

March 23, 2006

**Brother Announces Policy Toward
Large-scale Purchases of Brother Shares (Anti-takeover Defensive Plan)**

Brother Industries, Ltd. ("Brother") today announced that its Board of Directors decided to adopt a policy toward (i) a purchase of Brother shares and other securities¹ by a group of shareholders² with the intent to hold 20% or more of the total voting rights³ of Brother, or (ii) a purchase of Brother shares and other securities resulting in a group of shareholders holding 20% or more of the total voting rights of Brother (the purchases set out in (i) or (ii) above are not limited to any specific type of purchase, such as a purchase to be made on the market or a purchase by a tender offer; the purchases set out in (i) or (ii) above do not include the purchases to which Brother's Board of Directors has given consent in advance). A purchase of Brother shares and other securities set out in (i) or (ii) above shall be hereinafter referred to as a Large-scale Purchase. A person or a company that intends to conduct a Large-scale Purchase shall be hereinafter referred to as the Large-scale Purchaser. This policy shall be hereinafter referred to as the Policy.

The meeting of the Board of Directors, at which the Policy was adopted, was held with all of the four Corporate Auditors of Brother present, three of whom are outside Corporate Auditors. Each Corporate Auditor gave his consent to the Policy on condition that the Policy is properly implemented.

- Notes:
1. Shares and other securities as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law.
 2. A group of shareholders shall mean any of the following:
 - (i) a holder (including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the Securities and Exchange Law; hereinafter the same) of shares and other securities (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law) and any joint holders (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including a person deemed as a joint holder pursuant to Paragraph 6 thereof; hereinafter the same), or
 - (ii) a person or a company who makes a purchase (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law, including a purchase made on a securities exchange market) of shares and other securities (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law) and any specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law; hereinafter the same).
 3. The ratio of the total voting rights shall mean:
 - (i) in the case of note 2(i) above, the share holding ratio (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law) of the holder (taking into account the number of shares (defined in the said Paragraph) held by any joint holders) or
 - (ii) in the case of note 2(ii) above, the sum of the shareholding ratio (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) of the purchaser and its specially related parties.

In calculating the voting rights ratio, the annual report, the semi-annual report or the treasury stock purchase report of Brother, whichever is submitted to the authorities most recently, may be referred to in deciding the total number of voting rights (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) or total number of issued shares (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law).

1. Basic Philosophy

The Brother Group recorded 70% or more of its sales in the market outside Japan, having 18 manufacturing facilities and 39 business grounds in 32 various countries and areas abroad, with more than 20,000 employees on a consolidated basis (as of November, 2005). The corporate value of Brother is largely based on the faithful relationship between business partners in those countries and areas in which the Brother Group is conducting its business and on morals of the employees of the Brother Group.

The Board of Directors of Brother today announced the three-year term business strategy titled "CSB2008" (please refer to "Brother's Renewed Three-year Strategy" announced today for the details of the strategy), which is placed as the second stage of the mid-long term business vision of "Global Vision 21" adopted in 2002. The Board of Directors believes that implementing such three-year term business strategy will be the best way to achieve mid-long term growth of Brother, aiming that the corporate value of Brother will be maximized by taking each step to realize the strategy.

Under these circumstances, the Board of Directors believes that Brother shareholders should make the final decisions as to whether or not a Large-scale Purchase is acceptable, taking into account the business management policy and implementation thereof under the current management of Brother. At the same time, the Board of Directors believes that shareholders should be provided with enough information, through the Board of Directors, that is necessary to make appropriate decisions as to whether or not a Large-scale Purchase is acceptable, such information as the conditions of the Large-scale Purchase, the influence of the Large-scale Purchase affecting Brother's corporate value or any alternative plan.

Based on the basic philosophy mentioned above, in order to provide an opportunity for Brother shareholders to receive necessary information about the Large-scale Purchase and any alternative plans, the Board of Directors has established rules concerning Large-scale Purchases of Brother shares (hereinafter referred to as the Large-scale Purchase Rules) as described below. The Board of Directors will require any Large-scale Purchaser to comply with these rules. If the Large-scale Purchaser does not comply with these rules, the Board of Directors intends to take certain countermeasures.

2. Large-scale Purchase Rules (Steps to be taken when any Large-scale Purchaser comes forward)

Brother's Board of Directors believes that a Large-scale Purchaser should comply with the Large-scale Purchase Rules for the benefit of all shareholders of Brother, whereby Brother

shareholders would be provided with an opportunity to receive necessary information about the Large-scale Purchase and any alternative plans. The Large-scale Purchase Rules require that (i) a Large-scale Purchaser provide sufficient information to the Board of Directors before the commencement of the Large-scale Purchase, and (ii) a Large-scale Purchaser be permitted to commence the Large-scale Purchase only after the prescribed period has elapsed during which the Board of Directors assesses the provided information. The details of the Large-scale Purchase Rules are as prescribed in the following paragraphs.

(1) Submission of Intention Letter

First, when a Large-scale Purchaser intends to commence a Large-scale Purchase, such Large-scale Purchaser is required to submit to Brother a letter of intention to comply with the Large-scale Purchase Rules (hereinafter referred to as the Intention Letter). In the Intention Letter, the name of the Large-scale Purchaser, address, governing law of incorporation, the name of the representative, contact details in Japan and an outline of the proposed Large-scale Purchase should be specified.

(2) Provision of Information

Second, the Large-scale Purchaser is required to provide Brother's Board of Directors with sufficient information (hereinafter referred to as the Large-scale Purchase Information) so that the company's shareholders may make decisions and the Board of Directors may form its opinion regarding such Large-scale Purchase. The Large-scale Purchase Information includes the following:

- (i) an outline of the Large-scale Purchaser and its group;
- (ii) the purposes and conditions of the Large-scale Purchase;
- (iii) the basis for determination of the purchase price and funds for purchase; and
- (iv) management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase.

In order for the Large-scale Purchaser to provide the Large-scale Purchase Information, the Board of Directors will, within five business days after receipt of the Intention Letter, deliver to the Large-scale Purchaser a list of the Large-scale Purchase Information to be initially provided by the Large-scale Purchaser. If the information initially provided by the Large-scale Purchaser is reasonably deemed insufficient as Large-scale Purchase Information, the Board of Directors may require additional information until it receives sufficient information. The Board of Directors will disclose all or part of the Large-scale Purchase Information submitted to the Board of Directors at the time it deems appropriate, if such disclosure is considered necessary for shareholders to make decisions.

(3) Assessment Period

The Large-scale Purchaser may commence the Large-scale Purchase only after the

Assessment Period (as defined below) has elapsed.

After Brother's Board of Directors delivers to the Large-scale Purchaser a letter certifying that all the Large-scale Purchase Information is provided, the Board of Directors should be allowed a sixty day period (in the case of the purchase of all Brother shares by a tender offer with cash-only (yen) consideration) or a ninety day period (in the case of any other Large-scale Purchase), depending on the difficulty level of assessment, as the period during which it will assess, examine, negotiate, form an opinion and seek alternatives (hereinafter referred to as the Assessment Period). The Board of Directors will thoroughly examine and assess the provided Large-scale Purchase Information during the Assessment Period, and form and disclose its opinion. The Board of Directors may negotiate with the Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase or it may offer alternative plans to shareholders, as necessary.

3. Countermeasures against Non-compliance with the Large-scale Purchase Rules

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, Brother's Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all shareholders as a whole. Countermeasures include the issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Commercial Code of Japan (or the Corporate Code of Japan when it takes effect) or other laws and the company's articles of incorporation.

The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to issue stock acquisition rights in a rights offering, the outline of the issuance thereof shall be as described in the attachment hereto. If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period, exercise conditions and others of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure, such exercise conditions as not allowing the exercise of stock acquisition rights held by a person or a company belonging to a group of shareholders holding a specific percentage of the total voting rights. If the Board of Directors elects to make a stock split, the maximum ratio of the stock split shall be five-for-one at once.

Brother today filed the issuance registration (*hakko-toroku*) of stock acquisition rights so that Brother will be able to issue stock acquisition rights swiftly in the case the Board of Directors elects to issue stock acquisition rights as a countermeasure.

The purpose of the Large-scale Purchase Rules is to provide an opportunity for Brother shareholders to receive necessary information about the Large-scale Purchase, as well as the opinion and any alternative plans from Brother's Board of Directors, in order to determine whether or not the Large-scale Purchase is acceptable. The Large-scale Purchase Rules are established from the viewpoint that the interests of all shareholders as a whole shall be protected in the event of a Large-scale Purchase that may have an impact on the management of the company. If a Large-scale Purchaser complies with the Large-scale Purchase Rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion, unless it is clear that such Large-

scale Purchase will cause irreparable damage or loss to Brother. In deciding whether or not Brother will take countermeasures and in adopting specific countermeasures, the Board of Directors will obtain advice from attorneys, financial advisors and other external advisors, fully respect statements made by outside directors and Corporate Auditors, and make appropriate disclosure at an appropriate time.

Brother believes that the establishment of the Large-scale Purchase Rules and countermeasures to be taken in the event of non-compliance with such rules are reasonable and appropriate in order to protect the legitimate interests of all Brother shareholders as a whole. The company recognizes that the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules. Thus, the Board of Directors is hereby advising in advance against commencing a Large-scale Purchase that does not comply with the Large-scale Purchase Rules.

4. Influence on Shareholders and Investors, etc.

(1) Influence on Shareholders and Investors, etc. given by the Large-scale Purchase Rules

The purpose of the Large-scale Purchase Rules is to provide an opportunity for Brother shareholders to receive information necessary to determine whether or not the Large-scale Purchase is acceptable, an opinion by the Board of Directors that is currently in charge of Brother's management, and any alternative plans. The Board of Directors believes that under the Large-scale Purchase Rules, Brother shareholders will be able to make appropriate decisions, provided with sufficient information, as to whether or not the Large-scale Purchase is acceptable, whereby the interests of all Brother shareholders as a whole shall be protected. Accordingly, the Board of Directors believes that the establishment of the Large-scale Purchase Rules is an appropriate condition in order for shareholders and investors to make appropriate decisions and is for the benefit of Brother shareholders and investors.

The Board of Directors is hereby advising Brother shareholders and investors to observe carefully any actions by a Large-scale Purchaser, because steps and actions to be taken by Brother will be different depending on whether or not a Large-scale Purchaser complies with the Large-scale Purchase Rules, as described in 3 above.

(2) Influence on Shareholders and Investors, etc. given by Countermeasures

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, Brother's Board of Directors may take countermeasures, which the Board of Directors is permitted to take under the Commercial Code of Japan (or the Corporate Code of Japan when it takes effect) or other laws and the company's articles of incorporation, against the Large-scale Purchaser to protect the interests of all shareholders as a whole. As a function of a countermeasure itself, however, the Board of Directors is not assuming that such countermeasure taken will cause any specific legal or economic damage or loss to Brother shareholders (excluding a Large-scale Purchaser who does not

comply with the Large-scale Purchase Rules). When the Board of Directors elects to take any specific countermeasure, the Board of Directors shall make appropriate disclosure at an appropriate time in accordance with the relevant laws and stock market regulations.

With respect to the issuance of stock acquisition rights contemplated as a countermeasure, it may be necessary for Brother shareholders to make subscription within a specific period in order to acquire such stock acquisition rights or it may be necessary for a stock acquisition rights holder to make a specific amount of payment in order to exercise such stock acquisition rights, depending on the conditions of such stock acquisition rights. The Board of Directors will make notification about the details of such steps in accordance with the relevant laws in the case Brother is to issue such stock acquisition rights. Please note, however, that a Brother shareholder who has not been recorded in the register of shareholders needs to complete the entry of the register of shareholders by the record date, which the Board of Directors will separately determine and make a public notice of, in order to acquire the stock acquisition rights. With respect to the stock split contemplated as a countermeasure as well, a Brother shareholder who has not been recorded in the register of shareholders needs to complete the entry of the register of shareholders by the record date of the stock split, which the Board of Directors will separately determine and make a public notice of.

5. Effective Date and Effective Term of the Policy

The Policy was adopted by the meeting of Brother's Board of Directors held today, and took effect as of today. The Policy will remain effective until the first meeting of the Board of Directors to be held after the ordinary general shareholders meeting in 2009.

The Board of Directors plans to propose the outline of the Policy at the ordinary general shareholders meeting to be held in June this year (the "SH meeting") as an agenda item for affirmative votes. Notwithstanding the preceding paragraph, in the case not more than half of Brother shareholders present at the SH meeting vote for the affirmative, then the Policy will be abolished immediately.

The Board of Directors intends to review the Policy from time to time from the viewpoint of enhancing the corporate value and the benefit of shareholders, taking into account the enactments of various legislation including the Corporate Code of Japan, and may amend or abolish the Policy as necessary even during the effective term of the Policy. In this connection, the Board of Directors intends to propose at the SH meeting an amendment to the articles of incorporation, whereby the terms of office of the directors shall be set for one (1) year. If such proposal is approved by the resolution of the SH meeting, then any amendment or abolishment of the Policy after the SH meeting will be determined by the Board of Directors composed of directors elected by the general shareholders meeting every year.

If the Policy is amended or abolished, Brother will make a prompt disclosure regarding the amendment (including the contents of the amendment) or abolishment of the Policy and other matters that the Board of Directors deems appropriate.

Attachment

Outline of Issuance of Stock Acquisition Rights

1. Shareholders who are entitled to receive stock acquisition rights and conditions of issuance thereof:

One stock acquisition right shall be granted to a shareholder, per one share held by such shareholder (excluding the shares held by Brother as treasury stock), whose name is recorded in the register of shareholders or the register of beneficial shareholders as of the record date to be specified by the Board of Directors.

2. Type and number of shares to be acquired upon exercise of stock acquisition rights:

The type of shares to be acquired upon exercise of stock acquisition rights shall be common stock, and the number of shares to be acquired upon exercise of one stock acquisition right shall be one share. Provided, however, that such number shall be adjusted if Brother makes a stock split or a stock consolidation.

3. Total number of stock acquisition rights to be issued:

The total number of stock acquisition rights to be granted shall be determined by the Board of Directors up to 300 million stock acquisition rights. The Board of Directors may grant stock acquisition rights more than once within the maximum number of 300 million stock acquisition rights to be granted in total.

4. Issue price of each stock acquisition right:

Zero yen

5. Amount to be paid upon exercise of a stock acquisition right:

The amount to be paid upon exercise of a stock acquisition right shall be one Japanese yen or more to be determined by the Board of Directors.

6. Restriction on transfer of stock acquisition rights:

Stock acquisition rights may only be transferred with the approval of the Board of Directors.

7. Conditions of exercise of stock acquisition rights:

Such exercise conditions as follow may be established, the details of which will be determined by the Board of Directors separately:

- A person or a company belonging to (i) a group of shareholders that currently holds 20% of the total voting rights or (ii) a group of shareholders that previously held 20% of the total

voting rights (but only after the effective date of the Policy) cannot exercise the stock acquisition rights.

8. Exercise period and other conditions of stock acquisition rights:

The exercise period, cancellation events, conditions of cancellation and other conditions of stock acquisition rights shall be determined by the Board of Directors.