

Brother Group New Medium-Term Business Strategy Update



CS B2021

TOWARDS THE NEXT LEVEL

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Ichiro Sasaki
Representative Director & President
Brother Industries, Ltd.

- FY2019 1H Results Summary
- Stance on Dividends
- CS B2021 Update

Results for FY2019 1H (Q1&Q2)

- ✓ **Despite a harsh business environment, P&S profit improved and consolidated profit was up**
 - The communications and printing equipment product mix improved and global sales of consumables were strong
 - Demand for machines tools was sluggish in the automotive, general, and IT fields
 - The N&C business reported strong sales of new online karaoke machine models
 - In the Domino business, global sales of consumables were firm

Forecast for FY2019

- ✓ **The P&S business is performing well but cannot make up for the decline in the Machinery business, and the forecast has been revised downward since the previous forecast**
 - Foreign exchange assumptions in the P&S business were revised to a higher yen, but the forecast was revised upward in light of results for the first half
 - The forecast for Machinery business was revised downward in response to continued sluggish demand in conjunction with the global economic slowdown centered on China

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- **Stance on Dividends**
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Stance on Dividends

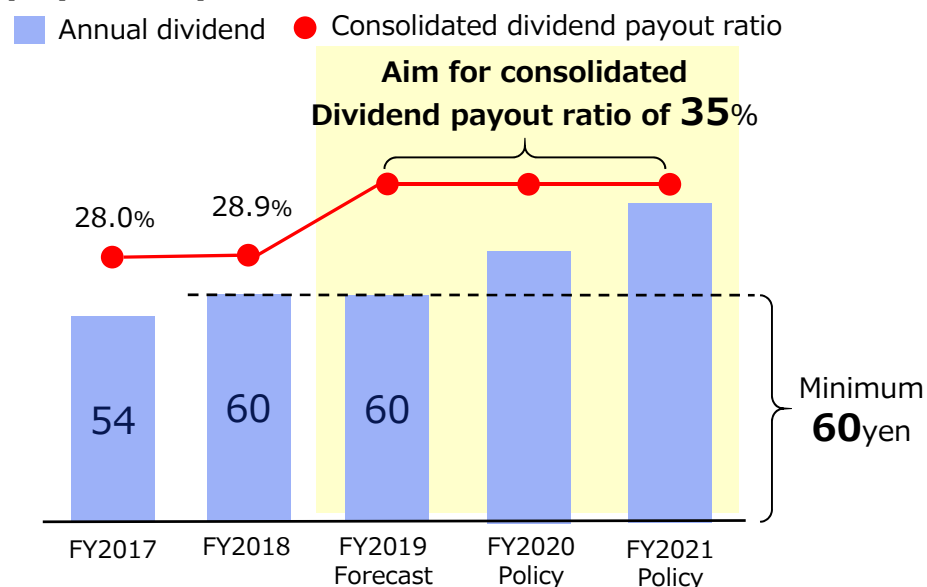
Shareholder Return Policy in the Medium-Term Business Strategy

- Aim for consolidated dividend payout ratio of **35%**
- Provide stable returns to shareholders even under a harsh environment
(annual minimum : **60 yen**)

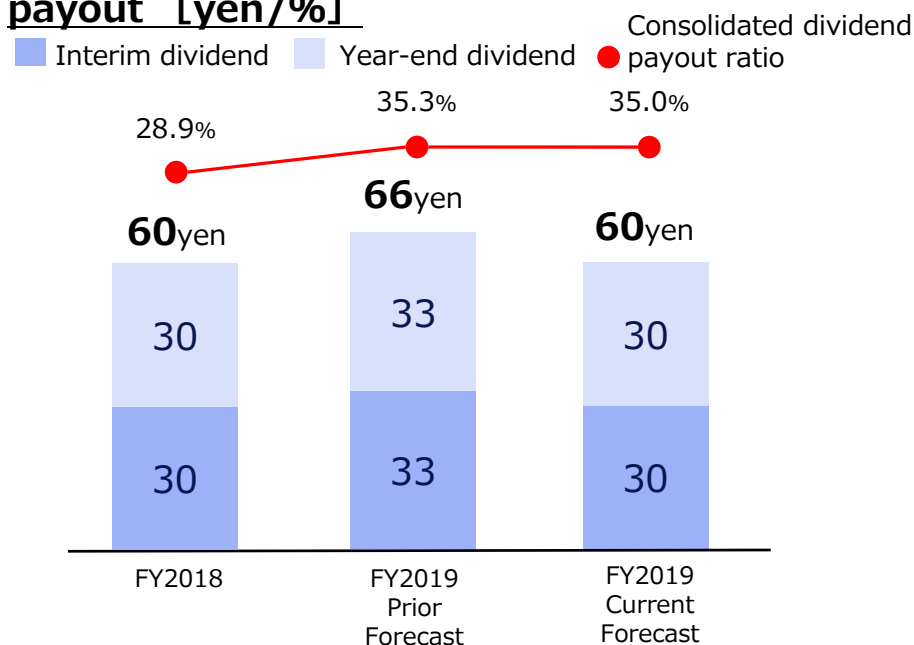
Revision of FY2019 Dividend Forecast

- the forecast of FY2019 has been revised downward
- Dividend Forecast is revised based on shareholder return policy
- Dividends will be increased in cases where results turn upwards

Dividend per share/Consolidated dividend payout [yen/%]



Dividend per share/Consolidated dividend payout [yen/%]



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Update

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

① Printing - win to survive

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

② Machinery/FA - accelerate growth

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

③ Industrial Printing - develop a growth platform

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

④ Form a solid foundation to gain speed/cost advantage

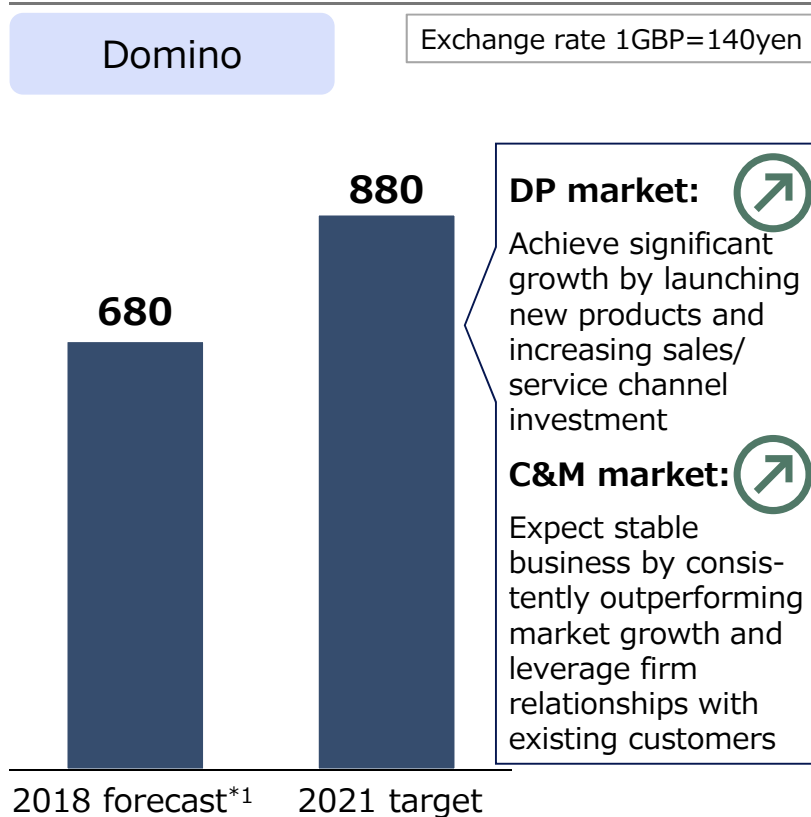
- Thorough operational transformation across the board by leveraging IT
- Maximize organizational performance by cultivating talent pool and optimizing talent deployment
- Revitalize unprofitable/low-profit businesses

PV = Print Volume

Industrial Printing - develop a growth platform: Re-accelerate Domino's growth with synergy realization/reinforcement

Complete planned new products development by closely collaborating with Brother, and fully utilize Domino's competitive products/services to accelerate growth

Sales revenue [100M yen]



DP=Digital Printing
C&M=Coding and Marking

*1: Reference value for comparison purpose with 2021 target at the same exchange rates. Note this figure does not correspond to the full-year forecast as of the third quarter of FY2018

Key initiatives

Re-accelerate new products development by enhancing synergy

- Form a foundation for rapid development
 - Introduce and promote agile development processes and tools
 - Utilize Brother's development infrastructure
- Enhance product development capabilities
 - Increase developers' touch points with customers to captures and better respond to customer needs



Establish best-in-class "customer experience"

- Build a stronger sales and service platform
 - Continue investment on channels
 - Improve customer experience by providing highly professional specialized solutions
- Expand aftermarket products and services
 - Improve customers' productivity by promoting monitoring tool, remote service, etc.

Agile development: an approach to develop products that satisfy specifications and quality required by customers, through iteration of short-term development cycle (of development, implementation, testing and modification)

Re-accelerate Domino's growth with synergy realization/reinforcement

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New Domino brand products is launched

Vx 3-A industrial thermal printer



Re-accelerate Domino's growth with synergy realization/reinforcement

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New Domino brand products is launched



A FUJI MACHINERY high speed horizontal pillow packaging machine displayed at JAPAN PACK 2019 (the Vx 3-A is in the upper center)

Future Outlook

- Multiple new Domino brand products will be launched
- Development is progressing, but due to increases in advance development expenses, profit levels are expected to be flat in this and the next fiscal years

Efforts will be made to recover from development delays through development promoted mainly by Brother

Through operational transformation across the Board by leveraging IT

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Seek to shift resources to operational process transformation and customer value creation activities.

Medium-term plan measures target: Raise operational productivity throughout Brother Industries by 10% (generate approx. 700,000 hours)



Operational Transformation Project

Through operational transformation across the Board by leveraging IT



Details

- Introduction of operational transformation examples
- Useful tools for disclosures
- List of transformed operations
- List of robot operations
- Implementation structures
- BizRobo education & operation etc.

Progress

◆ Operational stocktaking and review of operations:

→ All departments are implementing projects (operational stocktaking, analysis, and action plan formulation)

◆ Automation through the use of IT (introduction of RPA):

Actively introduce RPA to back-office operations as well as sales, development and other business departments

Prioritize topics with high reduction effects and take priority action

Reforms are underway to raise operating profit margins to at least 6% or turn businesses profitable on a sub-business segment basis.

Progress

- Reinforce profit/loss management on a sub-business segment basis. Progress is reported to and deliberated by the Board of Directors.
- Decisions have been made to withdraw some products for which there is no outlook of achieving profitability.

◇ Withdraw from two businesses with no outlook of achieving profitability

P&S business, OmniJoin (Web-conference system)



P&S business, AiRScouter (Head-mounted display)



Status of Capital Investment



Planned Capital Investment in the Xian Factory (China), Kariya Factory, and Hoshizaki Factory (Aichi Prefecture)



Hoshizaki Factory

Reconstruction to reinforce BCP and production facility investment (Hoshizaki Factory: Ink jet head production factory)

Investment : Approx. 10 B yen

Scheduled Completion :
FY2022 2nd Half



Kariya Factory

Reconstruction of the industrial equipment showroom (Kariya Factory: Machine tool production factory)

Investment : Approx. 1 B yen

Scheduled Completion:
FY2020 Q2



Xian Factory

Expansion to increase production capacity (Xian Factory: Machine tool production factory)

Investment : Approx. 1 B yen

Scheduled Completion:
FY2020 2nd Half

* As of November 22, 2019

Outlook

- Over the three years of CS B2021, capital investment of approx. 110 B yen will be made (an average of 30 B–40 B yen per year).
- Investment in BCP-related building is expected to increase starting in FY2020.

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