

**Updates on the Medium-term
Business Strategy**

CS B2024

Take off towards our new future

May 9, 2024

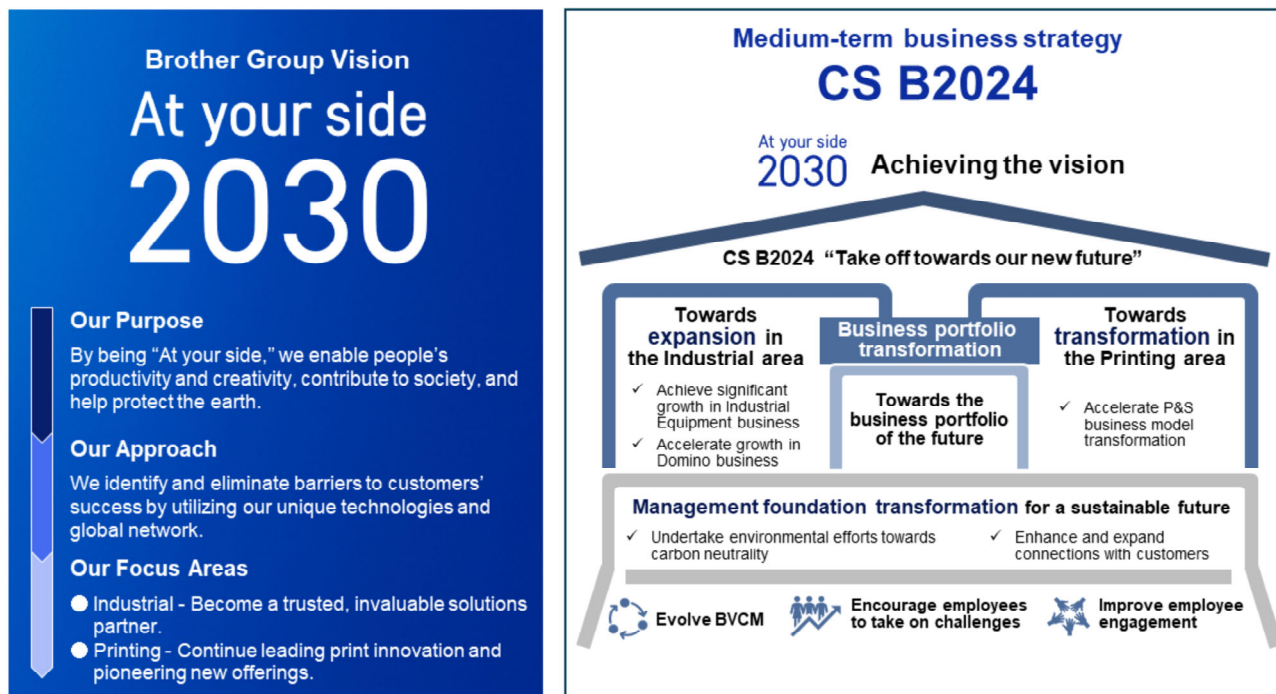
Brother Industries, Ltd.

Ichiro Sasaki

Representative Director & President

Medium-term business strategy outline and progress

Two years have passed since the medium-term business strategy (FY2022–2024) was formulated to achieve the 2030 vision; the current fiscal year is the final year.
We are working to transform our business portfolio and management foundation.



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3

The Brother Group formulated the Brother Group Vision "At your side 2030" towards 2030, which began in FY2022.

"At your side 2030" considers what kind of value we will provide to our customers towards 2030 and indicates how we will provide value ("Our Approach") and what we will achieve ("Our Focus Areas"), starting from "Our Purpose," which redefines Brother's raison d'être.

We formulated our "CS B2024" medium-term business strategy in FY2022 to achieve "At your side 2030" and defined themes to be addressed during the first three years.

Under CS B2024, we have been working on the priority themes of "Business Portfolio Transformation," including "Expansion in the Industrial Area" and "Transformation in the Printing Area," as well as "Management Foundation Transformation for a Sustainable Future."

I will now explain our progress in FY2023, the second fiscal year of CS B2024, through to May 9, 2024.

■ Brother Group Vision "At your side 2030" Explanatory Material

<https://download.brother.com/pub/com/en/corporate/vision/atyourside2030e-p.pdf>

■ Medium-term Business Strategy "CS B2024" Explanatory Presentation

<https://global.brother/pub/com/en/news/2022/220511cs-b2024e-p.pdf>

Medium-term strategy “CS B2024” | Financial targets and values with exchange rate conversion

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Yen (JPY) has depreciated rapidly since May 2022, when medium-term business strategy was announced; if original targets are converted to the current exchange rate level, sales revenue expands significantly but operating profit ratio and ROE remain almost the same

	CS B2024 financial targets [original]	CS B2024 financial targets [reference values with exchange rate conversion ^{*1}]
	Exchange rate assumption 1USD=108JPY / 1EUR=125JPY	Exchange rate assumption 1USD=145JPY / 1EUR=155JPY
Sales revenue	800 billion yen Breakdown (Priority businesses) Industrial Equipment business: 100 billion yen Domino business: 100 billion yen P&S business: 430 billion yen	954 billion yen Breakdown (Priority businesses) Industrial Equipment business: 103.5 billion yen Domino business: 118 billion yen P&S business: 540 billion yen
Operating profit ratio (profit ratio for the period^{*2})	10.0% at least (7.0% at least)	Approx. 10% (approx. 7%)
ROE	10.0% at least (above capital cost)	Approx. 10%

^{*1}: Reference values with exchange rate conversion are estimates based on the sensitivity of exchange rates to the JPY based on the latest estimates for FY2023 sales revenue/cost of sales/SG&A denominated in foreign currencies

^{*2}: Profit for the period attributable to owners of the parent company (assuming a corporate tax rate of 30%)

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4

This slide shows the financial targets of CS B2024.

On the left are the original financial targets announced in May 2022.

In light of the rapid depreciation of the yen during the period, reference values for the original targets with exchange rate conversion are shown on the right.

As a result, sales revenue expands significantly but operating profit ratio and ROE remain almost the same.

CS B2024 financial targets (values with exchange rate conversion) and FY2024 forecast

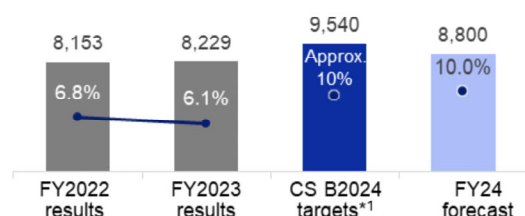
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Aim to achieve operating profit ratio target despite the effects of deteriorating market conditions and delayed recovery on sales revenue, mainly in the Industrial Equipment business

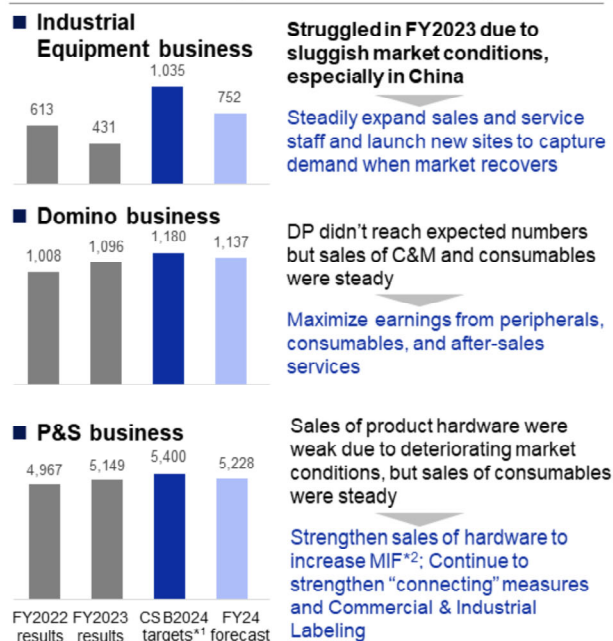
Company-wide CS B2024 targets (values with exchange rate conversion) and FY2024 forecast

	CS B2024 financial targets*1	FY2024 forecast
Sales revenue	954 billion yen	880 billion yen
Operating profit ratio	Approx. 10%	10%
ROE	Approx. 10%	9.3%

Sales revenue & Operating profit ratio (100 Millions yen)



Sales revenue of priority businesses (100 Millions yen)



*1: values with exchange rate conversion *2: Machine in Field: Number of hardware units installed

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5

This slide outlines the forecast for FY2024. It is a comparison with reference values that have been converted to the current exchange rate level.

We forecast sales revenue of 880 billion yen, an operating profit ratio of 10%, and ROE of 9.3% for the entire company.

Although sales revenue will be affected by deteriorating market conditions and delayed recovery mainly in the Industrial Equipment business, we aim to achieve our operating profit ratio target.

The following is a summary of sales revenue trends in our priority businesses, namely the Industrial Equipment business, Domino business, and P&S business.

•Industrial Equipment business (Machinery business)

In FY2023, the Industrial Equipment business struggled due to sluggish market conditions, especially in China.

We will continue to steadily expand our sales and service staff and launch new sites among other measures to build a full-fledged structure that will capture demand when the market recovers.

•Domino business

In FY2023, although sales of DP product hardware did not reach the expected numbers, sales of C&M product hardware and consumables were steady.

We will continue to maximize earnings from peripherals, consumables, and after-sales services.

•P&S business

In FY2023, sales of product hardware were weak due to deteriorating market conditions, but sales of consumables were steady.

In FY2024, we will strengthen sales of product hardware in order to increase the number of machines in field (MIF) in the market, while continuing to focus on strengthening "connecting" measures such as MPS and subscription services as well as expanding Commercial & Industrial Labeling.

Towards business portfolio transformation

Towards expansion in the Industrial area Industrial equipment business | Enhancing product lineup

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Almost all lineups of machine tools have renewed since FY2022, when the medium-term strategy CS B2024 started; launched new Series U and H and expanded models supporting simultaneous 5-axis machining

➤ Renewed from C00 control to D00 control (excluding Series F)

New ...New product launched since FY2022

5AX ...Model capable of simultaneous 5-axis machining

<p>S-series Standard models S300Xd1/S500Xd1/S700Xd1</p> <p>New 5AX New 5AX New 5AX</p> 	<p>W-series For larger workpieces W1000Xd2</p> <p>New</p> 	<p>R-series Equipped with pallet changer R450Xd1/R650Xd1</p> <p>New New</p> 	<p>U-series New Multi-face machining U500Xd1</p> <p>New 5AX</p> 
<p>F-series High rigidity F600X1</p> 	<p>M-series Multi-tasking machine M200Xd1/M300Xd1</p> <p>New 5AX New 5AX</p> 	<p>H-series New Horizontal machining center H550Xd1</p> <p>New</p> 	<p>Peripherals</p> <p>Rotary Table T-200A/T-200Ad</p> <p>Loading System BV7-870Ad</p> <p>New</p> 

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7

From here, I will introduce our efforts in the Industrial Equipment business towards “Expansion in the Industrial Area” for business portfolio transformation.

We are accelerating the development speed of SPEEDIO machine tools more than ever, and are renewing almost the entire lineup from FY2022 onward.

In addition to the simultaneous 5-axis machines and multi-face machines newly introduced in FY2022, the lineup was expanded in FY2023 with the introduction of SPEEDIO's first horizontal machining center, enabling the machining of large workpieces and complex shapes.

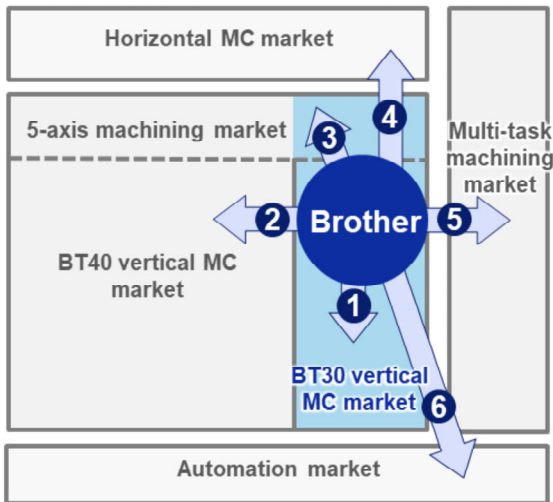
Towards expansion in the Industrial area Industrial equipment business | Target market

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Significant lineup enhancement and renewal, enabling machining of large workpieces and complex shapes; actively expand business into neighboring areas by providing value beyond the framework of BT30 vertical MC^{*1}

Image of expanding reach market by enhancing product lineup^{*2}

- Enhanced product lineup enables support for **large workpieces, complex shape machining, multi-task machining, and automation**



*1 Machining center

*2 Does not represent actual market size

- 1 Expand lineup to increase market share in the BT30 market
- 2 Replace BT40 MC by introducing models for large workpieces such as the W-series and improving machining capabilities
- 3 Move towards 5-axis machining market with simultaneous 5-axis models capable of machining complex shapes
- 4 Launch the BT30 horizontal H-series to the horizontal MC market, which is dominated by the BT40 machines
- 5 Move towards the multi-task machining market by enhancing the M-series lineup equipped with lathe functions
- 6 Move towards the automation market by proposing solutions in combination with peripherals and robots

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8

The significant enhancement and renewal of the SPEEDIO lineup has enabled the machining of large workpieces and complex shapes. This will allow us to aggressively expand our business into adjacent areas by providing value beyond the framework of the compact BT30 vertical MC.

In addition to expanding our share in the BT30 vertical MC market, which is our main market, we will seek to replace the BT40 vertical MC with a model that can handle large workpieces, centered around W-series.

We will increase the number of models capable of machining complex shapes as well as simultaneous 5-axis machining. We will also make value proposals tailored to market and customer needs, such as the BT30 horizontal H-series for the horizontal MC market and M-series with both MC and lathe functions for the multi-task machining market.

In addition, we will focus on providing solutions to automate manufacturing processes through combinations with peripherals and robots manufactured by other companies.

Towards expansion in the Industrial area Industrial equipment business | Expanding manufacturing and sales facilities

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Opened 5 Brother Technology Centers (BTCs) and 6 offices/sales offices in the priority areas of China, India, and Japan in FY2022–2023; new factory in India under construction to begin operation in December 2024



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9

On the sales side, we are strengthening our sales and service infrastructure in the priority areas of China, India, and Japan by opening new facilities and adding showrooms to existing facilities (converting them into Brother Technology Centers).

We have opened five Brother Technology Centers and six offices/sales offices since FY2022.

On the manufacturing side, we have begun construction of a new factory in India, where market growth is expected. It is scheduled to begin operation in December 2024.

Continuous development and launch of new products and applications through collaboration between Domino and Brother

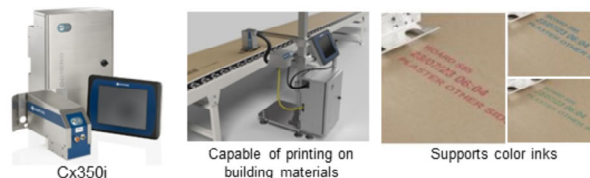
Gx Series cartridge type thermal inkjet printers



[Printing applications] Food packaging, packing boxes, beverage and pharmaceutical containers

- Capable of **printing twice as wide** as conventional models; supports printing 2D barcodes
- Capable of printing on **curved surfaces such as the bottom of a can** by increasing the discharge distance
- Capable of **printing on industrial applications** such as cables

Cx350i large character inkjet printers



[Printing applications] Corrugated cardboard, building materials (plasterboard, wood)

- **High speed** and **long continuous printing time** compared to conventional models
- Supports **black/red/blue/green inks**
- Reduces environmental impact by utilizing **plant-derived oil-based inks**

Vx Series high-speed thermal printers

- Full model change in pursuit of even faster printing speeds
- Improved functionality and ease of use



Coding expiration date and lot number

K300 Black-and-white digital printers

- Offers the world's first application of printing **variable information** on **label-less PET bottle caps**



Printing on label-less PET bottle line

In the Domino business, Domino and Brother are continuing to collaborate in the development and launch of new products.

As one of the major new products that have been launched since FY2022, we have expanded the functionality of cartridge type thermal inkjet printer, which prints serial numbers and other information on food packaging and beverage and pharmaceutical containers, by introducing a head that allows for printing on curved surfaces, and a head that supports a printing width twice that of conventional models.

For customers who print continuously 24 hours a day at high speed on building materials such as plasterboard and wood, we have introduced a printer for large character that can print continuously for 13 days (conventional models can print continuously for 8 hours).

We have also done a full model change on our high-performance, high-speed thermal printers to improve printing speed, functionality, and ease of use.

For black-and-white digital printers, we have launched K300 and expanded our product lineup and applications, including the world's first printer capable of printing variable information on label-less PET bottle caps.

Focus on providing value throughout the customer's manufacturing process, from printing on individual products to packaging and shipping

■ **Providing solutions with automation software and peripherals in addition to coding and marking equipment**

Improving productivity and traceability by providing **automation software** that links **printing data** to manufacturing **ERP system**

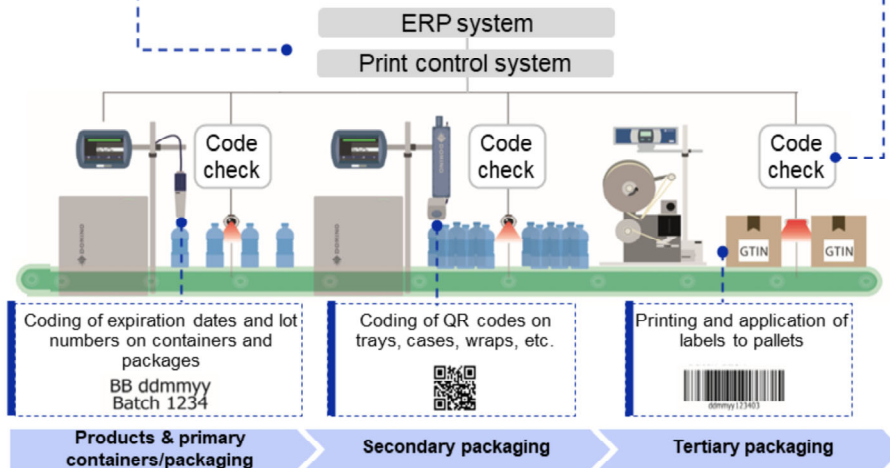


Domino Automation

Improving the reliability of printed content by using **scanning cameras** and **image inspection device** technology to scan **print results** and **automatically verify** if they have been printed correctly



R Series code inspection system



In addition to printing equipment hardware, we are also focusing on providing solutions for the entire manufacturing process, including peripherals for code inspection of print results and automation software for integration of printing data and other data into ERP systems.

Towards transformation in the Printing area

Environmental awareness and measures



Response to changes in the printing market environment and enhance profitability by launching new products and reinforcing initiatives to connect with customers, targeting customers with high print volume as our main focus

Environment surrounding small all-in-ones and printers

Although the printing market is facing a difficult situation with a shrinking market, decreasing print volume, and lower genuine consumable ratio, the environment surrounding small machines has some advantageous aspects

Centralized printing
⇒ Decentralized printing

Establishment of home demand

Black-and-white
⇒ Color

Expansion of the ink tank market

Longer usage period for hardware (increase in MIF*1 residuals)

Measures

Hardware sales

Strengthen hardware sales targeting customers with high print volume and expand MIF to support future consumables sales

- Enhance measures for customers with high print volume in each market, including high-end models in developed countries and TCO*2 models such as ink tanks in emerging countries
- Launch competitive new products, including models with the fastest printing speed in their class, high-capacity toner, and high durability

Major new products from FY2022 onward



Connecting

Support consumable sales by strengthening measures to connect with customers

→ See following section for details

*1: Machine in Field *2: Total Cost of Ownership

Next, I will introduce initiatives for “Transformation in the Printing area.”

The printing market is facing a difficult situation with a shrinking market, decreasing print volume, and lower genuine consumable ratio due to the trend toward paperless and other factors. However, we recognize that there are some advantageous aspects for compact all-in-ones and printers, such as the movement from centralized printing with large copiers in offices to decentralized printing with compact machines, the establishment of home demand following COVID-19, the demand for color printing, and the expansion of the ink tank market in emerging countries.

In addition, the usage period for hardware is getting longer, which supports the sale of consumables.

We will capture these changes in the environment as we aim to remain a winner in the printing market and enhance profitability.

For hardware sales, we will continue to launch highly durable and competitive new products in FY2022 and beyond. We will strengthen sales targeting customers with high print volume for both laser and inkjet and expand MIF(Machine in Field) to support future consumable sales.

At the same time, we will support consumables by strengthening measures to connect with our customers.

Towards transformation in the Printing area

What is “connecting”/Targets and progress

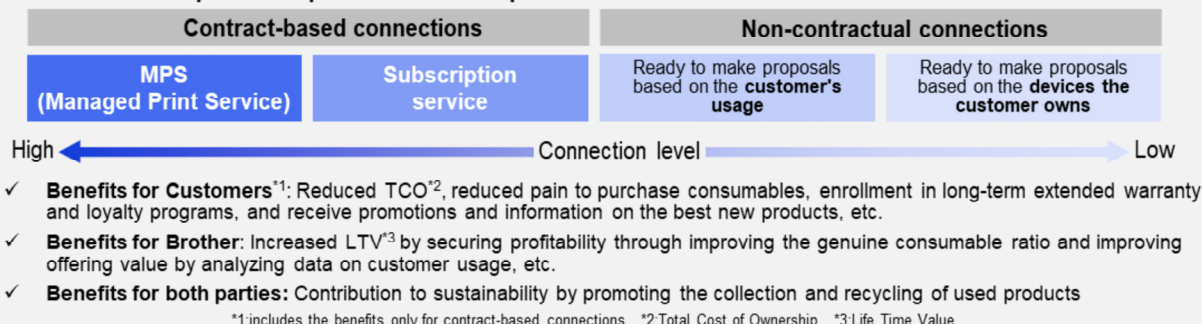
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Shifting to a business model that connects with customers and offers mid- to long-term benefits for both customers and Brother

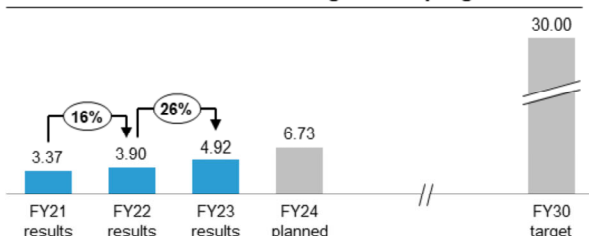


What is P&S's "Connecting?"

To create a state of **direct communication with customers** who use our products and services, and **continue to provide superior customer experience and value**



Number of connections Targets and progress (M units)



Example of MPS in Europe (contract-based)

- Contracts through copier dealers and other channels to provide consumables and services on a pay-as-you-go (per sheet) basis
- Automatic delivery from Brother when consumables run low using Brother's platform

- ✓ **100% genuine consumable ratio for MPS subscribers**
- ✓ **Print volume is higher than conventional box-moving model**

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13

In the P&S business, we are moving away from the traditional box-moving business model to that of connecting with customers.

With "connecting" as the keyword, we aim to provide superior value by creating a situation where we can communicate directly with our customers, both contract-based and non-contractual businesses.

The contract-based businesses refer to services such as MPS and subscription services, while non-contractual businesses are those in which we are able to make proposals to customers based on their product usage and the equipment they own.

By "connecting" with customers, we can help reduce their TCO and the cost of purchasing consumables, and expect to increase profitability for Brother by improving the genuine consumable ratio.

It will also encourage the collection and recycling of products, which will contribute to sustainability.

In FY2023, we have connections with 4.92 million customers to whom we can provide value and make proposals, an increase of approximately 26% from the previous fiscal year. We are developing various measures to achieve our goal of connecting with 30 million customers in FY2030.

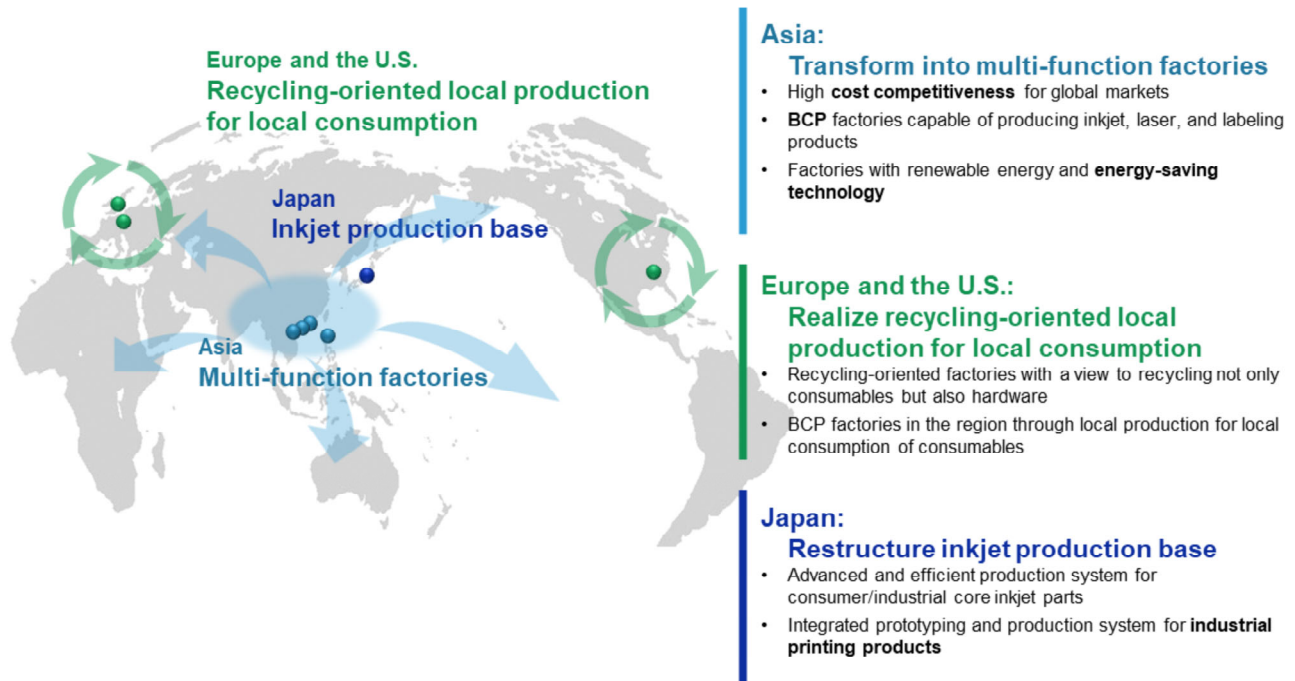
In the Managed Print Service (MPS) in Europe for BtoB, not only is the genuine consumable ratio at 100%, but print volume is higher compared to those not under contract, confirming that consumables are effective in securing revenue.

We will accelerate the transformation of printing by simultaneously strengthening the product strength and profitability of the P&S business and transforming the business model.

Towards transformation in the Printing area Global manufacturing system towards 2030

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Aim to establish a system where the main production facilities in Asia pursue cost competitiveness and promote multiple functions, Europe and the U.S. focus on recycling-oriented local production for local consumption, and Japan serves as the inkjet production base



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14

On the manufacturing side of the P&S business, we have clarified the positioning of our manufacturing facilities by region towards 2030.

In Asia, in addition to pursuing cost competitiveness, which we have been promoting, we are aiming to transform our manufacturing facilities into multi-function factories by building a system that enables the production of various product categories at multiple sites to support BCPs, utilizing renewable energy through the installation of solar panels, and actively introducing energy-saving technologies, among other measures.

In Europe and the U.S., in addition to local production for local consumption and the collection/recycling of consumables, we are aiming to create recycling-oriented factories within the region with an eye towards the recycling of product hardware.

In Japan, we are aiming to establish an advanced and efficient production system for core inkjet parts and an integrated system from prototyping to production for industrial printing products in order to serve as an inkjet production base.

Expand and enhance capabilities around inkjet manufacturing facilities

■ Completion of new factory building in the Philippines

- New factory building of Brother Industries (Philippines), Inc., which produces P&S products, completed in January 2024
- Investment: Approx. 9 billion yen (including solar panel installation)
- **Can respond flexibly to changes in the business environment as a multifunctional facility**

Enhanced production capacity

Flexible production of various P&S products

Supports BCPs through warehouse functions for parts and products

Uses renewable energy through solar panels



New factory building of Brother Industries (Philippines) (Factory No. 3)

■ Hoshizaki Factory to automate production of core inkjet parts

- New factory building at Hoshizaki Factory completed in January 2023
- Brother Group's first seismic isolation structure
- Aims to further improve production efficiency and quality by **consolidating the production of key parts and introducing automated production lines** as an inkjet production base



New factory building of Hoshizaki Factory (Factory No. 13)

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15

As part of the above-mentioned activities to build a global manufacturing system, a new factory building (Factory No. 3) of Brother Industries (Philippines), Inc. was completed in January 2024.

In addition to being able to produce a wide variety of products, the new factory building also has a warehouse function for storing parts and products that supports BCPs.

Solar panels have been installed on the roof to generate up to 3,736 MWh per year, which accounts for approximately 40% of the total electricity generated by the Brother Group's facilities.

This facility will not only support increased production, but also respond flexibly to future changes in the business environment as a multifunctional facility.

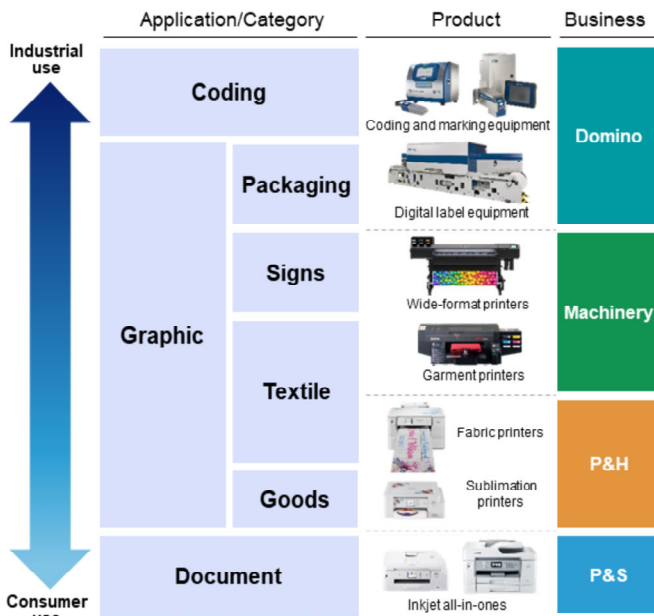
In addition, at the new factory building of the Hoshizaki Factory (Factory No. 13), which was completed in January 2023, we will consolidate the production of key inkjet parts for consumer and industrial use and introduce automated production lines among other measures to further improve production efficiency and quality.

Towards the business portfolio of the future Expanding inkjet product line

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Expand the value of inkjet product offerings not only in the P&S business,
but also beyond business boundaries

Inkjet product line that extends beyond business boundaries



[News] Exhibition at FESPA* 2024

- Exhibited products including garment printers and wide-format printers in the Industrial Printing area, as well as office printers and fabric printers
- Proposed value through cross-selling by combining various products beyond business boundaries



*: One of the world's largest annual exhibitions for industrial printing and textiles in Europe, held in Amsterdam, the Netherlands from March 19-22, 2024

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16

We are aiming to expand the value we offer centered around inkjet for our future business portfolio.

In the Machinery business, we launched a latex wide-format printer in April 2024 as a wide format printer for sign and display applications. In addition, in the P&H business, we launched a fabric printer that can print on rolls of fabric and a sublimation printer that can transfer designs not only on fabric products but also on mugs and other items in 2023.

We are also strengthening our broad value proposition through the development of new inkjet products and cross-selling beyond business boundaries by exhibiting at FESPA 2024, one of the world's largest exhibitions for industrial printing and textiles.

Aim to expand business into fuel cells and air conditioning equipment
 to provide new value that will help to address our materialities

■ **Launched “ACUPS Series” hydrogen fuel cell/storage battery hybrid UPS**

- **Backup power supply that hybridizes fuel cells that generate electricity using hydrogen and oxygen from the air and lithium-ion batteries** launched in October 2023
- **Adopted as a backup power source for runway facilities at Narita Airport**
- Brother's initiative to promote hydrogen utilization named **“PureEne”**; activities strengthened



■ **“Pure Drive PD3” spot cooler wins Energy Conservation Grand Prize**

- Uses Brother's proprietary “TWIN AQUA” technology; a **CFC-free, exhaust heat-free** spot cooler with an exhaust air dry-bulb temperature below the ambient air temperature, achieving low power consumption that is about 1/5 that of an air conditioner system
- First win of the **“Agency for Natural Resources and Energy Commissioner's Award”** in the Product and Business Model Category of the **“FY2023 Energy Conservation Grand Prize”** sponsored by the Energy Conservation Center, Japan



■ **Launched paid version of “BuddyBoard” note-taking app that can be used by teams**

- An iPad handwritten note-taking app that enables **real-time sharing of handwritten notes** and contributes to more efficient remote work
- Commercialized in 2021 as a result of the employees' new business proposal system and launched as a paid service for corporate customers in 2022



This slide shows new business initiatives.

In 2018, Brother commercialized environmentally friendly hydrogen fuel cells that do not emit CO₂. In 2023, we launched the “ACUPS Series,” a backup power supply that hybridizes hydrogen fuel cells and lithium-ion batteries, which has been adopted as a backup power supply for runway facilities at Narita Airport.

In addition, we launched “PureEne” as a brand that symbolizes all of Brother's efforts to promote hydrogen utilization centered around fuel cells, and will further strengthen its activities.

In terms of air conditioning equipment, the newly developed “Pure Drive” Series’ “PD3” model, an exhaust heat-free and CFC-free personal spot cooler, had its first win of the “Agency for Natural Resources and Energy Commissioner's Award,” the second-highest prize in the Product and Business Model Category of the “FY2023 Energy Conservation Grand Prize” sponsored by the Energy Conservation Center, Japan.

In addition to its low power consumption, which is approximately one-fifth that of air conditioners, and its environmentally friendly CFC-free design, the new model was highly evaluated for its compact size compared to conventional models, which allows it to be widely installed not only in forklifts but also in towing vehicles and transport equipment in factories and logistics warehouses.

Furthermore, “BuddyBoard,” a handwritten note-taking application that was commercialized as a result of the employees' new business proposal system, is now available as a paid service for corporate customers.

We will continue to focus on creating and growing new businesses that help to address our materialities.

Management foundation transformation for a sustainable future

Initiatives are underway in each of the three pillars of the DX strategy;
approx. 80% of those who have completed the DX core human resource development curriculum are engaged in DX-related work

■ Three pillars of DX strategy and progress

- Approx. 80% of those who have completed the DX core human resource development curriculum are engaged in DX-related work, including Business DX and Operational DX projects

① Business DX

Business model transformation in each business

[FY23 Results] A total of 7 major projects in progress, including the following:

- Construction of a **1-to-1 marketing** structure to expand “connecting” measures in each business in progress

② Operational DX

**Building a robust and sustainable supply chain
Realization of connected, visible and never-stop factories**

[FY23 Results] A total of 6 major projects in progress, including the following:

- **Visualization and centralization of global data on production, logistics, sales, and inventory**
- Establishment of **procurement and supply process for contingency stock parts**
- Creation of a **vendor tree** for visualization of procurement system in progress

③ DX Infrastructure Building

Thorough use of digital technology and human resource development

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[FY2023 Results]

• Deploy global integrated data infrastructure

- ✓ Introduced an infrastructure system for centralized management and utilization of global data including Operational DX and Business DX
- ✓ Operation to be launched in phases from FY24

• Continue and strengthen DX human resource development*

- DX Core Human Resources**
 - ✓ Expanded core human resources from 5 to 7 types
 - ✓ 1st offering: 147 completed, 2nd offering: 96 currently enrolled
- Leader of Digital Utilization Promotion**
 - ✓ 28 (FY22)/26 (FY23) employees participated in training
 - ✓ Implemented for all departments of Brother Industries
- All employees**
 - ✓ Approx. 3,000 employees (FY22)/new and mid-career employees (FY23) took basic training

• Promote operational efficiency through the use of generative AI*

- ✓ Began internal use of ChatGPT for general operations and Copilot for software development
- ✓ Established guidelines for external use

We are promoting DX as part of the management foundation transformation.

Brother's DX strategy consists of three pillars: “Business DX,” which aims to transform the business models and business processes of each business; “Operational DX,” which aims to build a robust and sustainable supply chain; and “DX Infrastructure Building,” which promotes the establishment of data utilization infrastructure and DX human resource development to realize these goals.

For Business DX, in FY2023 we promoted the construction of a 1-to-1 marketing structure to expand measures to connect with customers in each business, centered on the P&S business and P&H business.

For Operational DX, various efforts were implemented to eliminate waste in supply chain management and build a system that can deliver necessary value to customers at any time, including the digital visualization and global centralization of inventory, production, and sales status.

For DX Infrastructure Building, we introduced a global integrated data infrastructure for the centralized management and utilization of globally scattered data, including Operational DX and Business DX. We are making preparations to begin operation in FY2024.

For DX human resource development, we are continuing and strengthening education for each level of employees, namely “DX Core Human Resources,” “Leader of Digital Utilization Promotion,” and “All Employees.”

In addition, we are promoting the further improvement of operational efficiency by starting to use generative AI such as ChatGPT and Copilot in our operations from FY2023.

Approximately 80% of students who completed the first offering of the DX core human resource development curriculum are now engaged in DX-related work. We will continue to coordinate and accelerate our human resource development and DX initiatives.

Formulated human resource policy and introduced a new HR system in FY2023 to encourage employees to take on challenges and improve employee engagement

*Brother Industries

■ Formulation of human resource policy and changes to core human resource system*

HR Policy

Support “true autonomy and effort” of employees, respect diversity, and properly reward achievements and contributions

Introduction of role-based grading system

New system replaces the previous position-based grading system, which placed importance on years of experience, with a **role-based grading system**, which places importance on the roles employees assume, to facilitate role assignment according to each employee's ability and the optimal allocation of talents

Goals by stage

[Young]
Training/early selection

[Mid-level]
Securing of superior human resources

[Management]
Pipeline strengthening

[Senior]
Capability strengthening

Incremental extension of retirement age to 65

Retirement age to be incrementally shifted starting in FY2026 so that the **retirement age is 65** for employees who turn 60 in FY2029

■ Introduction of systems and implementation of measures to support diverse work styles*

New systems

- Flexible working hours system without core hours
- Internal multiple-job system
- Support system for using babysitters
- Fertility treatment leave/vacation system

Measures

- Implementation of ongoing program to develop female management candidates
- Implementation of programs to promote understanding of health and nursing care

➤ Selected as a “2024 KENKO Investment for Health” stock (for the fifth time, first in three years)



■ Implementation of employee engagement survey

- Began in FY2022 at Brother Industries and expanded to the entire Group in FY2023; plans are in place to continue the survey in the future
- Analyze survey results at each facility and implement measures to improve engagement, with good practices planned to be deployed across the Group

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20

In human capital, we have formulated a new human resource policy and introduced a new human resource system to encourage employees to take on challenges and improve employee engagement.

We introduced a new role-based grading system as a core system in FY2023. The new system replaces the previous position-based grading system, which placed importance on years of experience, with one that places importance on the roles employees assume. This new system will facilitate role assignment according to each employee's ability and the optimal allocation of talents.

This will support the “true autonomy and efforts” of employees, as stated in our human resource policy, and enable us to “properly reward achievements and contributions” through the early selection of human resources who can produce strong results.

At the same time, we will promote the further advancement of senior employees by incrementally extending the retirement age from FY2026 as we shift to a retirement age of 65.

In addition to these initiatives, we are introducing systems and implementing measures to support diverse work styles, such as the abolition of core hours under the flexible working hours system, the introduction of an internal multiple-job system, and the ongoing implementation of the program to develop female management candidates.

The employee engagement survey that was first conducted at Brother Industries in FY2022 has now been expanded to the entire Group in FY2023.

We will analyze the results of the survey at each facility and implement measures to improve engagement throughout the Group, such as the horizontal deployment of good practices within the Group.

Materiality and sustainability targets

Materiality and sustainability targets



Materiality		Targets for FY2024	Results	*Brother Industries, Ltd.
Contribute to society	Supporting People's value creation	<ul style="list-style-type: none"> In the Industrial Equipment business, secure performance advantage of products that contribute towards improving customer productivity and reducing CO₂ emissions In P&S business, build platform to connect directly with customers towards improving LTV of customers 	<ul style="list-style-type: none"> Launched a total of 10 new models in the SPEEDIO series, boasting high environmental performance and productivity, since FY2022 Strengthened efforts to connect interactively with customers, including subscription services in each region 	
	Realizing a diverse and active society	<ul style="list-style-type: none"> Visualize employee engagement at the global level and improve engagement survey scores Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan 	<ul style="list-style-type: none"> Started an employee engagement survey at Brother Industries in FY2022; expanded survey scope to the entire Group in FY2023 Promoted the development of core human resources and implemented succession plans based on the identified current status of HR measures and issues at major facilities outside Japan 	
	Pursuing a responsible value chain	<ul style="list-style-type: none"> *Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working* Expand the human rights risk assessment on suppliers Attain RBA Gold certification for three Group manufacturing facilities 	<ul style="list-style-type: none"> Added/revised human resource systems to achieve more flexible work styles* Continued to implement Program to Develop Female Management Candidates* Implemented programs to promote understanding of health and nursing care to promote diverse work styles* Expanded the number of businesses and suppliers covered in supply chain human rights due diligence on primary suppliers and ensured its effectiveness Continued to conduct surveys for responsible mineral procurement Following the RBA Gold Certification at the Vietnam Factory of P&S in FY2022, the Shenzhen Factory in China and Philippine Factory of P&S acquired RBA Platinum Certification in FY2023, achieving the target ahead of schedule Furthermore, the Hoshizaki Factory also acquired RBA Platinum Certification in FY2024 	
Protect the earth	Reducing CO ₂ emissions	<ul style="list-style-type: none"> [Scope 1 and 2] Achieve 47% reduction from the FY2015 level [Scope 3] Take measures to reduce 150,000 tons through own effort 	<ul style="list-style-type: none"> [Scope 1,2] Implemented energy-saving and energy-creating measures such as more efficient use of electricity and introduction of solar power generation, and expect to achieve the reduction target for FY2023 [Scope] Implemented measures centered on improving energy efficiency of new products as planned, and consider additional measures for FY2024 	
	Circulating resources	<ul style="list-style-type: none"> Achieve ratio of virgin materials used in products of 81% or less 	<ul style="list-style-type: none"> Expect to achieve target for FY2023 by implementing measures such as using recycled materials in some products and changing to recyclable cushioning materials 	

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22

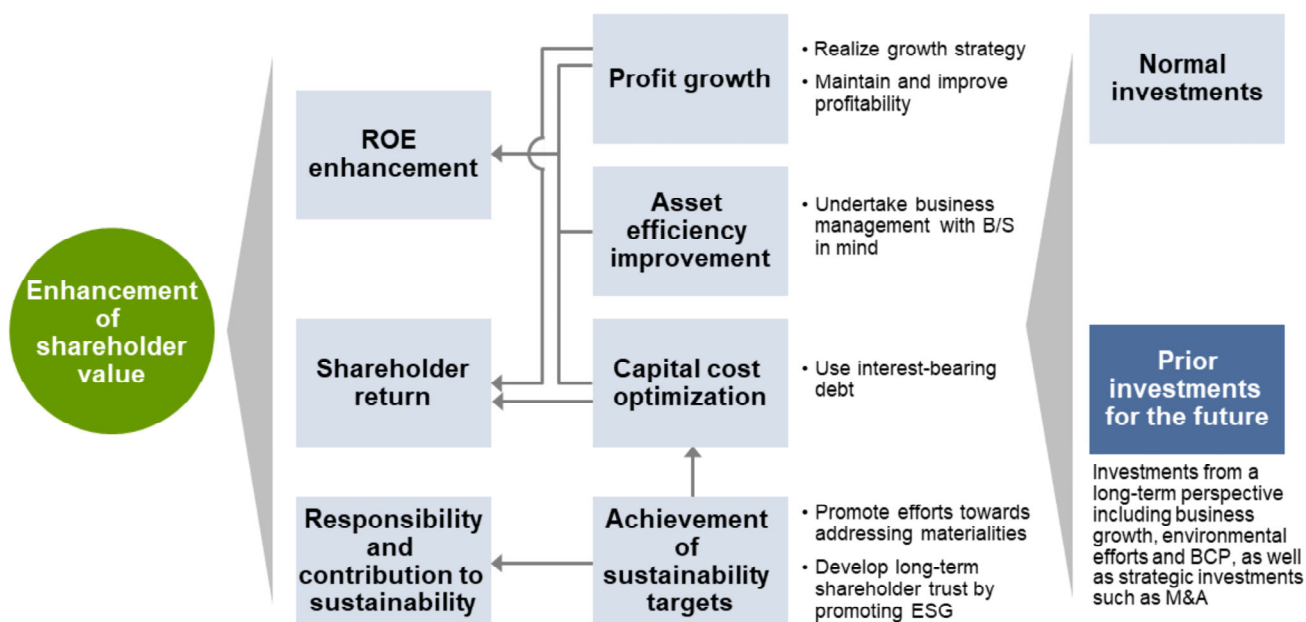
This slide is a summary of our FY2023 results related to our materiality and sustainability targets.

The Sustainability Committee (chaired by the President) established in FY2022 has been promoting these activities across the entire company and is steadily making progress.

Financial policy

Achieve continuous enhancement of shareholder value by balancing success in business and contribution to sustainability through effective capital utilization

Overview of financial policy for enhancing shareholder value



This is a slide disclosed in the medium-term business strategy document.

While making "prior investments for the future," we aim to increase shareholder value by achieving profit growth, improving asset efficiency, optimizing capital costs, enhancing ROE, ensuring stable shareholder returns, as well as fulfilling our responsibility for sustainability.

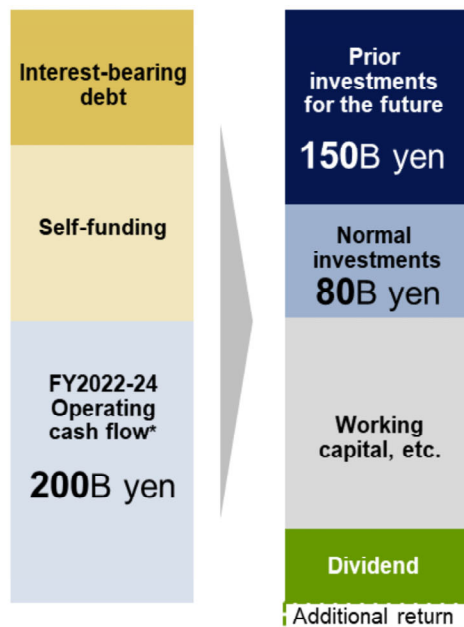
Financial policy

Cash allocation and prior investment for the future (excerpts from medium-term business strategy document)

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150 billion yen of the prior investment quota set for the 3-year period of CS B2024.
We plan to invest a total of 230 billion yen, including normal investments

Cash allocation



* Excluding lease obligation payments

Prior investments for the future

	Theme	Main items	Amount
Business portfolio transformation	Towards expansion in the Industrial area	• Reinforce sales and service facilities of Industrial area	50B yen
	Towards transformation in the Printing area	• Reinforce production capacity in the Machinery/FA area	
	Towards the business portfolio of the future	• Expand inkjet development and manufacturing facilities	
Management foundation transformation for a sustainable future	Environmental efforts	• Strategic investments for M&A, etc.	30B yen
	Enhance and expand connections with customers	• Factory investment for local production for local consumption of products and the realization of a circular economy	70B yen
		• Introduction of energy-generation equipment at Group facilities	
		• Construction of new environmentally friendly building	
		• Supply-chain resilience (expand factories, add multiple functions)	
		• DX investments (build platform for connections with customers, revamp enterprise system)	
Total			150B yen

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25

This slide shows the cash allocation and prior investments for the future disclosed in CS B2024.

The Brother Group has set aside 150 billion yen over the three years of CS B2024 as prior investments for the future. We will steadily implement investments for business portfolio transformation and management foundation transformation.







We plan to invest a total of 230 billion yen, including 80 billion yen in normal investments.

Although the investment plan for CS B2024 is decision-based and therefore the timing of payments may fall outside the medium-term business strategy period, progress is generally in line with the plan, excluding strategic investments such as M&A

CS B2024 plan (FY2022–FY2024)	Latest forecast	
	Investments	Payments per fiscal year
Prior investments for the future (excluding strategic investments) 120B yen	Prior investments for the future (excluding strategic investments) 112.6B yen	Results through FY2023 38.7B yen
		Plan for FY2024 23.1B yen
Normal investments 80B yen	Normal investments 92.0B yen	Plan from FY2025 onward 50.8B yen
		Results through FY2023 57.1B yen
Prior investment for the future (M&A and other strategic investments) 30B yen	Prior investment for the future (M&A and other strategic investments) 30B yen	Plan for FY2024 34.9B yen
Total 230B yen	Total 234.6B yen	

At present, we have invested approximately 100 billion yen of the 230 billion yen of total investments (prior investments for the future: 150 billion yen, normal investments: 80 billion yen) through FY2023, and progress is generally in line with the plan, excluding strategic investments such as M&A (30 billion yen).

Progress mainly in capital investment as prior investment for the future

Details			Status at the end of FY2023	Purpose and remarks	Total investment*
Business portfolio transformation	New factory building in Hoshizaki		Completed/operating	Enhanced industrial inkjet manufacturing facilities, Brother Group's first seismic isolation structure as a BCP measure	Approx. 10 billion yen
	[P&S] Philippines Factory New factory building		Completed/operating	Responding to increased product sales for the transformation of Printing area Strengthen BCP measures, including warehousing of parts and products to strengthen the supply chain	Approx. 8 billion yen
	[Industrial Equipment, Machinery] New factory in India		Under construction	New machine tool factory for the expansion of Industrial area Establish a system to deliver products to customers in the Indian market, which is expected to grow	Approx. 2.5 billion yen
	Nissei New factory building		Completed	Increase gear production capacity to expand sales for FA and robot applications	Approx. 1.6 billion yen
	Minato Factory New warehouse		Construction planned	Responding to increased demand for storage of products and parts as a result of business expansion in the Industrial area Raise floor as a BCP measure to address tsunami risk	Approx. 4.5 billion yen
Management foundation transformation for a sustainable future	Mizuho Factory New building		Under construction	Installation of energy-saving equipment, solar panels, and greenery on the premises as the Brother Group's flagship facility for environmental responsiveness Aiming to create new technologies and businesses through active communication	Approx. 45 billion yen
	Installation of solar panels		Handled at each facility	Installation of solar panels at each location, including those listed above Contributing to the achievement of carbon neutrality by using renewable energy sources to supply part of the electricity required for operation.	Approx. 1.5 billion yen
	Reformation of ERP system		Completed	Reformation of ERP system and business processes as DX investments at the Company, subsidiaries in Asia, and regional headquarters in Americas	Approx. 3.0 billion yen

*Includes investments outside of FY2022–FY2024

This slide outlines the progress of prior investments for the future.

Note that the total investments shown to the right include investments made not only in FY2023 but also in other fiscal years.

In FY2023, we began construction of a new factory in India for industrial equipment and a new factory building for the Mizuho Factory in the head office area. We also actively made investments in DX and the environment.

Deepen "management conscious of cost of capital and stock price" based on the financial policy of the medium-term business strategy

Topic	Present	Policy
Capital cost	<u>Cost of equity: 7-10%</u> <ul style="list-style-type: none"> - Calculated by CAPM - Variable due to differences in timing and assumptions used in calculations, so cost of equity is taken as the range 	<ul style="list-style-type: none"> ✓ Reduce the cost of shareholders' equity by promoting business portfolio transformation while also utilizing interest-bearing debt
ROI index	<u>5-year* average: 8.1%</u> <ul style="list-style-type: none"> - Exceeds or equals cost of equity 	<ul style="list-style-type: none"> ✓ Basic policy of soundly increasing ROE through business growth ✓ Aim to achieve ROE of 10% or more above cost of capital over the medium to long term
Shareholder return	<u>Dividend per share, FY2022: 68 yen</u> <u>FY2023: 84 yen (planned)</u> <u>FY2024: 100 yen (planned)</u> <ul style="list-style-type: none"> - Plan to increase dividend depending on factors such as business performance 	<ul style="list-style-type: none"> ✓ Provide stable and continuous shareholder returns ✓ Consider additional shareholder returns depending on factors such as business performance, and flexibly carry out repurchase of our own shares
Market valuation	<u>P/B ratio 5-year* average: 1.05x</u> <u>Most recent: 1.08x</u> <ul style="list-style-type: none"> - Recent P/B ratio over 1x due to recovery in performance 	<ul style="list-style-type: none"> ✓ Aiming to continuously increase shareholder value in accordance with the CS B2024 financial policy ✓ Aim for further improvement of P/B ratio by improving profitability and promoting business portfolio transformation through continuous growth investment

*From FY2019 to FY2023

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28

I will now explain our current awareness and policy regarding management conscious of cost of capital and stock price.

Capital cost

The current cost of equity is estimated around 7% to 10%.

It is calculated based on CAPM, but since it varies depending on the timing of calculation and different assumptions, it is taken as a range.

We will continue to transform our business portfolio and reduce the cost of equity while also utilizing interest-bearing debt.

ROI index

ROE has averaged 8.1% over the past five years.

Our basic policy is to soundly increase ROE through business growth, and we aim to achieve a level of ROE (10% or more) maintaining an equity spread.

Shareholder return

Our basic policy is to provide stable and continuous shareholder returns.

We will also consider additional shareholder returns, including raising the level of dividends, depending on factors such as business performance.

In addition, we will flexibly carry out repurchase of our own shares.

In FY2022, we paid a dividend of 68 yen per share.

For FY2023 and FY2024, we plan to increase dividends depending on factors such as business performance.

Market valuation

The P/B ratio has averaged 1.05 times in the past five years and was approximately 1.08 times as of the end of FY2023.

We plan to further improve the P/B ratio by improving profitability and promoting business portfolio transformation through continuous growth investment.
















We will further deepen our management conscious of cost of capital and ROI based on the financial policy of our CS B2024 medium-term business strategy in order to meet the expectations of our stakeholders, achieve sustainable growth, and enhance corporate value.



Thank you for your continued support.

Reference: Brother's business areas



Business areas		Business segments		Area (Main products & service portfolio)				
Industrial area	Machinery/FA	Nissei		 Reducer	 Gear	 Machine tool	 Industrial Sewing Machine	
		Machinery	Industrial Equipment					
	Industrial Printing		Industrial Sewing Machines	Industrial Sewing Machines	 Garment printer	 Coding and marking equipment	 Digital printing equipment	
		Domino						
Consumer area	Printing	Printing & Solutions	Commercial & Industrial Labeling	 Commercial & Industrial use label printer	 Mobile printer	 Labeling system	 Printer	 All-in-One
			Home & Office Labeling					
	Home & Culture		Communications & Printing Equipment	 Home sewing machine	 Home cutting machine	 Online Karaoke system		
			Personal & Home					
		Network & Contents						