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Brother Launches New 3-Year Business Strategy - “CS B2008”

Brother Industries, Ltd. today launches Brother group’s new 3-year business strategy, “CS B2008.”

CS B2008 is the second phase of Brother's mid- and long-term corporate vision "Global Vision 21" (GV21). GV21 was launched in 2003, with a target date of 2012. Brother’s three major goals in GV21 are:

1. To become a leading global company with high profitability
2. To become a world-class manufacturer by developing outstanding proprietary technologies
3. To embody Brother’s motto, “At your side,” throughout the company’s worldwide corporate culture

The 2003 – 2012 GV21 time frame is broken up into three phases, each with respective strategies. CS B2008 is the name of the second strategic phase, and coincidentally, 2008 is also the 100th anniversary of Brother.

The theme of CS B2008 is “Driving Brother’s Growth.” Most especially, Brother is committed to the expansion of its printing business and to gain a larger share of that market, while increasing investments and laying the foundation for the third phase of its corporate vision. During the second phase, Brother will also be developing areas of new business, and building the business foundation for future growth.

Through these stages of strategic planning for driving global growth, Brother’s ultimate goal is to have an operating income ratio of 10% or higher by the third phase of GV21.

■ CS B2008 Theme “Driving Brother’s Growth”

■ Performance Target

Net Sales	600 billion yen
Operating Income	42 billion yen
Operating Income Ratio	7.0%
Net Income	26 billion yen
Exchange Rate	US\$=100 yen Euro=125 yen

Reference: Forecast for the year ending March 2006

	Year ending March 2006 (excl. transition period)	Year ending March 2006* (incl. transition period)
Net Sales	480 billion yen	573 billion yen
Operating Income	42 billion yen	46 billion yen
Operating Income Ratio	8.8%	8.0%
Net Income	21.5 billion yen	23 billion yen
Exchange Rate	US\$=110 yen Euro=138 yen	US\$=110 yen Euro=137 yen

*The 3-month transition period from January 1 to March 31, 2006 is included due to the fiscal year end change that affects several of Brother group companies.

■ Expected Research & Development Investment for the Period of CS B2008

Approximately 100 billion yen (45% up over the past 3 years (*))

(* From April 1, 2003 to March 31, 2006 (forecast))

■ Expected Capital Expenditure for the Period of CS B2008

Approximately 87.5 billion yen (60% up over the past 3 years (*))

(* From April 1, 2003 to March 31, 2006 (forecast))

■ Key Issues

1. Expansion of the Printing Business and Securing Brother's Competitive Edge in the Market

● Reorganization and advancement of the printing business

· Communications and printing devices (digital multi-function products, fax machines, printers) and electronic stationery will be integrated into a new business segment - the Printing and Solutions (P&S) business. The P&S business category will include all of Brother's printing technology-related products. Accordingly, Brother will reorganize the P&S business structure group-wide to best streamline the operations of this new business category. This reorganization will enable Brother to combine and utilize resources more comprehensively and improve efficiency in product development. By taking an integrated approach in sales channels and marketing, Brother's ultimate goal is to enhance its business structure, in order to be able to offer customers the very best in products and services.

● Respond to the growing color market and expansion of the Multi-function product line

· Part of Brother's new strategy will be putting more emphasis on the development of its color engines and expanding its line of color products in response to the growing color market. Brother wants to change the customer's perception to "Brother means Color."
· Brother will also focus on the growing multi-function market, and advance new product development in mono and color to enhance its competitive edge in this market segment.

● Boost investment in sales operations in strategic markets

· Brother will increase investments in its sales operations on a global basis in an effort to increase sales in the SOHO market, and in other market segments including the corporate market.
· Brother also will focus on increasing sales in the growing Chinese market, as well as in the US, Europe and Japan.
· Brother will expand sales of printing products in the Japanese market and raise its brand perception in the printing segment of the Japanese market.

● Develop commercial applications using the next generation printing technologies

· Brother will work on the development and commercialization of its next generation printing technologies, which is one of the company's top priorities in GV21, including commercial development of its inkjet line head.

2. Establishment of a Stronger, More Profitable Business Structure

· In its Personal & Home (P&H) business, which encompasses the Brother domestic sewing machines and its Machinery & Solution (M&S) business, which deals with industrial sewing machines and machine tools, Brother will put priority on sustained profitability and positive cash flow, which will enable the company to utilize that in the development of new business opportunities.
· Brother also plans to establish a stronger business platform more resistant to the ups and downs of the market while strengthening strategic sales channels in the P&H and M&S businesses.

3. Advance Development of New Business Areas

·In the Network & Imaging Devices (NID) field, Brother will be developing new business opportunities in the areas of “Output,” ”Imaging,” “Input,” and “Network & Storage.” Brother’s plan is to develop commercial applications in those areas, and to build the foundation to further development of those applications in the third strategic phase of GV21. Brother’s 2008 sales target for new business areas is 10 billion yen.

4. Other Issues

Promotion of Corporate Social Responsibility (CSR) Management

·Brother will incorporate the policy of the “CSR management” into its management system on a global basis, and build the group-wide mechanism that enables the Brother group to implement the CSR management systematically. Brother Industries will take the lead in newly establishing a CSR Promotion Department. Customer Satisfaction and Employee Satisfaction will be at the core of Brother’s CSR management policy, while putting priority on interactive communications with all its stakeholders.

Improvements in corporate governance

·The term of directorship will be reduced from the current two years to one year, and Brother will review the system of compensation for directors (effective upon approval in a shareholders’ meeting in 2006). The responsibilities of directors will be reviewed and clearly identified in terms of a group’s yearly performance, as well as responsibility for sustained improvement of corporate value.