brother's technological capacity
- Enhance our market position in the C&M field
- Expand digital printing

In the C&M business in which stable growth is expected, sales of the continuous inkjet printers released in 2016 have been expanding. We are continuing to invest in our sales activities and develop products which utilize Brother's technological abilities. Domino is aiming at becoming the next pillar of the Brother Group through continuous growth in the C&M field and business expansion in the digital printing field which has potential for higher-rate growth.

Main Product Lineup



Coding and Marking Equipment



Digital Printing Equipment

New Businesses

The new business fields that have the potential to be launched during the implementation period of the mid-term business strategy CS B2018

< Industrial Printing Field >

Develop industrial printing equipment by exploiting the synergy created between Brother and Domino based on the industrial printing technologies and products originated from Brother.

< Factory Automation Field >

Establish a business which is not an extension of our existing businesses through the synergy of Brother's original technologies used for our industrial sewing machines, industrial equipment and industrial parts, and application of IoT technology, and so forth.

< Solutions Field >

For OA: Provide total solutions in offices, incorporating All-in-Ones, scanners, and mobile printers, etc.

For special use: Provide solutions to the retail, manufacturing and logistics industries by utilizing labeling systems and label printers.

< Craft Business >

Expand the product lineup for the craft market, which has already been launched by the Personal and Home business.



Brother's Value Creation Fuel Cells

Since the Paris Agreement in 2015, the effort toward actualization of a CO₂-free society has been accelerating around the world.

The Brother Group's fuel cells can contribute to this effort due to their system that emits no greenhouse gases.

They can be used as an emergency power supply at private

companies and municipal organizations, and a cogeneration system supplying electricity and heat, and for various other purposes.



Brother's unique manufacturing system and various management resources support its value creation

The business model of the Brother Group is to place customers first, everywhere, every time, with the "At your side." spirit in mind, and create and quickly deliver superior value through Brother's unique management system "Brother Value Chain Management (BVCM)" while responding to diversified customer needs and challenges.

A variety of management resources, such as "Product development," "Technical capabilities," "Talent development," "Global structure," "Flexibility" and "Cooperation with business partners," support Brother's manufacturing through its BVCM.





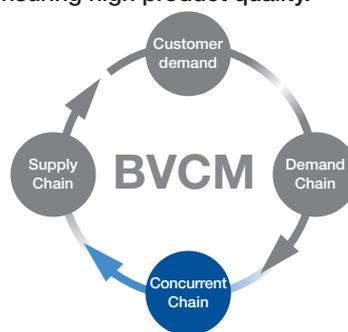
We take customer opinions as the starting point of our business activities and deliver products and services that meet customer needs.

Concurrent Chain: the stage of creating value

The Brother Group practices an original management system called the “Brother Value Chain Management” (BVCM), and delivers superior products and services to customers based on the “At your side.” spirit.

In the Concurrent Chain of BVCM, the product concepts created in the Demand Chain are given a concrete shape. Product simulations and focus group testing by intended users are run again and again before and after prototyping. Through this process, we develop and design our products speedily while ensuring high product quality.

The production engineering department designs optimal production lines to deliver our products at the right time for our customers. Respective departments concurrently work toward the commercialization of products while sharing information with each other to swiftly address customer needs with our products.



Case Example Development of printers which small-office users all over the world can use without stress

Based on customer demands received and a thorough analysis of our competitors’ products, we formulated the product concept of “black-and-white laser printers which small-office users all over the world can use with no stress.”

Demands from customers across the world vary, including high-speed printing, high-capacity toner cartridges, multipurpose trays, and printing in hot and humid conditions. To embody these demands, we decided to newly develop 14 key element technologies and also launched a working group composed of only several members to concurrently develop these technologies and make swift examinations and decisions. These efforts helped to incorporate user-friendliness into the process of the development. Employees who did not belong to development departments also joined and supported the working group and conducted many operability tests with the aim of developing products that satisfy customers.

Adding those many functions in a compact body, a strength of Brother’s existing models, was a challenge. To solve this challenge, the working group downsized the basic mechanism of Brother’s standard models and optimized its position to create a new space inside a product body, and designed a high-capacity toner cartridge and a functional unit for a multipurpose tray which fit into that space. They thus succeeded in developing models that have new functions and are yet compact in size. Although the compact body with many additional features required a more effective cooling system than that equipped with the existing models, the working group was able to develop an effective one by running visualized air flow simulations in cooperation with related departments. This system enabled continuous full-speed printing under high temperature and humidity conditions.



Operability test



Visualized air flows



We develop products valued and chosen by customers.

Brother's technical capabilities are used to create customer value

At the Brother Group, we consider that true technical capabilities refer to the utilization of our unique technologies to create products and services that customers demand. This is because we believe that excellent technologies can provide value to people only when they are utilized in a product. In order to offer products valued and chosen by customers, the Brother Group's engineers give full attention and listen to customer opinions sincerely. They devote themselves to value creation by constantly thinking about what technologies they can apply to satisfy customers and what kind of products will support customers.



Case Example **Garment printer that takes one-third as much printing time as Brother's conventional models**

A garment printer is capable of printing computer-drawn images on clothes. At Brother, we decided to adopt a new print head for the latest model "GTX" at the request of users to largely shorten printing time and thus increase productivity. In addition, there was a strong request from customers to realize a printed surface with a soft texture and brighter colors.

The new print head needed to be used with inks with much lower viscosity. However, lowering the viscosity of Brother's conventional inks led to color fading from washing.

After much trial and error, and by largely changing the chemical structures of ink polymer components, we succeeded in creating new inks that have less than half the viscosity of the conventional inks and also provide a non-sticky printed surface to meet the customers' request for a soft texture.

To respond to the request for enhanced color brightness, we reduced the size of ink pigment particles. However, this might deteriorate long-term ink storage stability.

To solve this problem, we repeatedly fine-tuned the balance of ink materials and successfully found the best combination of them.

As a result of these efforts, we have realized outstanding productivity that requires only one-third as much printing time as our conventional models as well as high-quality printing that provides a better texture and a wider range of colors.



Employees checking the texture of a printed surface



Discussion to solve the problems



We respect diversity and individuality among our employees, and cultivate global human resources who can deliver superior value.

Actions based on the Global Charter, the foundation of our human resources

The Brother Group develops its human resources based on the Brother Group Global Charter (“Global Charter”). Its Basic Policies stipulate that the group respects diversity, provides a working environment that enables its associates to utilize their talents and abilities to the fullest, gives them great opportunities through challenging work assignments, and provides them with fair and attractive financial rewards. In return, the Basic Policies encourage associates to be positive members of society, share the company’s values, continually learn and improve, maximize their capabilities, strive to achieve their goals, and ultimately, contribute to the group’s success.



Case Example **Employees develop a broad perspective and high expertise through various experiences**

Since FY2008, the Brother Group has conducted the “trainee program,” a training program that dispatches trainees from Brother Industries, Ltd. (“BIL”) to group companies and vice versa, aiming to foster talent who have a broad vision, high expertise, and the ability to respond to global business challenges.

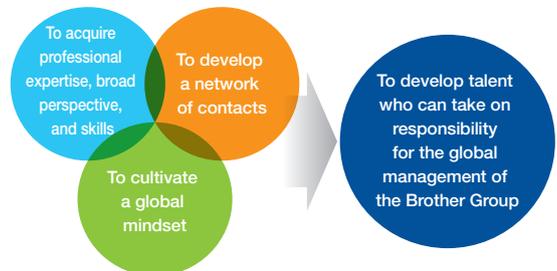
This training is designed for young employees selected based on Brother’s talent development plan to receive on-the-job training ranging from three months to two years in line with the training plans formulated beforehand by both their dispatchers and receivers.

The trainee program had mainly focused on providing trainees with training associated with their area of expertise. However, in FY2015, it also started offering training outside trainees’ specialty to help them gain new knowledge through experience. Such training, for example, includes giving an opportunity for a developer to visit a customer with a sales person to listen to on-site needs and usage conditions directly from the customer.

During FY2017, BIL sent 31 trainees to group companies in the UK, India and so forth while it received 13 trainees from group companies in the Philippines and China. An employee, who was in his second year in BIL, was dispatched to Taiwan Brother Industries, Ltd., the manufacturing facility of the Brother Group in Taiwan, to acquire techniques and skills. There, he was engaged in assembly work and improved the operational techniques which he found difficulty in acquiring by asking skilled workers for advice. He eventually completed the assembly of a whole commercial embroidery machine and felt his efforts in learning bore fruit.

In a questionnaire conducted in November 2017 for the employees who had been sent from BIL, some commented that experiencing the sales field helped them to further incorporate customer perspectives into product development, and new knowledge and perspectives gained through the program made them more conscious of overall optimization.

Purposes of the trainee program



Adjustment with a microscope

Activities Supporting Value Creation



We work as a united global team in every aspect of our business activities.

The true global company the Brother Group aims to become

The true global company the Brother Group aspires to be shall:

- Anticipate customer needs in the global market to always deliver innovative products that suit them
- Have active employees working together regardless of nationality, gender or generation
- Realize an optimal balance of global business operations, such as development, production, and sales, by positioning them in the most appropriate regions, and thereby achieve long-term management stability

We believe that true globalization could be established as one of Brother's unique advantages before anyone else by establishing a more solid management base with the group's know-how accumulated at our facilities in every region and shared in depth.



Case Example The Brother Global Recycling Summit is held to provide hints and know-how

Aiming to establish a recycling-based society, the Brother Group started the recycling of used toner cartridges at Brother Industries (U.K.) Ltd. ("BIUK") in 2004 in response to demands from European customers with high environmental concerns. Subsequently, the Brother Group has expanded its recycling efforts globally to include Slovakia, the U.S., and Japan, and now conducts various activities with BIUK's Recycle Technology Centre serving as a hub for recycling in the group.

The Brother Group has held the Brother Global Recycling Summit every year since 2011 to efficiently produce recycled products the quality of which is as good as new products.

In 2017, this summit was held at Brother Industries (Slovakia) s.r.o. with attendance of more than 45 employees from BIUK, Brother Industries (U.S.A.) Inc., Brother Industries, Ltd. and other group facilities.

The summit functions as a place for participating employees to obtain hints and know-how usable in their own facilities, providing them with opportunities to share activities to collect toner cartridges and recycling technologies and to see improvements in the process of recycling on-site.

In addition, their interaction in the summit led to creating the opportunity of personnel exchange, in which development personnel in BIL stay in BIUK for three months and study recycling technologies to reflect recycling know-how in the design of toner cartridges.



Employees listening to presentations on respective facilities' activities in the summit



Clean room in BIUK



We cope with various changes in the market.



We foster trust through working together.

Flexibility and cooperation developed by listening to customers

We are facing a rapidly changing business environment, such as the diversification of business tools and markets, and changes in customers' behavior. "Flexibility" and "cooperation with business partners" are indispensable for Brother to handle these situations. We cope with such changes by listening to customers, taking advantage of the technologies, expertise, sales channels and know-how we have developed, and working in proper cooperation with partners in the fields where we lack strength or experience. Brother aims to be able to transform itself in this way.



Case Example Brother helps improve clinical efficiency with point-of-care mobile printing

In the U.S., there is a growing trend toward medical rehabilitation in the home, and the number of home health care agencies and home health care visits is on the rise.

Additionally, in January 2017, the Centers for Medicare & Medicaid Services ("CMS"), an organization that administers major health care programs in the U.S., updated its regulations for home health care providers. The update includes a provision that home health agencies involved in CMS programs must provide patients with a written plan of care, which might include medication lists, treatment schedules, therapy instructions and more.

These factors have created a new need for printing a plan of care or other documents at the patient's residence.

Understanding such a situation, Brother Mobile Solutions, Inc., a US-based sales facility of the Brother Group, proposed the introduction of PocketJet® printers to the home health care agency. They are small, light, easy-to-carry mobile printers capable of printing on letter-sized paper (8 1/2 x 11 inches), the standard paper size for many software applications.

With the introduction of PocketJet mobile printers, the home health care agency has become able to print the necessary documents required by CMS's regulations at the point of care, and also become able to provide patients and caregivers with a clear and accurate written plan of care. Furthermore, the introduction, which saves on making a handwritten document, has led to about a 20-minute reduction in clerical work per visit, thus enabling clinicians to spend more time providing patient care and to increase the number of patient visits per day.



Patient visit



Medical data printing at the point of care

Environmental Activities

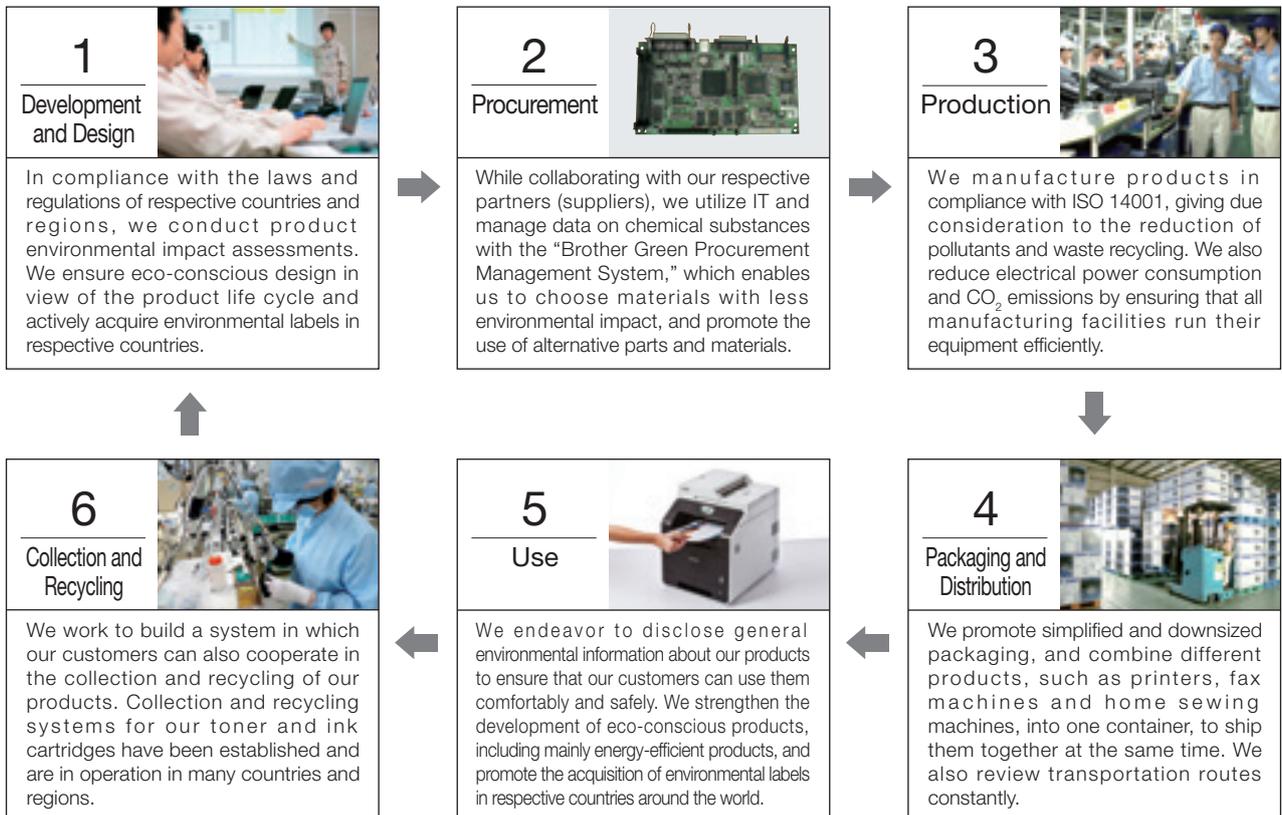
Positively and Continuously Considering Global Environmental Impact

As the basic philosophy for its environmental actions, the Brother Group stipulates that it shall positively and continuously act to decrease the environmental impact of all aspects of its business operations so that society can achieve sustainable development. Based on this philosophy, the group sets its basic environmental policy: concern for the environment shall be the cornerstone of all operations; and safety and environmental impact shall be prime considerations at every stage of a product's lifecycle, from design, development, manufacturing, customer usage, and disposal, to reuse and recycling.



Environmental Considerations throughout the Product Life Cycle

The Brother Group gives environmental consideration and conducts various environmental activities at every stage of its business operations, from product development and design to product collection and recycling.



Brother Group Environmental Action Plan 2018

The Brother Group shall:

- Create eco-conscious products
- Reduce group CO₂ emissions
(The target is set based on our Medium-term plan FY2020 (ending 03/2021)^{*1})
- Maintain regulatory compliance for all product categories
- Support activities for continuous improvement under our philosophy of “Brother Earth”
- Support biodiversity conservation in the Brother Group under the COP10 Aichi Biodiversity Targets

^{*1} CO₂ emissions reduction target in Medium-term plan FY2020 (ending 03/2021) BIL: 30% reduction compared to FY1990 (ending 03/1991) (Absolute amount)
Factories outside of Japan (except the U.S.): 20% reduction compared to FY2006 (ending 03/2007) (Basic unit: factories' consolidated sales amount)

Continuous Efforts to Reduce Environmental Impact Based on the Brother Group Environmental Action Plan 2018

< Developing Eco-Conscious Products >

In order to put greater effort into the development of eco-conscious products, the Brother Group has been promoting top-class eco-conscious design in respective product categories by actively acquiring environmental labels in respective countries and meeting new standards. Based on such eco-conscious design, the group works on the reduction of products' environmental impact throughout their life cycles and pursues cutting down their carbon footprint.

< Reducing CO₂ Emissions in the Entire Group >

In FY2013, the scope of activities to cut CO₂ emissions was expanded to include the whole Brother Group. Furthermore, we calculate and reduce CO₂ emissions not only in our business operations, but also in the entire supply chain of our products. To verify the reliability of the calculated results, the Brother Group is subject to verification of compliance with international standards (ISO 14064-1 requirements) by a third-party organization, and also makes efforts to acquire certification for the data.

< Complying with Environmental Laws, Regulations and Social Trends around the World >

In addition to complying with laws and regulations in respective countries and regions, such as the “REACH Regulation^{*2}” and the “RoHS Directive^{*3},” we institute a chemical substance assurance system within the entire group by operating an environmental information system, which is used to investigate and manage certain chemical substances contained in parts we procure, and auditing our respective partners from which we procure parts and materials.

^{*2} The EU regulation on registration, evaluation, authorization and restriction of all chemical substances contained in manufactured or imported items.

^{*3} An EU directive that bans the use of hazardous substances in electrical and electronic equipment.

< Environmental Communication >

Under the environmental slogan of “Brother Earth,” we collaborate and work with many stakeholders and actively conduct activities to protect the environment and contribute to local communities. Our special environmental website “brotherearth.com” introduces the Brother Group's activities to many people through its content, such as “Environmental activities,” which are conducted by respective group companies, “Eco technology,” and the user participatory donation activity “Click for the Earth.” It also provides content that addresses the theme of animals designated as endangered species to convey the importance of environmental protection.

< Biodiversity >

As a global company based in Nagoya, the hosting city of COP10^{*4}, we set the “Aichi Biodiversity Targets” as our priority targets. In line with this, our respective group companies continuously conduct biodiversity conservation activities tailored to their regional characteristics, such as an anti-desertification project in Inner Mongolia and a mangrove reforestation project in Thailand. Through these activities, we addressed some of the twenty items of the Aichi Biodiversity Targets, such as “Awareness increased,” “Habitat loss halved or reduced,” “Protected areas increased and improved,” and “Knowledge improved, shared and applied.”

^{*4} The 10th Conference of the Parties to the Convention on Biological Diversity, which was held in Nagoya City, Aichi. The Aichi Biodiversity Targets were agreed upon at COP10 as effective and urgent targets to be achieved by 2020 to prevent the loss of biodiversity.

5R Concept—the Key to Reducing Environmental Impact

The Brother Group undertakes environmental protection activities under the 5R concept.

- | | |
|-------------------|---|
| 5R Concept | Refuse: Avoid purchase of environmentally burdensome materials whenever possible |
| | Reduce: Reduce waste material |
| | Reuse: Reuse waste material without processing |
| | Reform: Reuse materials in a different form |
| | Recycle: Reuse materials as resources |



Social Contribution Activities

Promoting Social Contribution Activities Globally on a Shared Awareness among the Whole Brother Group

Social contribution activities are a part of the Brother Group's management to achieve "Global Vision 21," the Brother Group's mid- to long-term vision. In practicing such management, it is important to properly identify demands and expectations for Brother through interactive communication with local communities, and to work hard to define our responsibilities and seek new opportunities that will lead to business growth.



Support for Post-Quake Reconstruction

Donations from Kizuna Fund to Shichigahama Town, Miyagi Prefecture

In July 2017, the Brother Group donated the money raised by its employees (Kizuna Fund) to Shichigahama Town, Miyagi Prefecture, which the group had been supporting since the aftermath of the Great East Japan Earthquake. The donated money is to be used for the "global human resources development program," which is currently conducted by the town based on its reconstruction policies. In the donation ceremony, Town Mayor Terasawa said that the contributions would be used to purchase English educational materials designed for children to get familiar with English and that he would further promote the reconstruction of the town to make it attractive.



Left: Mayor Terasawa, right: Brother's president at the time

Contribution to the Reconstruction of Disaster-hit Areas through the Purchase of Their Local Products

Aiming to help the reconstruction of quake-hit areas through the purchase of goods made in such areas, the Brother Group has regularly held markets for employees since 2013. In November 2017, the Brother Group held its 14th market in the commemoration event for the 75th anniversary of the founding of Nissei Corporation. This event invited not only group employees but also community residents, and about 200 people bought goods from the quake-stricken Tohoku region and Kumamoto Prefecture.



Employee buying an item in the market

Environmental and Social Contribution

Brother Industries, Ltd. ("BIL") concluded an agreement with Gifu Prefecture and Gujo City therein to designate three areas in the city, including a former ski area, as the "Brother Forests in Gujo" in 2008 and since then has conducted reforestation activities. Since the execution of the agreement, BIL has implemented tree planting twice a year, in the spring and the fall. Between the first activity in June 2008 and the 20th activity in October 2017, a total of 5,906 trees were planted. In the tree planting activity carried out in October 2017, BIL received a letter of gratitude from the mayor of Gujo City in commemoration of the 10th anniversary of the agreement, and also conducted commemorative tree planting with four employees who had taken part in all 20 activities since 2008.



Wooden letter of gratitude presented by the mayor of Gujo City

One of the four employees said: "I just enjoyed planting trees as recreation at the beginning. I, however, have grown a strong attachment to the Brother Forests and now plant trees with a desire to see the forests grow up. I would like to nurture the forests continuously together with people involved in tree planting."



Commemorative tree planting by the employees who had joined all the tree planting activities

Golden Ring Project

The Brother Group has been promoting participation in charity events to support cancer patients, aiming to conduct social contribution activities with its employees and with a sense of unity on a global scale. In 2011, the group named such activities the “Golden Ring Project,” imagining a ring of support on a world map drawn by connecting the support activities conducted by respective group facilities with a line. In FY2017, employees and their families at 22 group facilities all over the world participated in this project.

Many of the facilities working on the “Golden Ring Project” take part in the charity event “Relay For Life.” In this event,

participants make donations and walk for 24 hours with their team members to increase their awareness and knowledge about cancer and encourage cancer patients. Donations raised are used for new cancer treatment/medication development, scholarships for young doctors, and so forth. In 2017, Brother Industries (Slovakia) s.r.o., one of the manufacturing facilities of the Brother Group in Europe, joined “Run for Life,” a charity event for supporting cancer patients, in the capital of Slovakia.

The Brother Group will widen the circle of employees who are willing to join the “Golden Ring Project.”



Slovakia



Thailand



Japan

Social Contribution Activities in Respective Regions

Brother’s German Sales Company Engaging in Social Contribution Activities Tailored to Its Local Needs

Brother Internationale Industriemaschinen GmbH (“BIMH”), which is a sales facility of the Brother Group located in Emmerich, a city in the northwest of Germany, conducts a variety of local contribution activities throughout the year.

In May, BIMH co-sponsored the “Truckers Run,” an event for children with serious diseases or disabilities, who have limited opportunities to go out, to enjoy a driving trip by truck. This event aims to provide such children with an opportunity to feel the joy of going out by making a four-hour, 65-km round trip from Kalkar to ’s-Heerenberg through Emmerich, with one child in the front passenger seat of each truck.

In addition, BIMH donated an automated external defibrillator (AED) in November. In Germany, AED installation in theaters and other public facilities has been promoted to respond to emergency situations. The donated AED was installed in a municipal theater, which is familiar to the local residents, at the beginning of November and helped prepare the theater for emergencies.



Long procession of trucks carrying children and driving through town

Activities by Brother’s R&D Facility in China to Support Disadvantaged People

In FY2017, Brother System Technology Development (Hangzhou) Ltd. (“BSH”), the R&D facility of the Brother Group in China, donated books and clothes to needy people.

In September, BSH donated books to a school with poor educational resources to provide an opportunity for children to enjoy stories and deepen their knowledge through book reading.

The company sent 95 picture books and novels gathered from its employees to the children of a school located in Liu Pan Shui City, Guizhou Province.

In October, BSH gave clothes to deprived people so that they would be able to stay warm during the severe cold winter months.

In response to the company’s call for clothing donations, employees donated a total of 45 items including coats, mufflers, and gloves, and these clothes were delivered to people living in a suburb of Baoding City, Hebei Province through a non-profit organization.



Employees who donated many books

Corporate Governance

Fundamental Ideas of Brother's Corporate Governance

Brother Industries, Ltd. ("BIL") has established the "Brother Group Global Charter" as the basis of all the Brother Group's activities conducted worldwide, and sets the enhancement of its corporate value over the long term by optimizing management resources and creating customer value, the development of long-term trustful relationships with its shareholders by enhancing corporate transparency through active provision of corporate information to shareholders, and so forth, as the fundamental ideas of BIL's corporate governance.



Corporate Governance Structure

BIL established the "Brother Group Basic Policies on Corporate Governance" (published on BIL's website) in November 2015, and since then has been striving to strengthen its governance in line with these basic policies.

< Statutory Auditor System and Executive Officer System >

BIL's board of directors consists of 11 directors (including five outside directors)*. They decide important management matters and oversee executive operations. BIL also adopts a statutory auditor system (five auditors, including three outside auditors)* as the basis of its corporate governance, and has an entrenched mechanism in which auditors audit directors' job execution. In addition, BIL has an executive officer system as an internal organization, whereby executive operations and supervision are separated in an effort to ensure swift decision-making and strengthen governance. Executive officers are elected by the board of directors, and are responsible for overseeing the operations of businesses, departments, and group subsidiaries under their supervision.

< Independent Outside Directors >

BIL appoints independent outside directors to ensure objective and neutral oversight of management from an external point of view, and thereby strengthens its management oversight function. BIL's independent outside directors provide management advice, decide important matters, and oversee executive operations based on their respective abundant experience, careers, and insights from perspectives independent of BIL's management.

< Nomination Committee and Compensation Committee >

In order to enhance the independence and objectivity of the board of directors' functionality concerning the appointment and remuneration of directors and executive officers, BIL has the Nomination Committee and the Compensation Committee as arbitrary advisory committees of the board of directors. Each of the committees consists of seven directors, including five outside directors and two internal directors*, and appoints an outside director as its chairperson.

The Nomination Committee creates standards for the appointment of directors and executive officers, selects candidates, develops a CEO succession plan, and so forth, and reports them to the board of directors.

The Compensation Committee creates policies and a system of remuneration for directors and executive officers, reviews the remuneration standard and the remuneration amount of respective individuals, and reports them to the board of directors.

< To Enhance the Effectiveness of the Board of Directors >

At BIL, respective directors and auditors every year evaluate the effectiveness of the board of directors and report the results to the board of directors. Based on this evaluation, the board of directors analyzes and assesses the effectiveness of the entire board of directors and discloses an overview of the results in the "Corporate Governance Report." The board of directors will endeavor to further enhance its effectiveness based on opinions provided by respective directors and auditors.

* As of June 26, 2018

Remuneration of Officers

< Policy on Officers' Remuneration >

BIL sets up an objective and transparent remuneration structure based on the clarification of the management responsibility of its officers, and follows a policy of paying an appropriate amount of remuneration with consideration of other companies' remuneration levels and employee treatment levels.

< Composition of Officers' Remuneration >

The remuneration of directors shall be calculated in accordance with BIL's prescribed rules concerning the remuneration of directors, discussed and reported by the Compensation Committee, and approved by the board of directors.

The remuneration of directors consists of three parts. They are (1) "basic remuneration" provided to all directors, (2) "performance-based remuneration" given to directors who concurrently serve as executive officers as compensation reflecting their performance responsibilities in the group's yearly business performance, and (3) "stock options for a stock-linked compensation plan for directors (excluding outside directors)" offered to increase the incentive for the long-term improvement of corporate value. The remuneration amount for respective individuals is calculated by multiplying a certain base amount by a coefficient set for respective positions, according to BIL's prescribed rules concerning

the remuneration of directors. The performance-based remuneration is calculated for the performance during the previous fiscal year by adding and subtracting based on the method stipulated in the prescribed rules. The basic remuneration and the stock compensation-type stock options are calculated and provided within the limit of the remuneration amount approved at the general meeting of shareholders.

The remuneration of auditors is decided by the board of statutory auditors in accordance with BIL's prescribed rules concerning the remuneration of auditors and within the limit of the remuneration amount approved at the general meeting of shareholders.

Categories	Paid Individuals	Amount of Remuneration (million yen)	Total Amount of Remuneration, etc., by Category		
			Basic Remuneration (million yen)	Performance-based Remuneration (million yen)	Stock Compensation-type Stock Options (million yen)
Directors (Outside directors included)	14 (6)	415 (54)	238 (54)	120 (-)	57 (-)
Auditors (Outside auditors included)	5 (3)	72 (23)	72 (23)	- (-)	- (-)
Total (Outside directors/ auditors included)	19 (9)	488 (77)	310 (77)	120 (-)	57 (-)

(One year from April 1, 2017 to March 31, 2018)

Note: The amount paid to directors does not include the employee salary of the employees who also serve as directors.

BIL Governance Structure (As of June 26, 2018)



Risk Management System

BIL has the Risk Management Committee headed by the Representative Director & President, as an independent executive management organization, whereby the crucial risks of the whole Brother Group are identified and assessed, and proper actions for those risks are formulated. The committee promotes the upgrading of internal controls and risk management structures.

The Risk Management Committee manages the following risk subcommittees to control the critical risks of the group in a comprehensive and systematic fashion, overseeing activities of the subcommittees to respond to the respective risks. When the potential impact of a risk is assessed at the highest level, the Risk Management Committee switches into emergency response mode and gives priority to dealing with the situation.

< Compliance Committee >

The Compliance Committee makes the workforce aware of the importance of complying with laws and business ethics and prevents violations and their recurrence through education programs and activities.

< Committee of Security Trade Control >

The Committee of Security Trade Control ensures the proper management of export transactions and technological offerings based on laws and regulations. This committee is also working to maintain and improve the management level by staging meetings to discuss important matters every time laws are amended, implementing internal audits, and offering guidance and education to group companies.

< Product Liability Committee >

The Product Liability Committee is held periodically to ensure product safety in R&D, design and production, sale and use, repair and service, and disposal through coordinated efforts.

< Information Management Committee >

To cope with risks associated with information leaks, the Information Management Committee determines a suitable policy for managing information on customers and other aspects of the business retained by the company, and deploys it throughout the group.

< Safety, Health, and Disaster Prevention Committee >

The Safety, Health, and Disaster Prevention Committee discusses annual plans, devises and implements measures, and conducts awareness activities for the purpose of ensuring employee safety and health, preventing disasters, and minimizing the damage from such disasters.

< Environmental Committee >

The Environmental Committee is chaired by the environmental officer and includes executive officers and above who are in charge of development, technology, production, and general affairs fields. The committee regularly discusses and determines measures for environmental issues that must be dealt with by the whole Brother Group.

Message from an Outside Director

Three years have already passed since I assumed the position of outside director.

My interaction with Brother started some 20 years ago at a fund-raising party for the geology museum of the State University of New Jersey.

In board meetings, I have sought to facilitate constructive discussion by presenting various questions or suggestions based on my many years of international business experience in the pharmaceutical industry. I hope my involvement in this manner helps Brother's managerial decision-making.

Brother's governance structure is securely managed by its board of directors, which is overseen by the board of statutory auditors and outside directors who are independent from the management team. Brother also has the Nomination Committee and the Compensation Committee as advisory committees to ensure the independence and objectivity of the board of directors' functionality.

International-minded engineers to support globalization and employees who are not afraid of working anywhere in the world are indispensable for enhancing Brother's corporate value. Therefore, I would like Brother to continue to develop young employees.

FY2018 is the final year of the mid-term business strategy "CS B2018." I expect Brother to steadily promote three transformations, which are business, operational, and talent transformations identified as its challenges, and to listen to customer opinions with the "At your side." spirit existing in Brother's DNA, and thereby remaining a company that continues to generate superior value.

Outside Director **Soichi Matsuno**

Board of Directors, Statutory Auditors and Executive Officers

(As of June 26, 2018)

Board of Directors



Representative Director & Chairman

Toshikazu Koike



Representative Director & President

Ichiro Sasaki

Head of Domino Business Division
Head of Industrial Printing Business Division
Direct control over:
New Technology Development Dept. of Industrial Printing Business Division
Internal Audit Dept.



Representative Director & Senior Managing Executive Officer

Tadashi Ishiguro

Head of Printing & Solutions Business Division
Responsible for: Business Planning Dept., SOHO and Emerging Country Business Development Dept., SMB and S&S Business Development Dept. of Printing & Solutions Business Division



Representative Director & Senior Managing Executive Officer

Tasuku Kawanabe

Head of Machinery Business Division
Responsible for: Business Planning Dept., Strategic Technology Dept., Production Dept., Development Dept., Quality Management Dept., Industrial Sewing Machine Sales Dept., Machine Tools Sales Dept., Machine Tools CS Planning Dept. of Machinery Business Division
Director of Nissai Corporation



Director & Managing Executive Officer

Jun Kamiya

Head of Network & Contents Business Division
Responsible for: Network System Business Development Dept. of Network & Contents Business Division
Representative Director, Chairman & President of Xing Inc.



Director & Managing Executive Officer

Yuichi Tada

Responsible for: Corporate Planning Dept., and Sales & Marketing Strategy Development Dept., Design Dept. of Marketing Strategy Center



Outside Director

Atsushi Nishijo

Outside Director of Skylark Co., Ltd.



Outside Director

Shigehiko Hattori

Advisor of Shimadzu Corporation
Outside Director of Mitsubishi Tanabe Pharma Corporation
Outside Director of Sapporo Holdings Limited
Outside Director of Meiji Yasuda Life Insurance Company
Outside Auditor of Nikkei Inc.



Outside Director

Koichi Fukaya

Advisor of DENSO Corporation



Outside Director

Soichi Matsuno



Outside Director

Keisuke Takeuchi

Outside Director of Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development

Statutory Auditors



Standing Corporate Auditor

Keiichi Hino



Standing Corporate Auditor

Kazuyuki Ogawa



Outside Auditor

Tomoyoshi Arita

Outside Director of Japan Post Bank Co., Ltd.
Outside Auditor of WDB Holdings Co., Ltd.
Outside Director of Fukuyama Transporting Co., Ltd.



Outside Auditor

Koji Onogi

Representative Director & President of TOKAI Corp.



Outside Auditor

Akira Yamada

Representative of Three Fields L.L.C.
Outside Auditor of Denyo Corporation
Outside Auditor of Solar Frontier K.K.
Outside Director of Monitoring Board of Amifa Corporation
Outside Auditor of Kawasaki Holdings Co., Ltd.

Executive Officers

Managing Executive Officers

Chikamasa Hattori

Responsible for: Production Dept., Quality Management and Customer Satisfaction Dept. of Printing & Solutions Business Division
IJ Production Dept. of Quality, Production and Engineering Center

Hiroyuki Wakahara

Responsible for: Human Resource Dept., Law, Environment & General Affairs Dept., CSR & Corporate Communication Dept.

Mitsuyasu Kyuno

Head of Personal & Home Business Division
Responsible for: Business Planning Dept., Sales & Marketing Dept., Craft Business Development Dept., Development Dept., Quality Management and Customer Satisfaction Dept., Production Innovation Dept. of Personal & Home Business Division

Executive Officers

Makoto Hoshi

Responsible for: Industrial equipment business of Machinery Business Division

Satoru Kuwabara

Responsible for: LE Development Dept., LC Development Dept., IDS Development Dept. of Printing & Solutions Business Division

Taizo Murakami

Responsible for: Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept. of Production & Engineering Center

Tsuyoshi Suzuki

Responsible for: Technological Innovation Dept., Software Technology Development Dept. of Development Center, and Intellectual Property Dept.

Tetsuro Koide

Responsible for: Domino Business Office of Domino Business Division
Industrial System Sales and Marketing Dept. of Industrial Printing Business Division
General Manager of Domino Business Office

Yasuyuki Hasegawa

Responsible for: Industrial Sewing Machine business of Machinery Business Division

Tatsuya Sato

Responsible for: New Business Development Dept., and Electronic Technology Development Dept., IJ Technology Development Dept. of Development Center

Toshihiro Itou

Responsible for: Finance & Accounting Dept., MIS Dept.

Yoshiichi Sugimoto

Head of Labeling & Mobile Solutions Business Division
Responsible for: Business Planning Dept., Development Dept., Production Dept. of Labeling & Mobile Solutions Business Division
General Manager of Business Planning Dept.

Group Managing Executive Officers

Nigel Bond

CEO of Domino Printing Sciences plc

Yuji Miwa

Director & President of Brother Industries (Philippines), Inc.

Group Executive Officers

Susumu Takeda

Chairman of Brother Technology (Shenzhen) Ltd.
Responsible for: Purchasing Dept., Production Innovation Dept. of Quality, Production and Engineering Center

Isao Noji

Managing Director of Brother Holding (Europe) Ltd.
Chairman & Managing Director of Brother International Europe Ltd.

Kazufumi Ikeda

Director & President of Brother International Corporation (U.S.A.)

Tsutomu Mishima

Representative Director & President of Brother Sales, Ltd.

Corporate Profile

Corporate Information of Brother Industries, Ltd. (Group Headquarters)

(As of March 31, 2018)

Corporate Name	BROTHER INDUSTRIES, LTD.
Head Office	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, Aichi 467-8561, Japan Telephone: 81-52-824-2511
Date of Incorporation	January 15, 1934
Paid-in Capital	19,209 million yen
Number of Employees*	38,628 (consolidated) 3,937 (non-consolidated) * Number of permanent employees in the Group



Head Office



Research & Development Center



Kariya Factory



Mizuho Factory



Hoshizaki Factory



Tokyo Office



Brother Museum

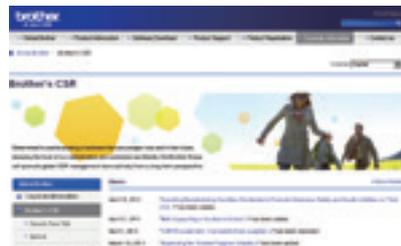
The Brother Group Website

Brother's website provides detailed information on the Brother Group including about products, overseas facilities, corporate information, CSR activities and investor information.

<http://www.brother.com/index.htm>



Corporate Information



Brother's CSR

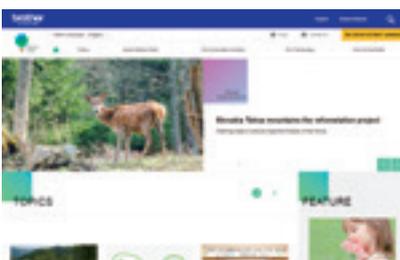


Environmental Activities

Special website for environmental protection "brotherearth.com"

The special website, "brotherearth.com" introduces global activities that the Brother Group promotes to protect the environment. Participatory content, "Click for the Earth" gives viewers the opportunity to select a project they want to support from a range of environmental projects being undertaken by Brother. The individual clicks activate a donation from Brother for the specific projects.

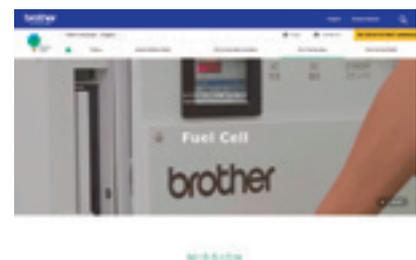
<http://www.brotherearth.com/>



brotherearth.com top page



Click for the Earth



Eco Technology

Group Facilities

Japan

Group Headquarters

BROTHER INDUSTRIES, LTD.

Main group companies in Japan

NISSEI CORPORATION

BROTHER INTERNATIONAL CORPORATION

MIE BROTHER PRECISION INDUSTRIES, LTD.

BROTHER SALES, LTD.

XING INC.

STANDARD CORP.

XING MUSIC ENTERTAINMENT CO.

BMB INTERNATIONAL CORP.

TEICHIKU ENTERTAINMENT, INC.

TEICHIKU MUSIC, INC.

GRANDPRIX LEISURE SYSTEM CO., LTD

Other group companies in Japan

BROTHER LOGITEC LTD.

BROTHER REAL ESTATE. LTD.

BROTHER LIVING SERVICE CO., LTD.

BROTHER ENTERPRISE, LTD.

BETOP STAFF, LTD.

BROTHER FINANCE (JAPAN), LTD.

The Americas

Manufacturing Facilities

BROTHER INDUSTRIES (U.S.A.) INC.

Sales Facilities

BROTHER INTERNATIONAL CORPORATION (U.S.A.)

BROTHER INTERNATIONAL CORPORATION (CANADA) LTD.

BROTHER INTERNATIONAL DE MEXICO, S.A. DE C.V.

BROTHER INTERNATIONAL CORPORATION DO BRASIL, LTDA.

BROTHER INTERNATIONAL DE CHILE, LTDA.

BROTHER INTERNATIONAL CORPORATION DE ARGENTINA S.R.L.

BROTHER MOBILE SOLUTIONS, INC.

BROTHER INTERNATIONAL DEL PERU S.A.C.

Domino Business Facilities

DOMINO AMJET INC.

CITRONIX INC.

Europe

Manufacturing Facilities

BROTHER INDUSTRIES (U.K.) LTD.

BROTHER INDUSTRIES (SLOVAKIA) s.r.o.

Sales Facilities and Others

BROTHER INTERNATIONAL EUROPE LTD.

BROTHER INTERNATIONAL GmbH

BROTHER INTERNATIONAL GmbH (Austrian Branch)

BROTHER FRANCE SAS

BROTHER U.K. LTD.

BROTHER INTERNATIONAL (NEDERLAND) B.V.

BROTHER NORDIC A/S

BROTHER NORWAY, branch of BROTHER NORDIC A/S

BROTHER SWEDEN, branch of BROTHER NORDIC A/S, Denmark

BROTHER FINLAND, BROTHER NORDIC A/S Denmark, branch in Finland

BROTHER CENTRAL AND EASTERN EUROPE GmbH

BROTHER CENTRAL AND EASTERN EUROPE GmbH (Czech Branch)

BROTHER CENTRAL AND EASTERN EUROPE GmbH (Poland Branch)

BROTHER INTERNATIONAL (BELGIUM) NV/SA

BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH

BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH (Italian Branch)

BROTHER (SCHWEIZ) AG

BROTHER IRELAND DAC

BROTHER ITALIA S.p.A.

BROTHER IBERIA, S.L.U.

BROTHER IBERIA, S.L.U. (Lisbon Branch)

BROTHER LLC

BROTHER SEWING MACHINES EUROPE GmbH

BROTHER SEWING MACHINES EUROPE GmbH (U.K. Branch)

BROTHER HOLDING (EUROPE) LTD.

BROTHER FINANCE (U.K.) PLC

Domino Business Facilities

DOMINO PRINTING SCIENCES PLC

DOMINO U.K. LTD.

POST JET SYSTEMS LTD.

DOMINO DEUTSCHLAND GmbH

DOMINO LASER GmbH

WIEDENBACH APPARATEBAU GmbH

DOMINO SAS

DOMINO AMJET BV

GRAPH TECH AG

Asia / Oceania

R&D Facilities

BROTHER SYSTEM TECHNOLOGY DEVELOPMENT (HANGZHOU) LTD.

Manufacturing Facilities

TAIWAN BROTHER INDUSTRIES, LTD.

ZHUHAI BROTHER INDUSTRIES, CO., LTD.

BROTHER MACHINERY XIAN CO., LTD.

BROTHER INDUSTRIES (VIETNAM) LTD.

BROTHER TECHNOLOGY (SHENZHEN) LTD.

BROTHER INDUSTRIES SAIGON, LTD.

BROTHER INDUSTRIES (PHILIPPINES), INC.

BROTHER MACHINERY VIETNAM CO., LTD.

NISSEI GEAR MOTOR MFG. (CHANGZHOU) CO., LTD.

Sales Facilities

BROTHER INTERNATIONAL SINGAPORE PTE. LTD.

BROTHER INTERNATIONAL (HK) LTD.

BROTHER COMMERCIAL (THAILAND) LTD.

BROTHER MACHINERY (ASIA) LTD.

BROTHER INTERNATIONAL (MALAYSIA) SDN. BHD.

BROTHER INTERNATIONAL PHILIPPINES CORPORATION

BROTHER (CHINA) LTD.

BROTHER INTERNATIONAL (INDIA) PRIVATE LTD.

PT. BROTHER INTERNATIONAL SALES INDONESIA

BROTHER INTERNATIONAL TAIWAN LTD.

BROTHER INTERNATIONAL (VIETNAM) CO., LTD.

BROTHER INTERNATIONAL KOREA CO., LTD.

BROTHER MACHINERY SHANGHAI LTD.

BROTHER (ASIA) MYANMAR MACHINERY SERVICE CENTER LTD.

BROTHER INTERNATIONAL (AUST.) PTY. LTD.

BROTHER INTERNATIONAL (NZ) LTD.

BMB (SHANGHAI) INTERNATIONAL CORP.

NISSEI TRADING (SHANGHAI) CO., LTD.

Domino Business Facilities

DOMINO CHINA LTD.

DOMINO KOREA PTE. LTD.

DOMINO PRINTECH INDIA PRIVATE LTD.

DOMINO ASIA PTE. LTD.

Middle East / Africa

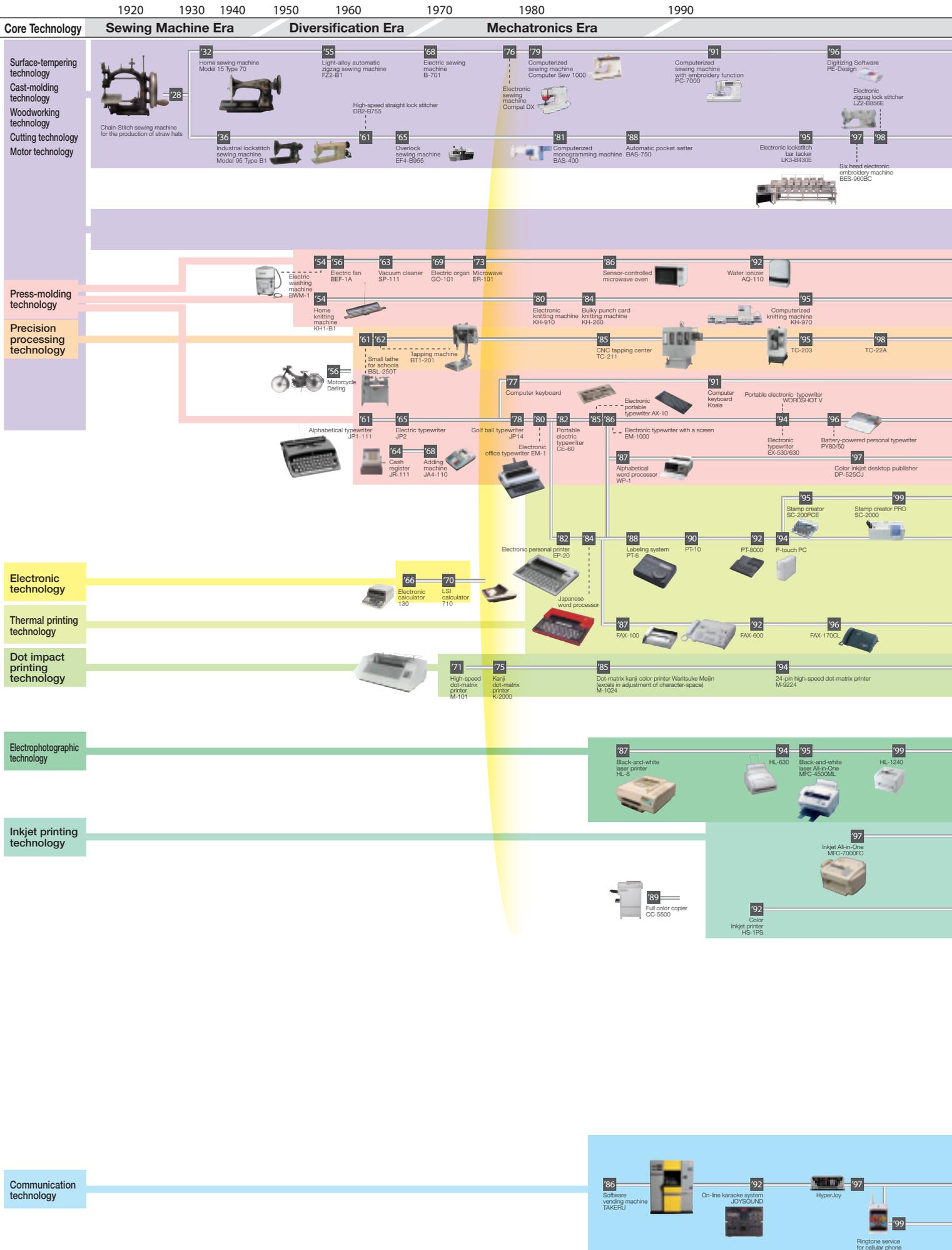
Sales Facilities

BROTHER INTERNATIONAL (GULF) FZE

BROTHER INTERNATIONAL (GULF) FZE (Turkey Branch)

BROTHER INTERNATIONAL S.A. (PTY) LTD.

Product and Technology Timeline



* Products in parentheses are not currently manufactured.

Network / Contents Era

Product Category

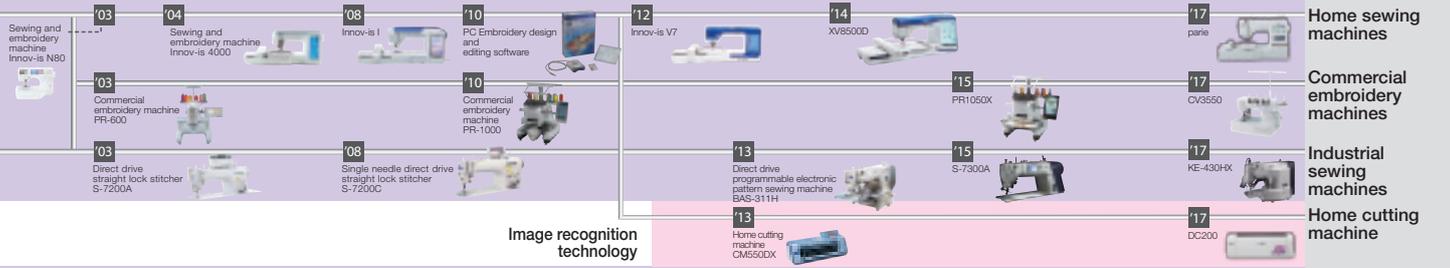


Image recognition technology



(Home appliances)

(Knitting machines)



(Computer keyboards)



Typewriters

(Word processors)



Stamp creators

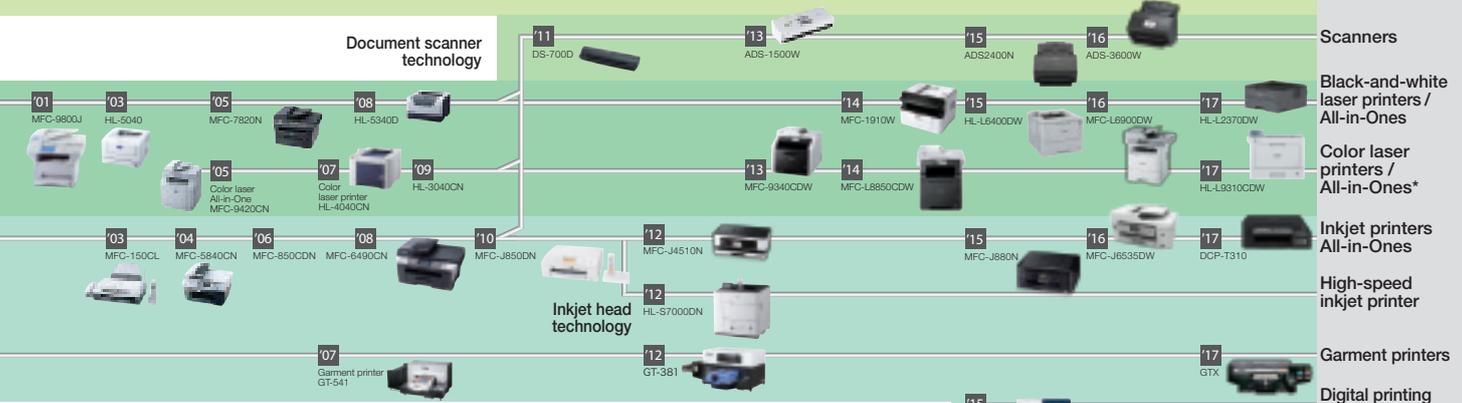
Tape creators

Labeling systems / Label printers

Mobile printers

Facsimiles

(Dot-matrix printers)



Scanners

Black-and-white laser printers / All-in-Ones

Color laser printers / All-in-Ones*

Inkjet printers All-in-Ones

High-speed inkjet printer

Garment printers

Digital printing equipment

Coding & marking (C&M) technology



Inkjet C&M

Laser C&M

Thermal transfer C&M

Head-mounted display

Small display technology



Web conferencing systems

Music box

On-line karaoke systems

Contents services



Energy-related technology



Fuel cell

* including LED system

Editorial Policy

“Brother Communication Report 2018” aims at reaching more stakeholders to provide them with accurate information about the sustainability of the Brother Group’s business activities.

BROTHER INDUSTRIES, LTD.

15-1 Naeshiro-cho, Mizuho-ku, Nagoya 467-8561, Japan
URL: <http://www.brother.com/index.htm>

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Working with you for a better environment
www.brotherearth.com