

Brother Group
New Mid-Term Business Strategy

CS B2018

Transform for the Future



Outline of CS B2018

Targets and results of sales and operating profit in CS B2015

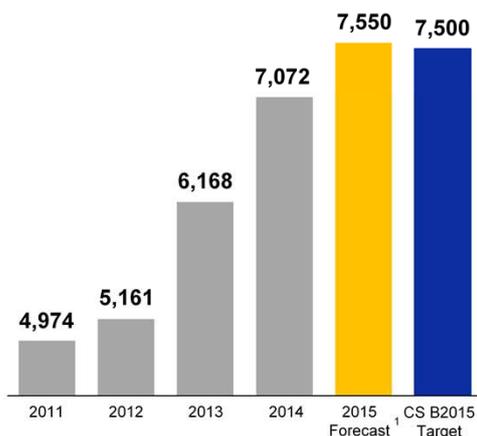
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JP GAAP base

In CS B2015, we achieved the target sales and came close to the target operating profit in FY2014.

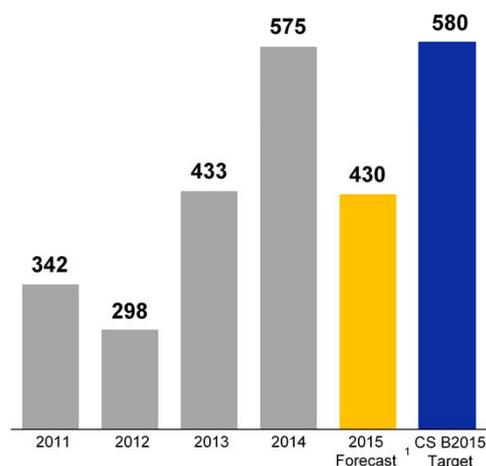
Sales

[100 million yen]



Operating Profit

[100 million yen]



1. Financial forecasts for the third quarter of FY2015

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Under the five-year plan “CS B2015”, formulated in FY2011, we have aimed to achieve 750 billion yen in sales and 58 billion yen in operating profit for FY2015, the final year of the plan.

Looking back on the actual results, we expect that sales will reach 755 billion yen in this fiscal year due to our positive M&A and the favorable impact of forex, and believe that we will achieve the sales target of CS B 2015.

We expect operating profit to be 43 billion yen due to the one-time cost associated with the acquisition of Domino and amortization of goodwill as well as the deterioration of the business environment.

However, considering that we accomplished operating profit of 57.5 billion yen in FY2014, we believe that we have attained some progress in profit.

Taking changing business environment, economic environment and management environment into account, we will focus the next three years on transformation for future growth and on strengthening of profitability in our existing businesses.

- CS B2015, as a foothold for achieving the mid- to long-term “Global vision 21” goals of 1T yen in sales and 10% operating margin, set targets at 750B yen sales, 58B yen in operating profit, and 7.7% in operating margin.
- Sales expected to reach 755B yen as a result of efforts made by existing businesses and strategic investments to bring new growth platforms such as Domino in UK and Nissei in Japan into the Brother group, as well as a favorable currency environment.
- On the other hand, although operating profit reached 57.5B yen in FY 2014, the rapid deterioration of the business environment since early 2015 has resulted in a FY 2015 operating profit estimate of only 43.0B yen.
- Taking the challenge of a changed environment very seriously, we will focus the next 3 years on the structural transformation of our existing businesses to ensure a “Strong Brother” positioned to win and deliver profit no matter how challenging the external business context is.

Our aspiration for Brother:

“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”



1 Business reform

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

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

2 Operational reform

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

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

3 Talent reform

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

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

We will achieve three reforms to become what we would like to be, as stated in the previous page.

First, "Business reform"

We will transform our existing printing-focused business structure, and divide individual businesses into profitability-focused businesses and growth businesses to enhance profitability and ability to generate cash as the group.

Under this mid-term business strategy, we will position Communications & printing equipment as "business for profitability enhancement" and operate the business from a different perspective.

Second, "Operational reform"

We will reinforce customer value creation capability for the future by optimizing use of limited resources and focusing on efficiency.

Third, "Talent reform"

We will cultivate the next generation of leadership talent in the context of Brother's unique DNA and optimize talent development across the group. While developing globally competitive and professional human resources, we will cultivate future leaders.

Concept of strengthen our businesses in CS B2015

Promote growth strategies across all businesses

Communications & Printing equipment

E-stationery

P&H

M&S

N&C

New business

Placed the printing related business as the primary axis inside the head office, and growth strategies promoted across all businesses

Concept of strengthen our businesses in CS B2018

Businesses for profitability enhancement

Expected to contribute to overall group profit as future cash cow groups

Communications & Printing equipment

N&C

Reallocation of HR/ investment



Growth businesses and new businesses

Expected to be growth drivers of the entire group

Growth business

- P&H
- E-stationery business
- Machinery business
- Domino business

New business

- Industrial printing
- Factory automation
- Solution

Clearly differentiate between “businesses for profitability enhancement” and “businesses for growth” and reallocate our resources to strengthen the portfolio

Under CS B2015, the Printing business has been supporting other businesses to promote growth in all businesses.

To facilitate “business transformation” this time, we will re-define individual businesses as “Businesses for profitability enhancement” and “Growth businesses and new businesses”.

We will position Communications & printing equipment, our core business, as “Business for profitability enhancement”, and the business is expected to contribute to overall group profit as a cash cow business rather than as a growth business.

Also, we will efficiently shift part of resources of Communications & printing equipment to “Growth businesses”.

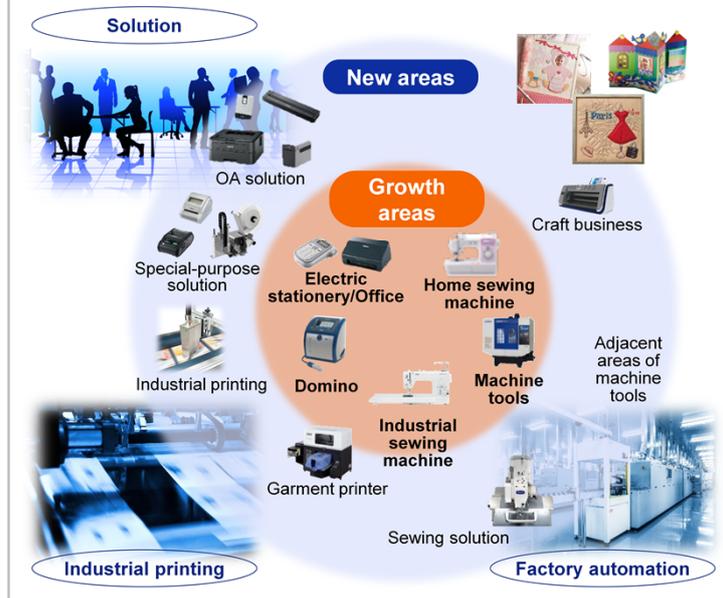
How to proceed with new businesses in CS B2018

Focus efforts in areas that are an extension of existing businesses and can be expected to produce sales within 3 years

1. Industrial printing
2. Factory automation
3. Solution

Establish a systemized business-creation process and promote business development under adequate financial discipline

Image of expansion from core area to new areas



In the New businesses, we will firstly aim to expand the Industrial printing area.

We will expand the Industrial printing business by combining Brother's own industrial printing technologies and Domino's service solutions and technologies.

Secondly, we will expand the factory automation area in the Machine business.

We will increase businesses with customers by offering various solutions including IoT enablement.

Thirdly, we will expand the OA solution area. We will aim to continuously grow not only as a hardware business but also as a solution business by utilizing our products, such as scanners and mobile solutions.

Image of transition in business areas

Industrial areas continuing on from CS B2015

Industrial equipment Industrial sewing machine Industrial parts Domino



Industrial areas aiming for expansion in CS B2018

Industrial printing Factory automation Special-purpose solution OA solution ...

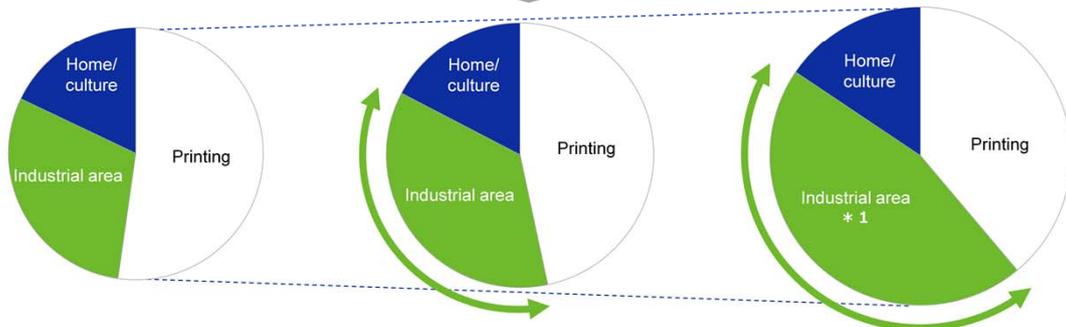


Image of CS B2015 business areas¹

Image of CS B2018 business areas¹

Image of business areas in the future

¹ "Industrial area" includes solution. "Home/culture" means P&H and N&C.

Brother will transform its portfolio to become a multi-business enterprise in the future.

The printing area accounts for half of the current portfolio. However, we will expand the Industrial area up to approximately half of the portfolio in order to shift to a business structure where we will be able to generate stable profit in the future.

Strategy for each business segment

IFRS base

P&S business policy

**Communi-
cations &
Printing
equipment**

Reposition from overall company growth driver to profit generator supporting portfolio enhancement

- Sustain No.1 position in SOHO business
- Thorough implementation of efficiency improvement to enhance profitability
- Focused investment into areas of reliable profit contribution

**E-
stationery**

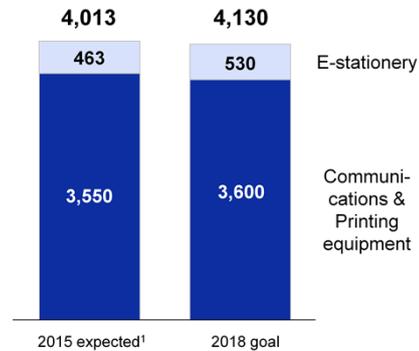
Firmly maintain global No.1 in Home/Office business with a steady profitability and make a full-scale entry into solution business for further growth

- Protect No.1 position and profitability in Office
- Strategic entry into solution business

Quantitative target

Sales Revenue [100 million yen]

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



Operating Profit [100 million yen]



¹Reference values for comparison with FY2018; They do not correspond to the full-year financial forecasts announced in the statements for the third quarter of FY2015.

*The operating profit above indicates the profit and loss of the entire P&S business.

First, let us explain about the Printing & Solutions business.

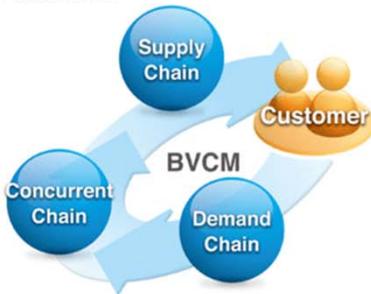
As we explained a little in the outline of CS B2018, we will reposition Communications & printing equipment of the Printing & Solutions business from growth business to profitability enhancement business.

While sustaining the current No.1 position in the SOHO market, we will thoroughly streamline all operations in R&D, manufacturing, sales & marketing and so forth. However, we will continue to invest in certain solution businesses.

We will position E-stationery as a growth business. We will aim to grow not only by sales of label writers, which accounts for most of E-stationery sales, but also by expanding the solution business targeting specific industries.

Structural reform in P&S business

- Reduction in fixed costs by shifting resources to growth businesses
- Thoroughly enhance efficiency in development structure
- Optimize production structure and promote automation
- Restructure our global sales structure and optimize sales promotion cost
- Provide safe and outstanding quality products for customers



Entry into solution businesses



IFRS base

Machinery business policy

Industrial sewing machine

Transition from industrial sewing machines to industrial sewing solution

- Counterattack in industrial sewing machine market with differentiated lock stitch products
- Ride the wave of automation and introduce IoT enablement and new products/services
- Evolve the garment business with an eye to the future

Machine tools

Take share in the market for No.40 taper spindle machines and provide solution by strengthening fundamentals of business in Automobile-related market

- Build share in Automobile-related market and strengthening fundamentals of business
- Boost growth by providing solution, including products in surrounding areas

Industrial parts

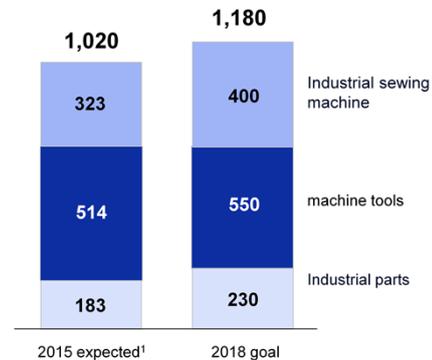
Recover profitability through structural reform and contribute to strengthening of B2B business

- Enhance profitability as a business (reducers, high-precision gears)
- Pursue synergy with other machinery businesses

Quantitative target

Sales Revenue [100 million yen]

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



Operating Profit [100 million yen]



1. Reference values for comparison with FY2018; They do not correspond to the full-year financial forecasts announced in the statements for the third quarter of FY2015.

*The operating profit above indicates the profit and loss of the entire Machinery business.

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In the Machinery business, we will start disclosing three business segments, Industrial parts (newly included), Industrial sewing machines and Machine tools, as the Machinery business from this presentation.

Firstly, in Industrial sewing machines, we will aim to increase sales to the apparel industry with the strategic lock stitch sewing models we launched last year. At the same time, we will understand needs for automation in sewing factories and provide solutions for sewing, such as IoT enablement.

Secondly, in Machine tools, we will provide solutions for large workpieces to customers using large machine tools by strengthening the product lineup for the automobile-related market.

Thirdly, in Industrial parts, we will contribute to strengthening of the entire Machinery business by enhancing profitability in reducers and high-precision gears and by pursuing synergies with the other machinery business segments.

Expand into factory automation areas

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Further increase productivity and take share in the large parts machining market by strategic models, such as multitasking machines and machines for machining large parts



Move into the sewing solution business with strategic lock stitch models, enhanced product lines, and IoT enablement

IFRS base

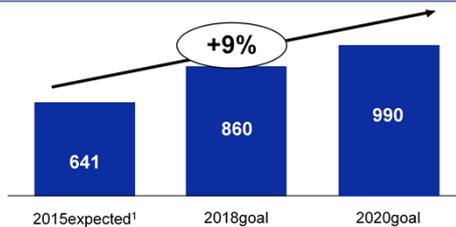
Domino policy

Maximize synergy as the Brother's next pillar of growth

- Target revenue CAGR 9% in the next 5 years as the core growth area
- Expand business by enhancing Domino's sales strength and collaboration with Brother's technological capacity
- Enhance market position in coding & marking field
- Expand digital printing

Sales Revenue [100 million yen]

Exchange rate 1GBP=179Yen



Operating Profit [100 million yen]

46 (7%)	80 (9%)	120 (12%)
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¹Reference values for comparison with FY2018 (adjusted to 12-month basis); They do not correspond to the full-year financial forecasts as of the closing date for the third quarter of FY2015.

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Industrial printing business policy

Strengthen industrial printing business areas with Brother's products that we have focused on since CS B2015

- Expand the range of industrial printing products in areas that are adjacent to existing businesses
- Launch industrial printing products in new categories



This slide is about the Domino business and Industrial printing business.

In the Domino business, we will aim to generate synergies and achieve a compound annual growth rate of 9% in the next five years. This rate is the highest in all our businesses.

We will focus on the strategy of utilizing Brother's inkjet, thermal and laser printing technologies and ability to develop software and then maximizing technological synergies with Domino.

In the Industrial printing business, we essentially develop products by using Brother's technologies.

We will aim to expand the Industrial printing area by adding Domino' technologies to the technologies developed by Brother, as seen in garment printers.



Expand coding & marking business



Make a big leap in digital printing field



New industrial printing business that leads the group to growth



Expand the range of Brother's industrial products



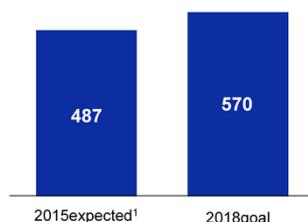
IFRS base

Personal & Home Business policy

Maintain 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”

- Firmly maintain current position in home sewing machines while strengthening profitability in the high-end market
- Expand share in the mid-range market
- Aggressive pursuit of growth in the craft market

Sales Revenue [100 million yen]



Operating Profit [100 million yen]

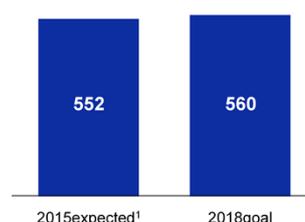


Network & Contents Business policy

Drive structural reforms to reposition as a cash

- Achieve business operating profit rate 5%
- Calibrate investments to ensure cash generation
- Accelerate enhancement of profitability by defining criteria for ROI and profitability

Sales Revenue [100 million yen]



Operating Profit [100 million yen]



1. Reference values for comparison with FY2018; They do not correspond to the full-year financial forecasts announced in the statements for the third quarter of FY2015.

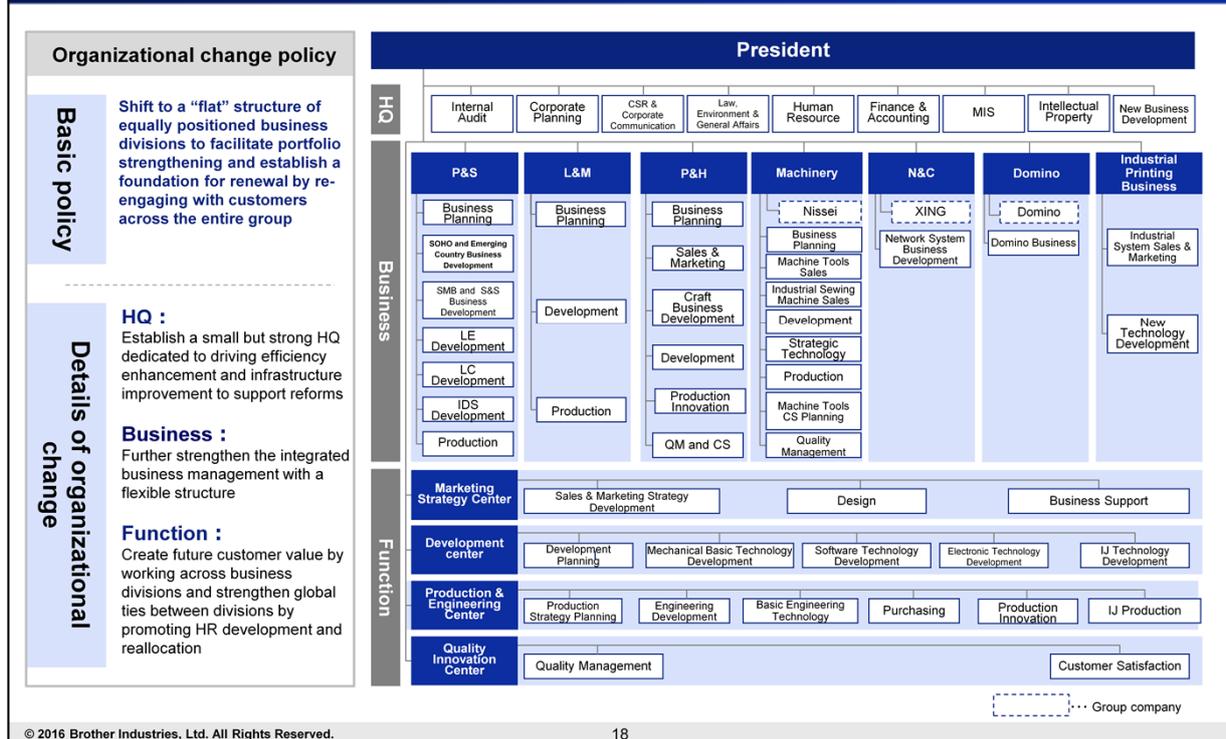
In the Personal & Home business, we have already maintained a high market share as a leading company in the domestic sewing market. We will further strengthen high-end products, our biggest advantage, and aim to further grow in the high-end market.

Also, we will develop business associated with hobbies, such as making a scrapbook, in the craft market.

In the Network & Content business, we will first aim to ensure stable profit and reposition the business as a cash cow.

Then, we will enhance profitability with a target of achieving an operating profit margin of 5% in three years.

Promotion structure for CS B2018



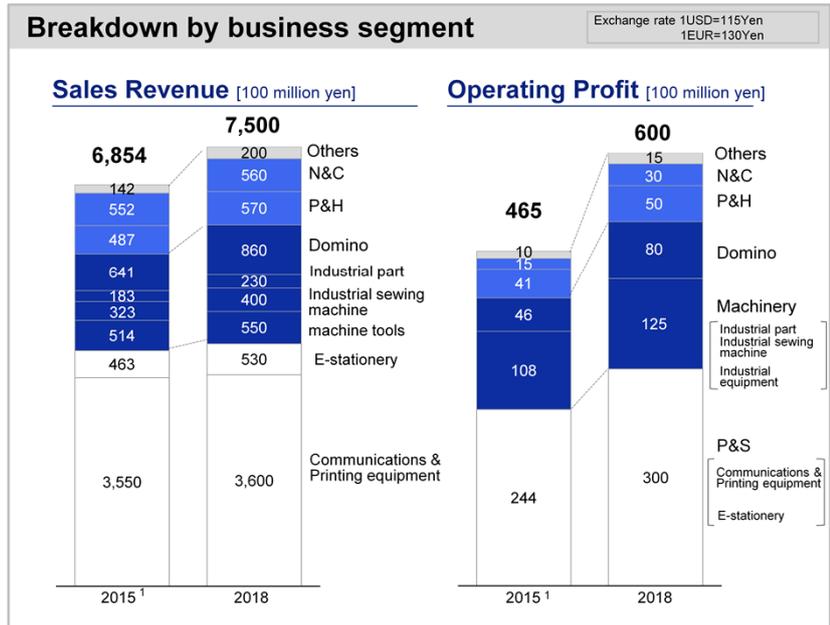
Management targets

CS B2018 Performance goal

IFRS base

□ : Printing ■ : Industrial ■ : Home/culture ■ : Others

FY2018 Performance goals	
Sales Revenue	750B yen
Operating Profit	60B yen
Operating Profit Rate	8.0%



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

Detailed explanation is omitted.

Basic policy

Promote financial measures to strengthen our business portfolio for driving reforms according to the management strategy

- Aim for a capital adequacy ratio of 50% to maintain a healthy financial condition
- Put a priority on maintaining dividend payments for shareholders even in a severe business environment
- Mainly focus on strengthening our business portfolio during three years

Investment policy

R&D investment/Capital investment

- Minimize investments in the businesses for profitability enhancement with an aim to improve efficiency for structural reform
- Carry out selective core investments in growth areas and new businesses

M&A

- Focus on flexible, small-scale M&A in order to strengthen growth businesses and new businesses
- Respond flexibly when given opportunities to enhance our business portfolio

Detailed explanation is omitted.

ROE

Aim to achieve ROE exceeding 9% in the end of CS B2018

- Promote reform and thoroughly implement efficiency improvement
- Improve asset efficiency by thorough reductions in inventory

Shareholder return

In principle, maintain steady dividend payments in the conventional manner, aiming for a consolidated dividend payout ratio of 30%

Detailed explanation is omitted.

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