

CS B2012

Brother Group

New Mid-Term Business Strategy

Explanatory Material

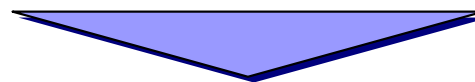
March 7, 2008

Brother Industries, Ltd.

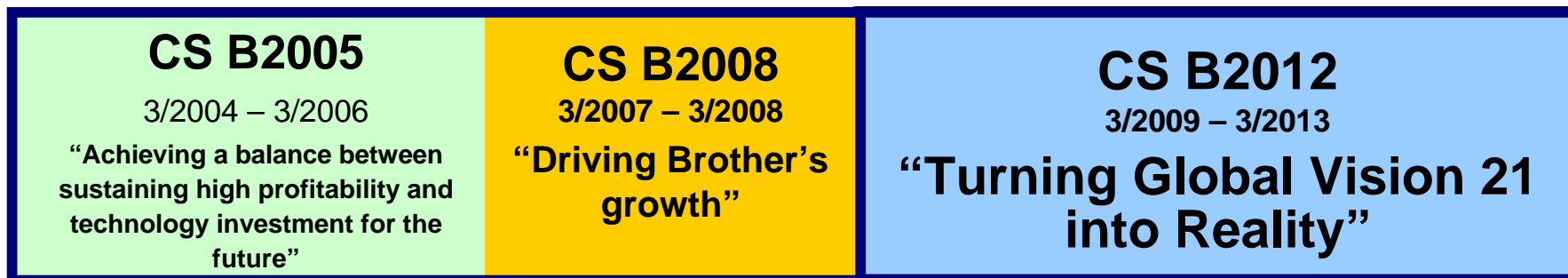
This report contains forward-looking statements that reflect management's views at the time of the announcement with respect to certain future events and financial performance. Actual results may differ materially from those projected or implied in any forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events that may not prove to be accurate.

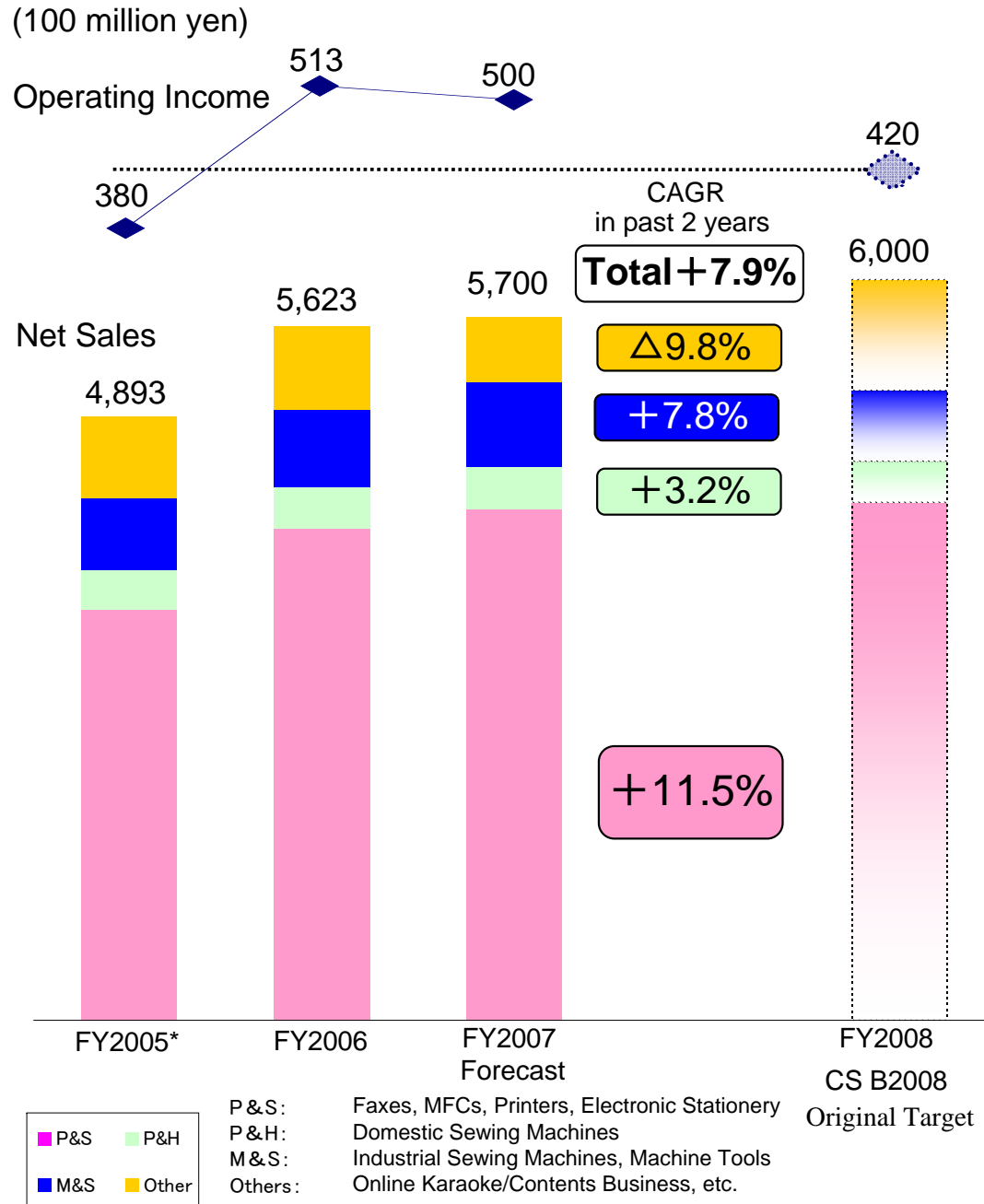
Global Vision 21

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



Creating a roadmap of Phase 3 a year ahead of schedule





Results and agenda of CS B2008

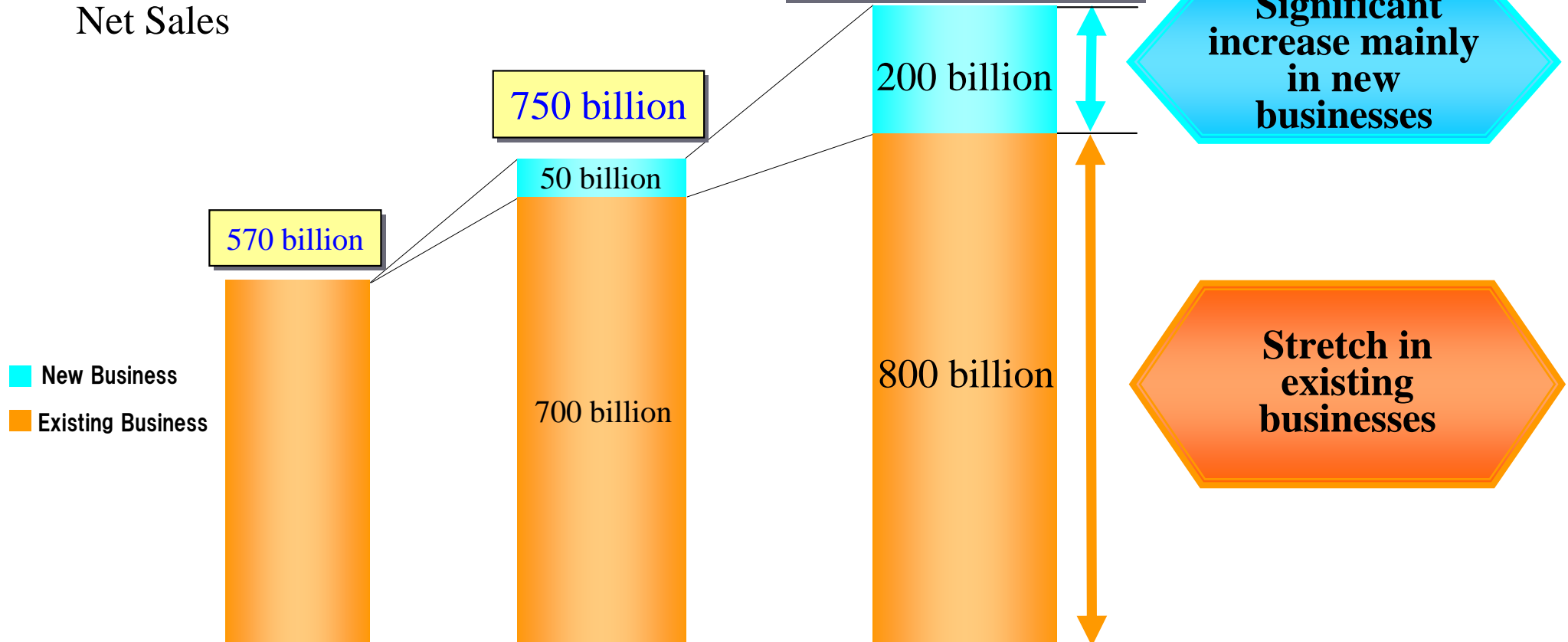
- Despite the substantial expansion of prior investment for the group's future growth, operating income has continually surpassed the original target for the final fiscal year of CS B2008, due to positive impact of forex, etc.
- The Printing Business has led overall sales growth. The profitability of the P&H and M&S businesses has improved substantially, and sales of the M&S business also increased
- The development of Brother's first color laser products equipped with an original engine was successful; they began to be launched worldwide
- Some of the non-core businesses that had been classified as "others" were divested
- Concerning the development of new business areas, some new businesses have been commercialized, but not enough overall progress has been made enough to achieve the original target

Clarify the image for achieving the goals of GV21 and the strategic roadmap. Execute a strategy for further growth, including the development of new business areas, and accelerate further reinforcement of the revenue base in order to increase Brother's corporate value

**Expand the business actively, and become a highly profitable company
with net sales of one-trillion yen**

One-trillion yen

Net Sales



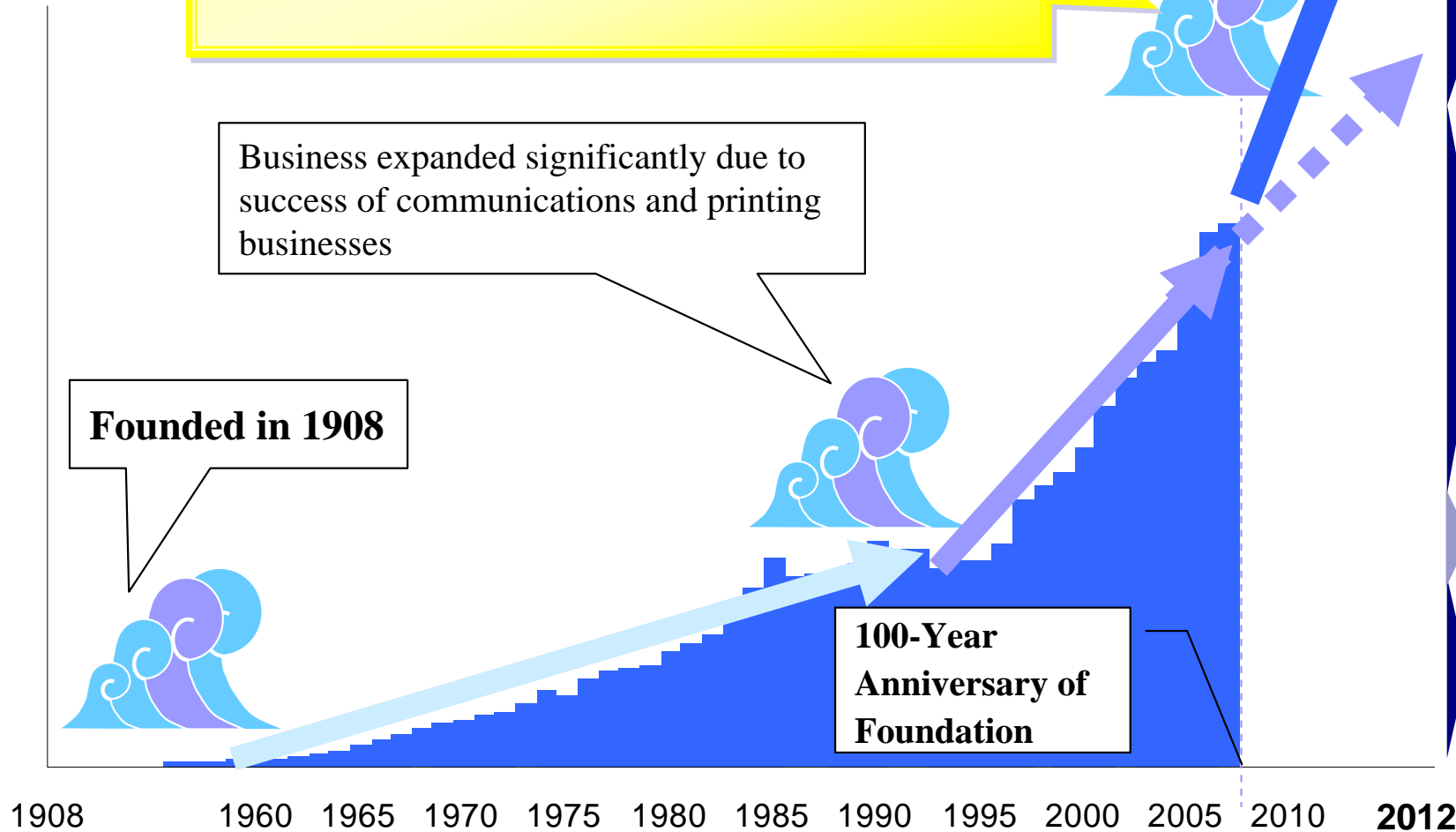
(100 million yen)	FY2007 Forecast	FY2010 Milepost Objective	FY2012 "Challenge" Target
Net Sales	5,700	7,500	10,000
Operating Income	500	600	1,000

History of Brother and Positioning of New Businesses

Third Transformation of Brother's Business

By leveraging the group's 100th anniversary, develop existing businesses further and launch new businesses

Net sales



Network Imaging Devices

Networks & Contents

Communications Printing

- Faxes
- Printers
- Multi-function products
- Electronic stationery

- Typewriters
- Dot-matrix printers

Sewing Machines, Machine Tools

- Domestic sewing machines
- Industrial sewing machines
- Machine tools

Printing Market

- Despite intensifying competition and imminent economic slowdown, the market will continue to expand globally in the medium and long term

Domestic and Industrial Sewing Machine and Machine Tools Markets

- Business growth will continue in certain areas and specific geographical regions



Customers/Customer Needs

- Diversification of work styles
- Increasing numbers of mobile workers
- Enrichment of contents
- Increasing needs for delivery of large-volume data

Overall Management

- Globally, increasing importance of CSR management
- Increased expectations for corporate responsibility regarding environmental conservation

Mission

Objectives/Important Themes

New Businesses

Challenge



- Accelerate development of core technologies, and develop and expand new businesses as pillars of Brother's next-generation business

Printing Business

Leading growth and making a leap forward



- Establish unique position as global player
 - Become top brand in SOHO*/SMB* markets
 - Expand solution business for specific applications for vertical market

Domestic Sewing Machine, Industrial Sewing Machine and Machine Tools Businesses

Contributing to profit increase



- Strengthen operating bases further and continue to provide "number one value that gleams" in specific fields

Management Infrastructure

Further strengthening



- Create measures and systems to enhance customer satisfaction through improvement of processes of the Brother Value Chain Management (BVCM) system.
- Reinforce human resources
 - Develop and increase number of employees in charge of product development and manufacturing
 - Achieve globalization of human resources
- Promote and entrench CSR management
 - Strengthen environmental measures
 - Further reinforce corporate governance

Making strategic investment (including M&A) in addition to increasing R&D investment and capital expenditure

Strategic Investment/Capital Expenditure : Estimated total of approx. 350 billion yen in five years
R&D Investment : Estimated sales ratio approx. 6% each year

■ Strategic Investment (M&A, etc.)

- Reinforcement of operating bases in printing business and new businesses
- Investment to strengthen “technologies,” “sales channels” and “solution-providing capability”
- Acquisition of new technologies and business ideas by utilization of venture investments

■ Capital Expenditure

- Augmentation of production capacity and volume
- Launching of new businesses and new products
- Systems for improvement of the Brother value chain management, etc.

■ R&D Investment

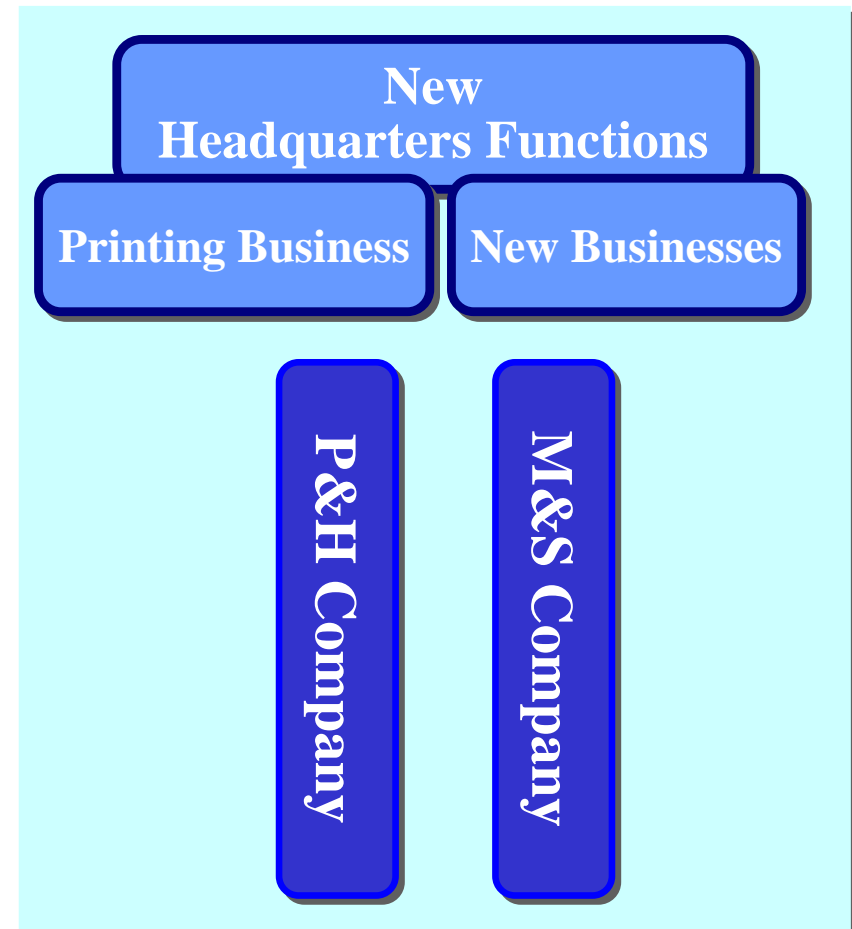
- Development of next-generation printing technologies
- Acceleration of the development of core technologies in the new businesses
- Reinforcement of the fundamental technologies that support the printing business and new businesses

Integrating the Printing Business and the new businesses
with headquarters functions
Centralize management resources and accelerate business growth by
enabling prompt decision-making

Until March 31, 2008



From April 1, 2008



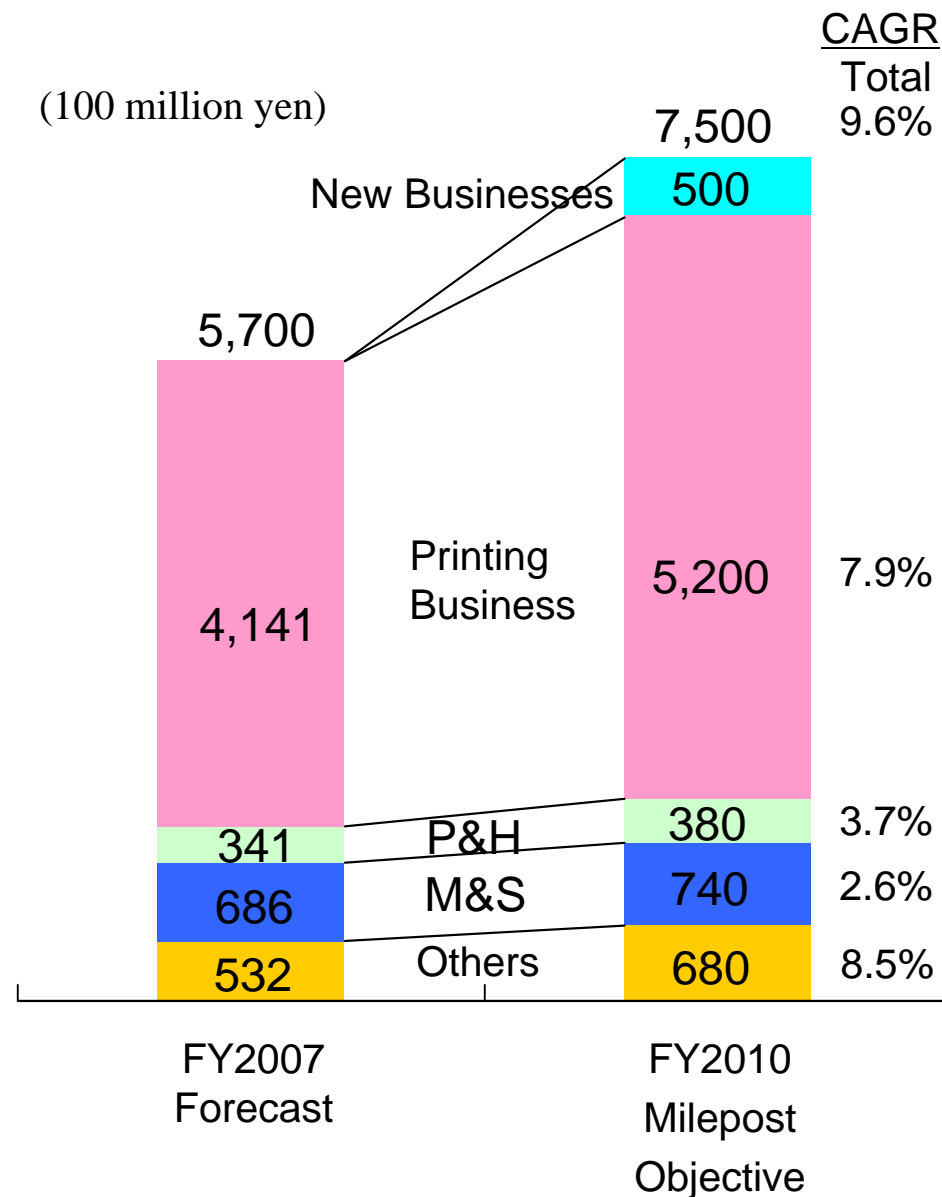
P/L Target

(100 million yen)	FY2007 Forecast	FY2010 Milepost Objective
Net Sales	5,700	7,500
Operating Income	500	600
Net Income	250	350

Scale of Investment (3-year-total)

R&D Investment	Approx. 130 billion yen sales ratio of approx. 6% each year
Strategic Investment Capital Expenditure	Approx. 200 billion yen * Strategic investment will be made flexibly in terms of time and scale

Sales Breakdown by Business Segment



- Strategy for Each Business Segment
 - Printing
 - New Businesses
 - Domestic Sewing Machines
Industrial Sewing Machines
Machine Tools

Objective

Establish position as top brand in specific fields by responding to demands of SOHO/SMB workers and various other customer bases and providing a wide range of printing solutions

Priority Strategies

Establish market image that “Brother Means Color”

- Execute strategy for expansion of color laser business
- Strengthen inkjet business, including inkjet high-speed line-head

Maximize monochrome laser business

- Execute strategy to expand sales in emerging countries/regions, such as BRICs and Central/Eastern Europe

Execute strategy to expand electronic stationery business

- Expand areas of business and exploit needs for specialized applications for vertical market

- Expand sales of color laser products significantly to establish image that “Brother Means Color”
- Maintain and expand sales volume of monochrome laser products by expanding customer base and exploiting markets in emerging nations/regions

Target Market

Developed Nations/Regions

Emerging Nations/Regions

Color

Exploitation/Expansion
(Lead penetration of color
products in SOHO
environment)

Take appropriate measures

Monochrome

Sustainment/Expansion
(Expand customer base)

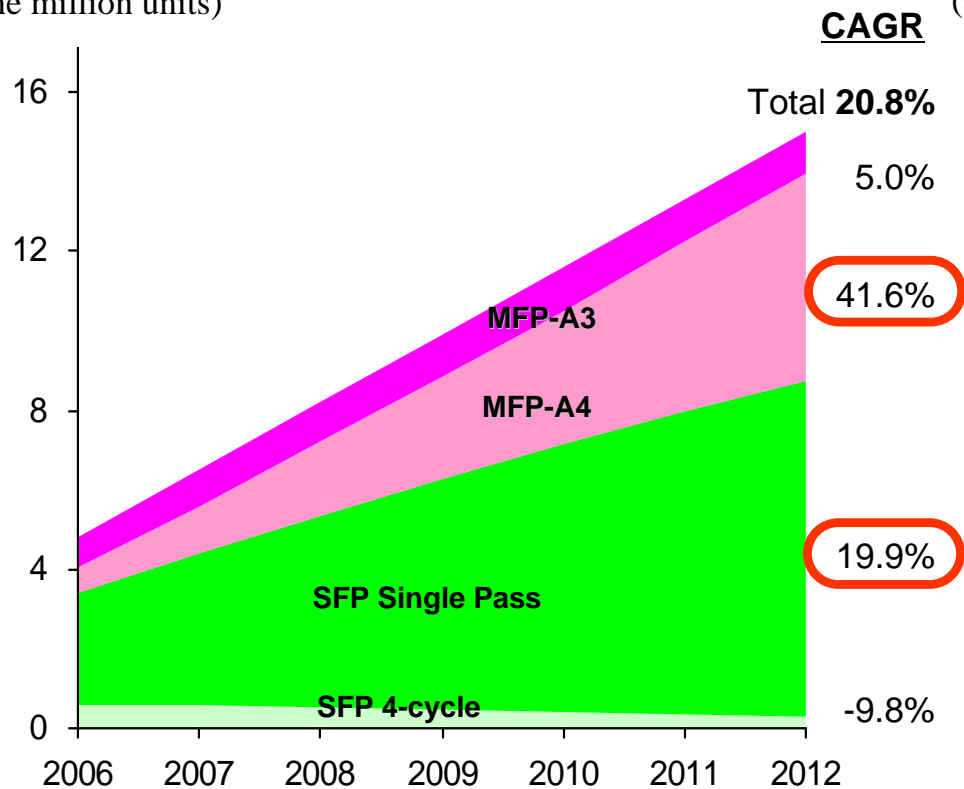
Exploitation/Expansion
(Achieve geographical
expansion)

Market Situation/Business Strategy for Color Laser Products

Substantial market growth is expected mainly for compact multi-function products and printers. Market growth in developed nations also is anticipated

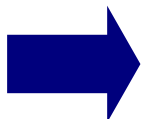
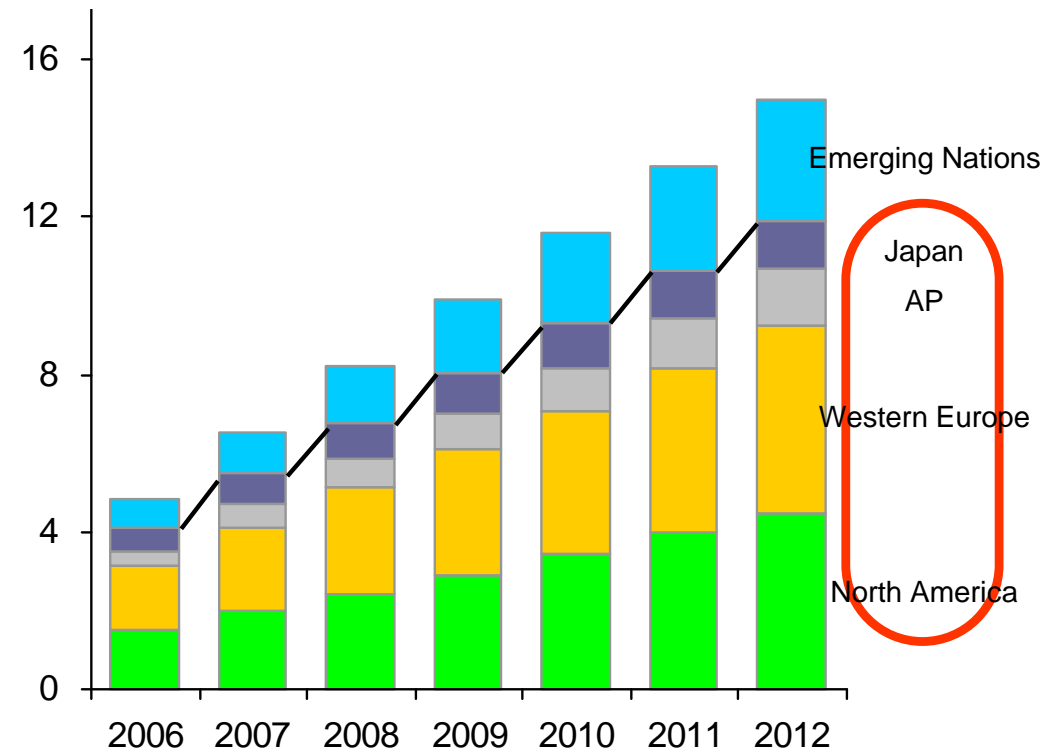
Number of color lasers (hardware units) by category
Market size transition*1

(One million units)



Number of color lasers (hardware units) by region
Market size transition*2

(One million units)



Establish image that “Brother Means Color” with expansion of compact multi-function products and printers (the products that Brother specializes in)

(MFP = multi-function printer)
(SFP = single-function printer)

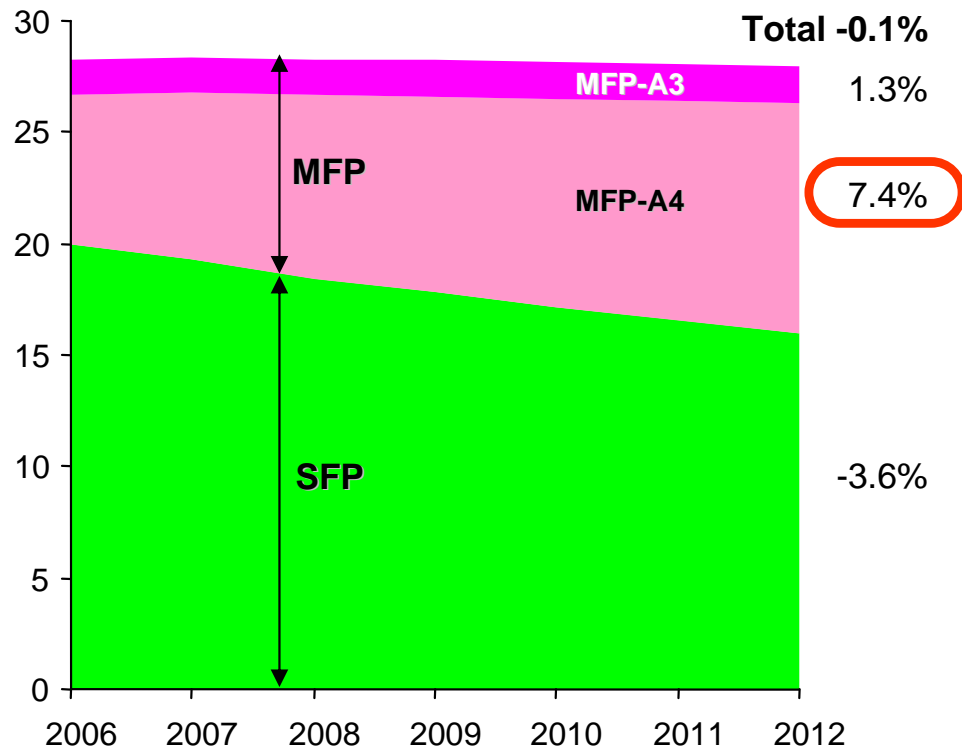
Both *1 and *2 are in-house projections based on various data

Market Situation/Business Strategy for Monochrome Laser Products

- Shift to compact multi-function products is in progress
- In terms of regions, market growth in emerging nations will offset degenerating markets in developed nations. Overall, market size is expected to remain unchanged

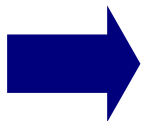
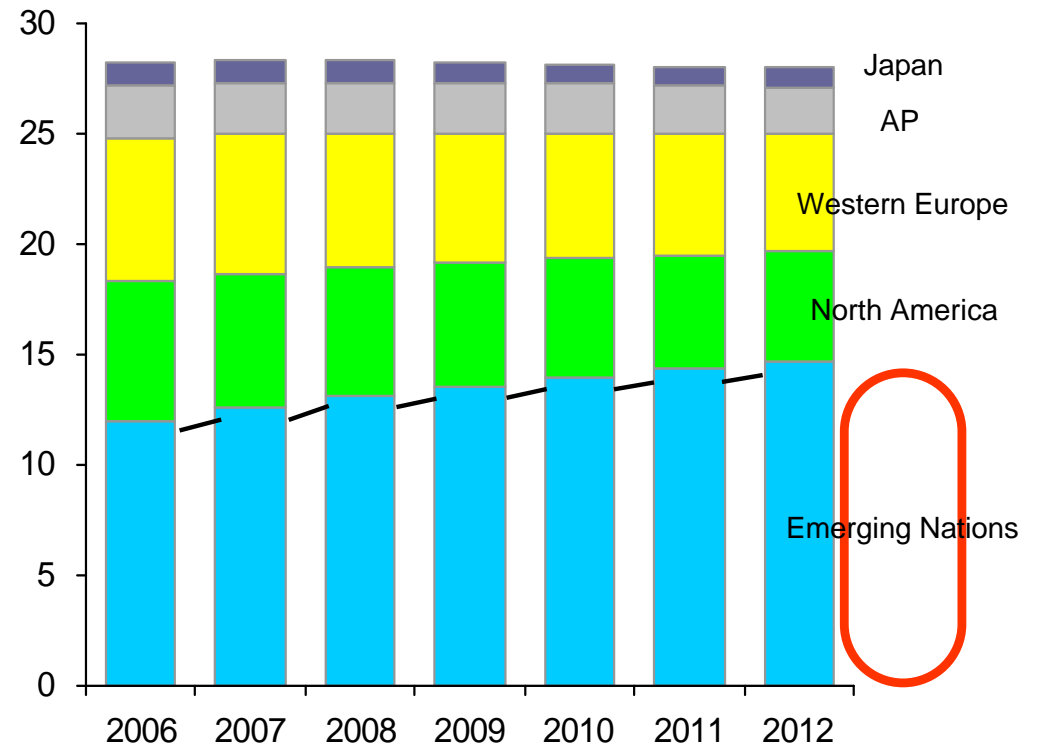
Number of monochrome lasers (hardware units) by category
Market size transition*1

(One million units)



Number of monochrome lasers (hardware units) by region
Market size transition*2

(One million units)



Firmly maintain position as a top-level brand for compact monochrome laser products by expanding sales in emerging nations

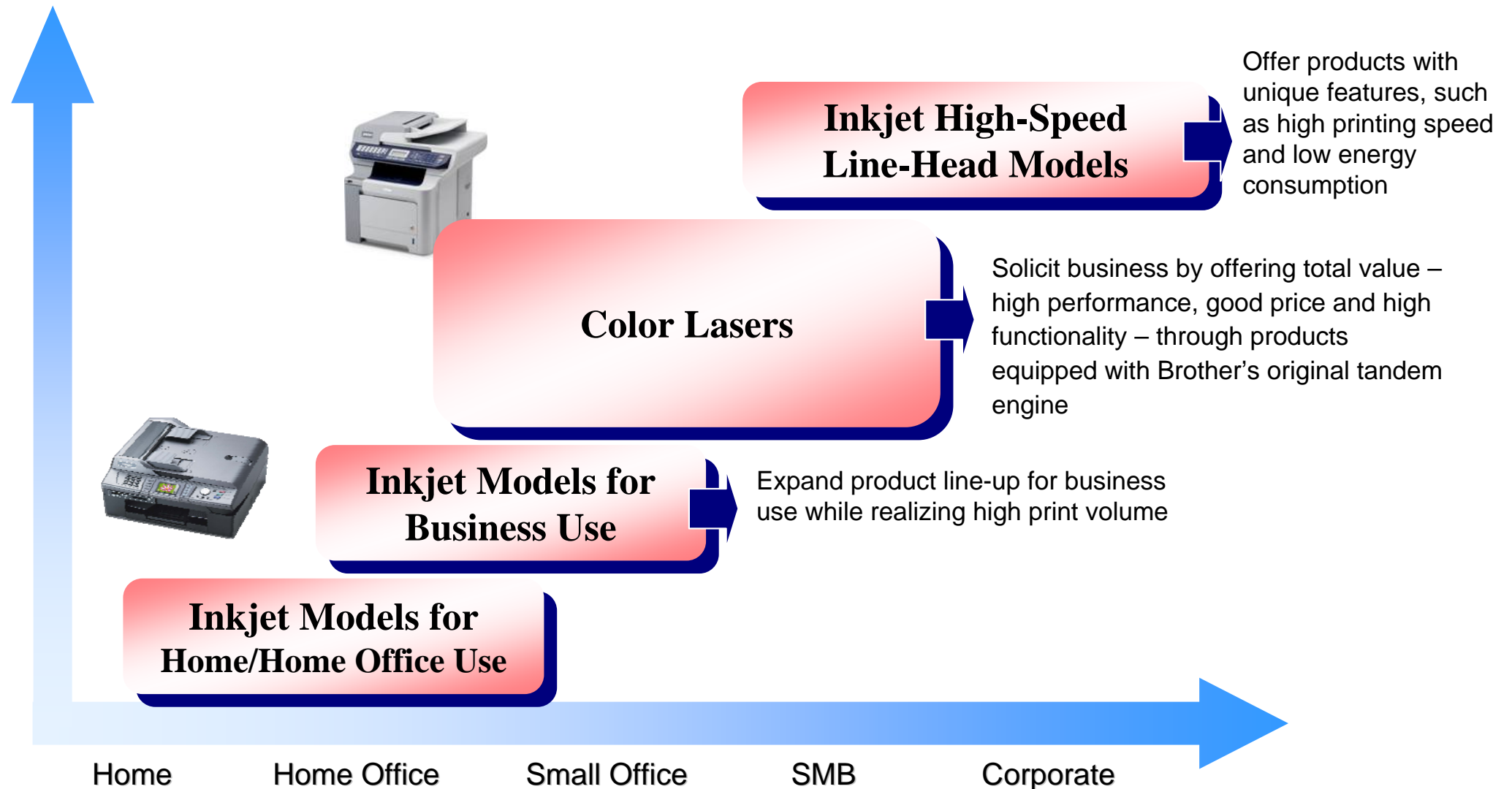
(MFP = multi-function printer)
(SFP = single-function printer)

Both *1 and *2 are in-house projections based on various data

Promoting Image that “Brother Means Color” (Corporate Image of FY2012)

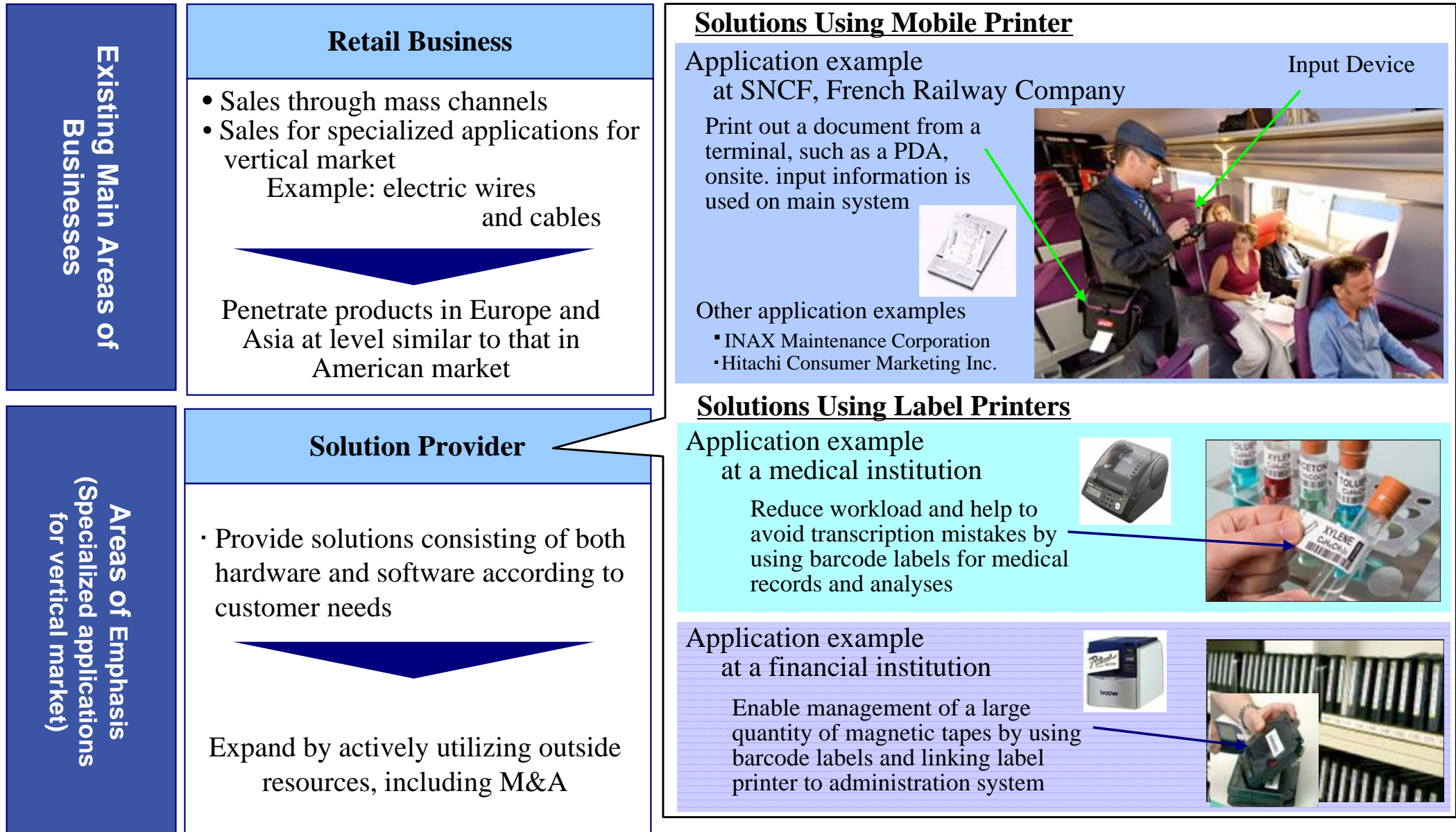
In addition to color laser products, strongly promote image that “Brother Means Color” by strengthening inkjet product lines for business use and launching models equipped with high-speed line-head

Speed/Price

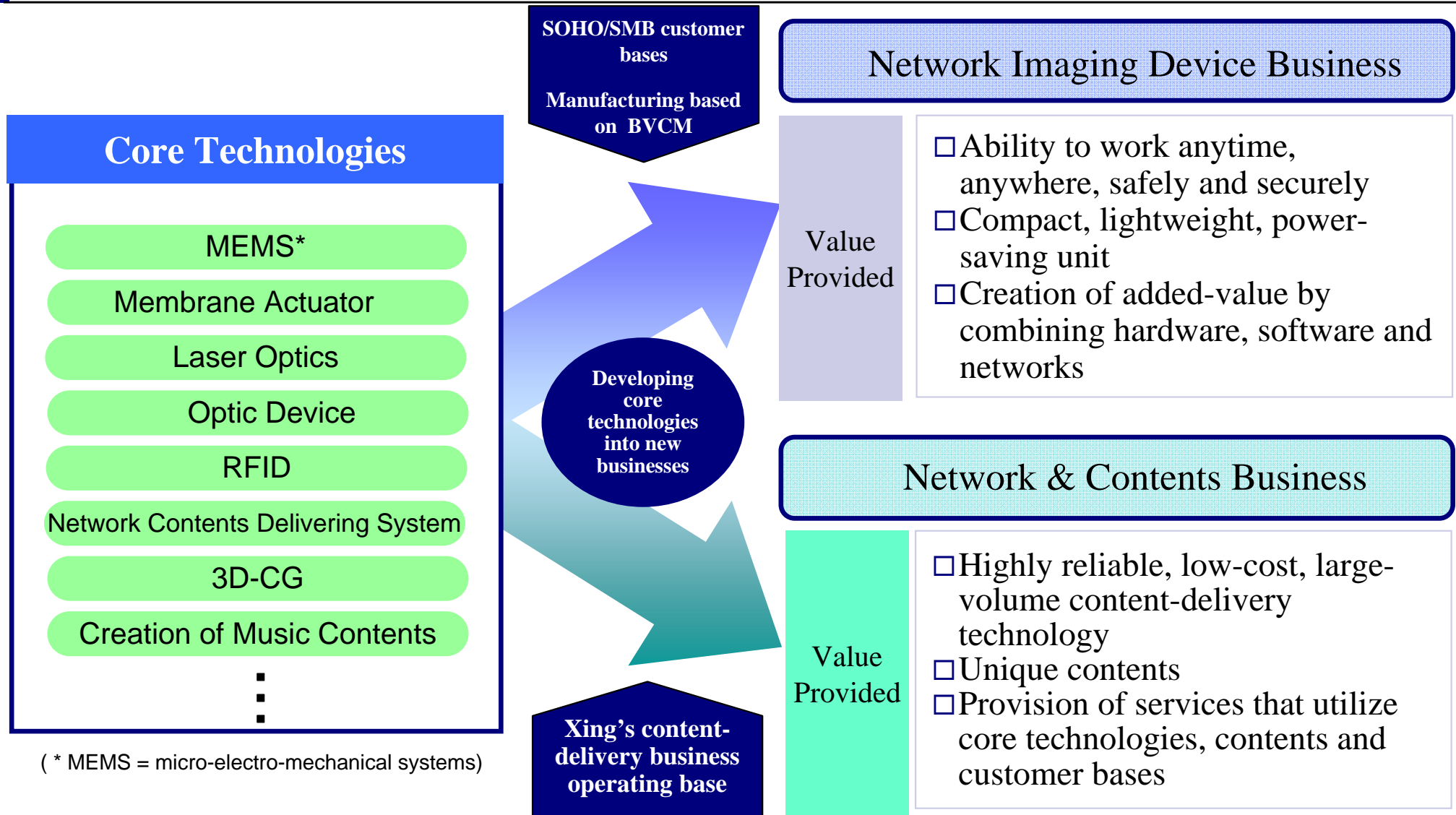


Policy for Expanding Electronic Stationery Business

Expand sales in Europe and Asia; furthermore, utilize outside resources to promote “solution provider” business through specialized applications for vertical market



Two new businesses will be undertaken by utilizing core technologies that Brother has been developing and Brother's customer and operating bases



Actively consider M&A and business alliance to accelerate commercialization of new businesses

Concept of Network Imaging Device Business

Hardware



Software



Network

Mobile viewers

Thin electronic viewer

Retinal imaging display (RID)

Next-generation projection system

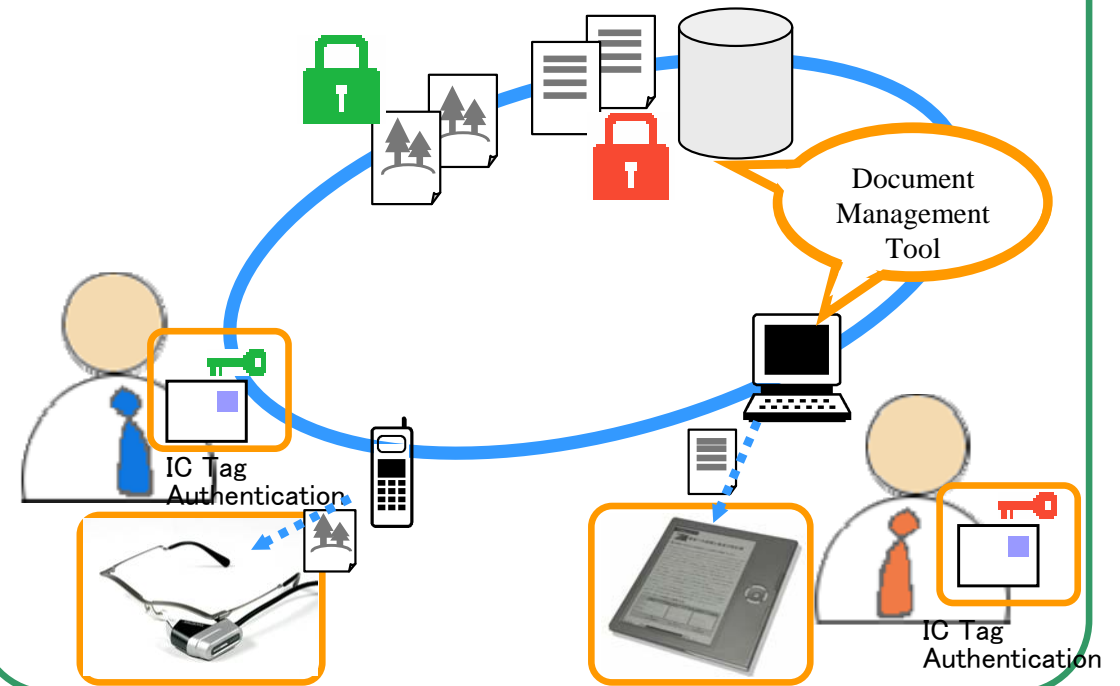


Applications utilizing IC tags



Utilization of network technologies to enhance value of hardware

Provide solutions that enable easy sharing and viewing of video and documents in a portable and secure manner



Retinal imaging display (RID)

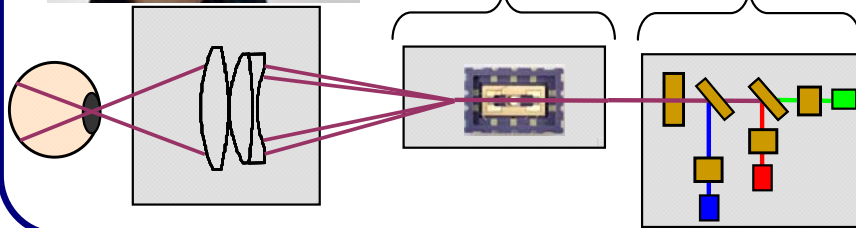
Shines a light, which is safe for the eyes, on the retina; by moving at a high speed, it projects an image directly on the viewer's retina.



Framework (simple overview)

Optical MEMS

Illuminant



Network Imaging Device Business Applications (Examples)

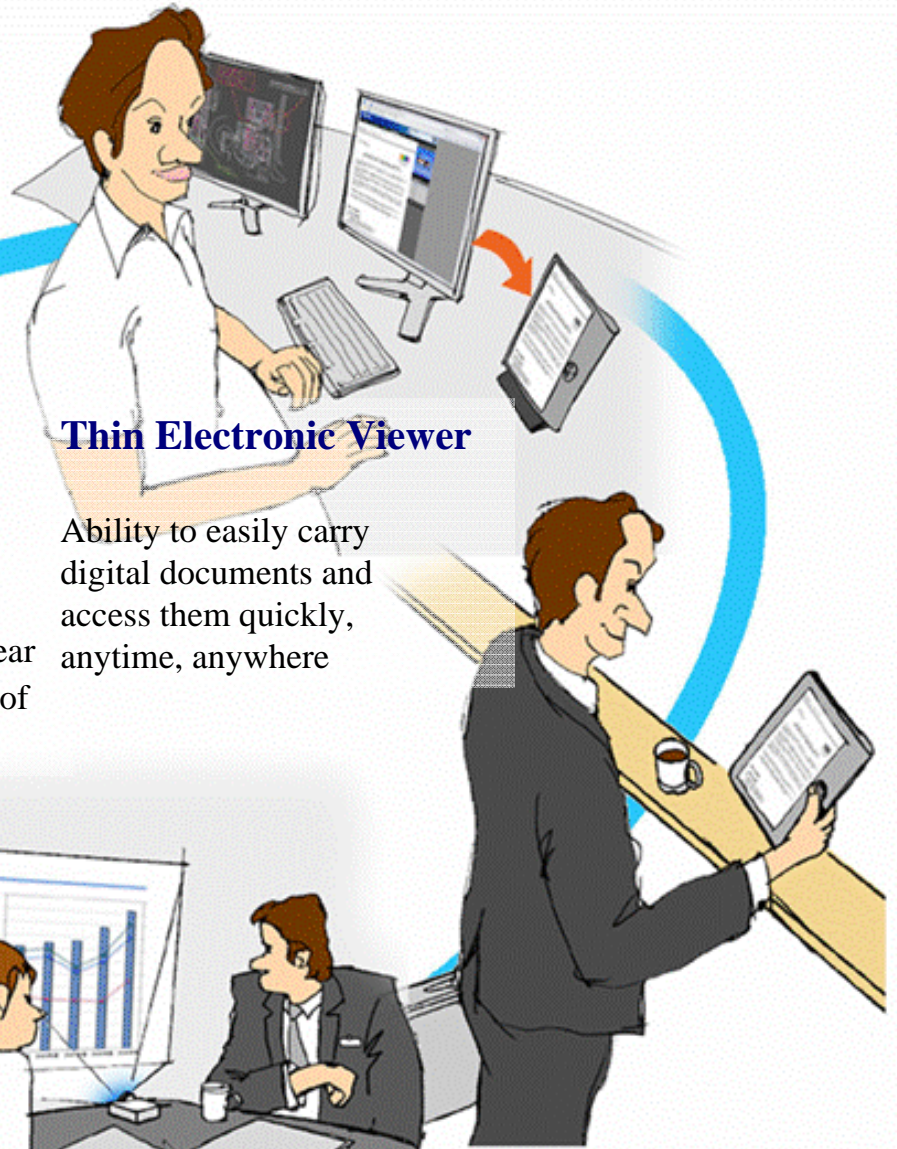
No more worries about confidential information being viewed by others

Enlarged display for small-screen mobile devices



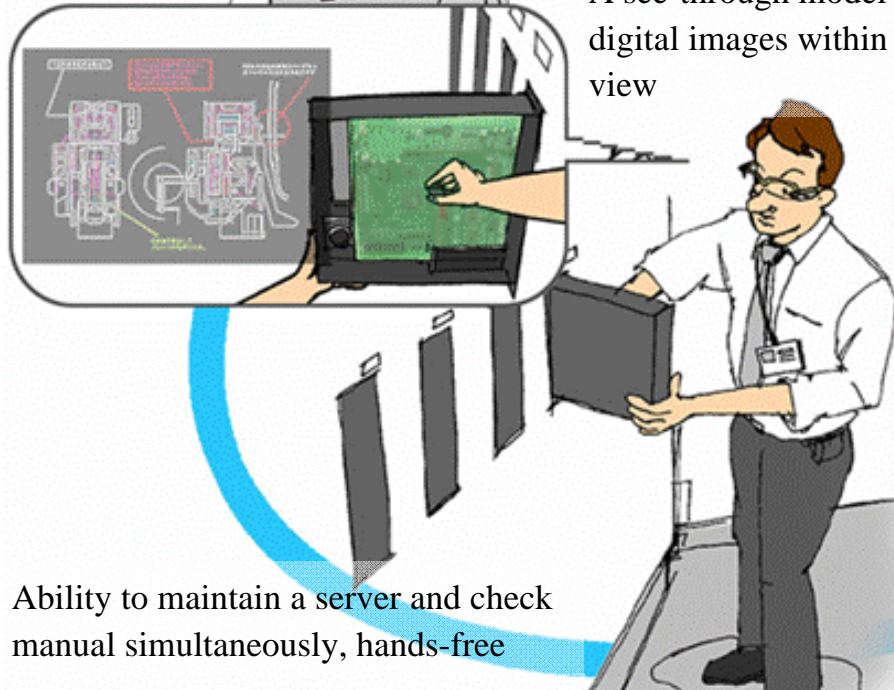
Retinal imaging display

A see-through model that displays clear digital images within the user's field of view

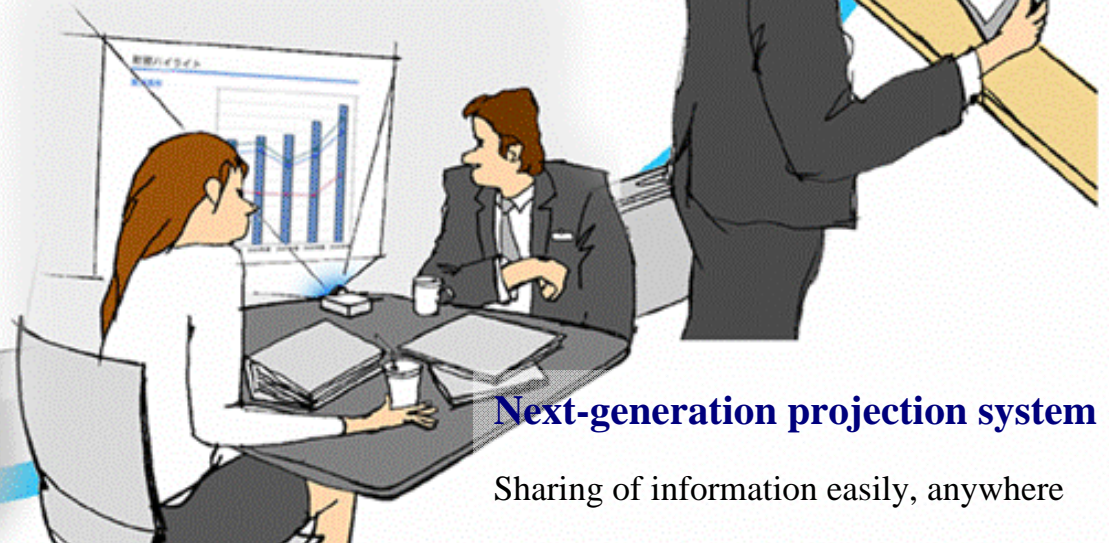


Thin Electronic Viewer

Ability to easily carry digital documents and access them quickly, anytime, anywhere



Ability to maintain a server and check manual simultaneously, hands-free



Next-generation projection system

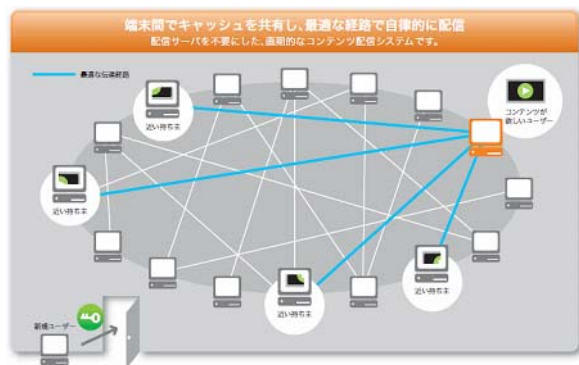
Sharing of information easily, anywhere

Network & Contents Business – Individual Business Image

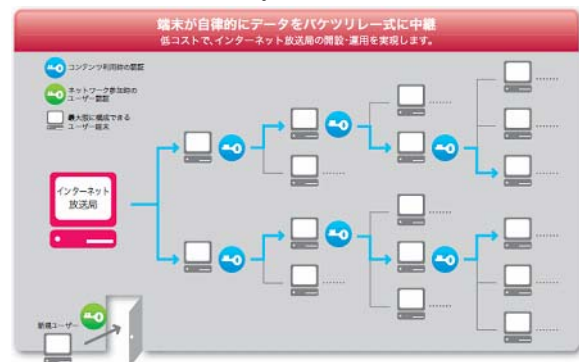
“Einy” – A next-generation content-delivery system:

Can deliver large-volume contents, such as movies, music or e-learning programs, at a low price and with a high level of security. This next-generation content-delivery system can replace existing server-client systems

Providing solutions and content-delivery platforms to content holders/client holders



Einy On-Demand:
an IP on-demand content-delivery system



Einy Broadcast: an IP-streaming
broadcasting system

Partner
Companies

Xing

Provide new service
by utilizing
customer base

Application Examples



Video-on-demand



E-learning



Point-of-sales
advertisement
images



Online karaoke
with large-volume
contents

Core Technologies (Content-Delivery Technologies, etc.)



Contents



Customer Base

Becoming the “number one brand that gleams” in specific fields

Domestic Sewing Machines

Market Situation

- Market growth in emerging nations
- Price competition moderating due to increase of average unit price
- Increased demand for mid- to high-end models due to expansion of senior population

- Provide new customer values and reinforce exploitation capacity for emerging market
- Further strengthen sales force

Industrial Sewing Machines

Market Situation

- Market growth mainly in China and other parts of Asia
- Increased needs for labor/time-saving among apparel manufacturers

- Reinforce sales with business proposals
- Offer products that are number one in the category

Machine Tools

Market Situation

- Demands for four-wheel and two-wheel vehicles are growing steadily
- Demand for HDD/IT is tending to grow, despite the short-term economic fluctuation

- Achieve portfolio of customers in order to reduce demand fluctuation
- Constitutionally reinforce to respond to business fluctuations

Basic Policy

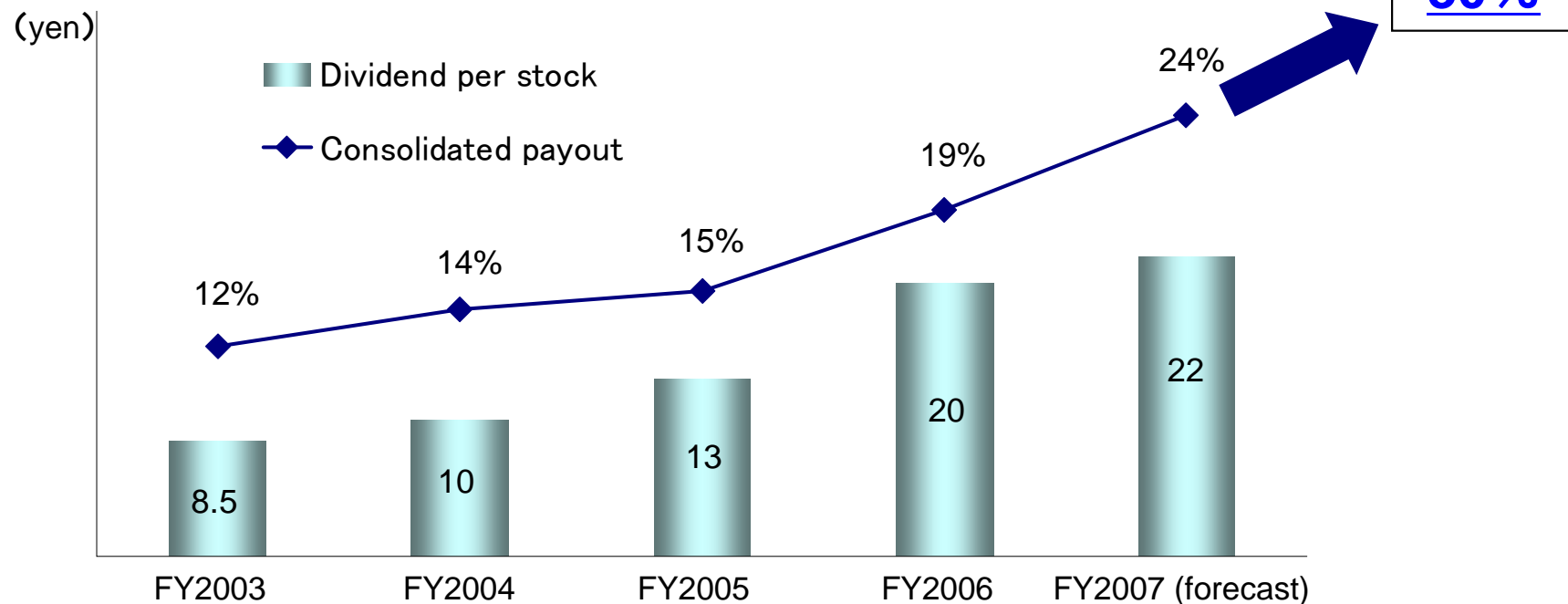
Shareholder Returns

- Achieve 30% of consolidated payout ratio at an early stage
- Conduct flexible repurchase of stock as necessary in order to improve capital efficiency

Debt/Equity Balance

- Maintain a strong financial position (Debt/Equity Ratio under 0.5) while active capital investment is spent with debt

■ Trend of dividends



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