

**The Brother Group
Medium-Term Business Strategy**

CS B2024

Take off towards our new future



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				 Garment printer
	Industrial Sewing Machines		Industrial Sewing Machines	 Commercial & Industrial use label printer	 Mobile printer	 Labeling system	
	Industrial Sewing Machines	Garment Printing	 Home sewing machine				 Home cutting machine
Industrial Printing	Domino						
Consumer area	Printing	Printing & Solutions	Labeling	Commercial & Industrial Labeling			
				Home & Office Labeling			
		Communications & Printing Equipment					
	Home & Culture	Personal & Home					
		Network & Contents					

- ✓ **Brother Group Vision**
- ✓ Review of CS B2021
- ✓ Outline of CS B2024
- ✓ Management targets of CS B2024

Brother Group Vision “At your side 2030”

This vision, launched in April 2022, presents Brother's raison d'être and value proposition to society. The medium-term business strategy CS B2024 was drafted by backcasting from this vision.



Our Purpose

By being "At your side," we enable people's productivity and creativity, contribute to society, and help protect the earth.

Our Approach

We identify and eliminate barriers to customers' success by utilizing our unique technologies and global network.

Our Focus Areas

Industrial - Become a trusted, invaluable solutions partner.
Printing - Continue leading print innovation and pioneering new offerings.

Contribute to society and help protect the earth

Brother has identified the five materialities below as priority social issues to contribute to society and help protect the earth, and will work to address them.

Materialities to be undertaken by Brother (priority social issues)

At your side

2030 Our Purpose

By being "At your side," we enable people's productivity and creativity, contribute to society, and help protect the earth.



Materiality

- Supporting people's value creation
- Realizing a diverse and active society
- Pursuing a responsible value chain
- Reducing CO₂ emissions
- Circulating resources

- ✓ Brother Group Vision
- ✓ **Review of CS B2021**
- ✓ Outline of CS B2024
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CS B2021 “TOWARDS THE NEXT LEVEL”
~ Establish a firm foothold for the future~

1 Printing - win to survive

- Maintain scale and raise profitability by acquiring high-PV users and improving hardware profitability
- Accelerate shift to new business models to secure stable profits and closer customer relations

2 Machinery/FA - accelerate growth

- Achieve significant growth in Industrial Equipment with focus on auto/general machine market
- Increase FA business through capturing a surge in labor-saving/automation needs

3 Industrial Printing - develop a growth platform

- Re-accelerate Domino’s growth with synergy realization/reinforcement
- Expand Industrial Printing area by inkjet-centered printing technologies

4 Form a solid foundation to gain speed/cost advantage

- Thorough operational transformation across the board by leveraging IT
- Maximize organizational performance by cultivating talent pool and optimizing talent deployment
- Revitalize unprofitable/low-profit businesses

PV = Print Volume

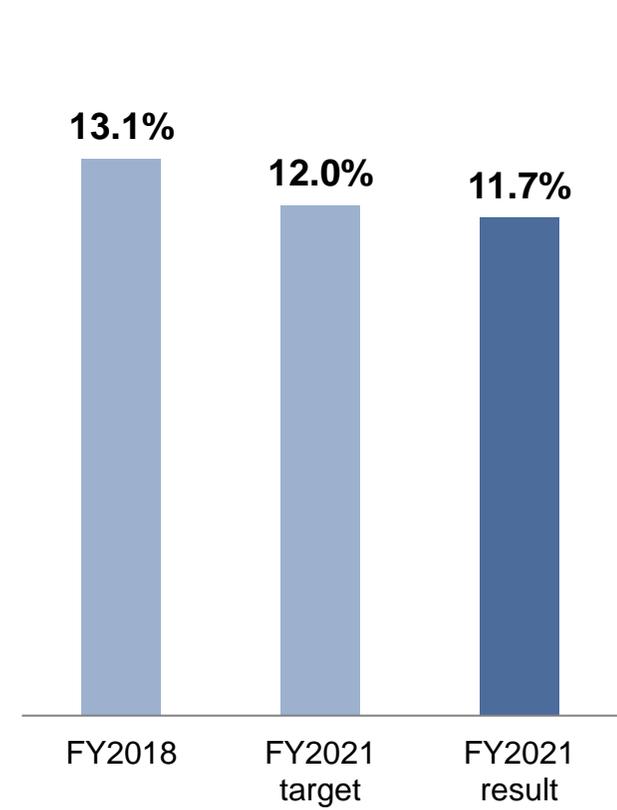
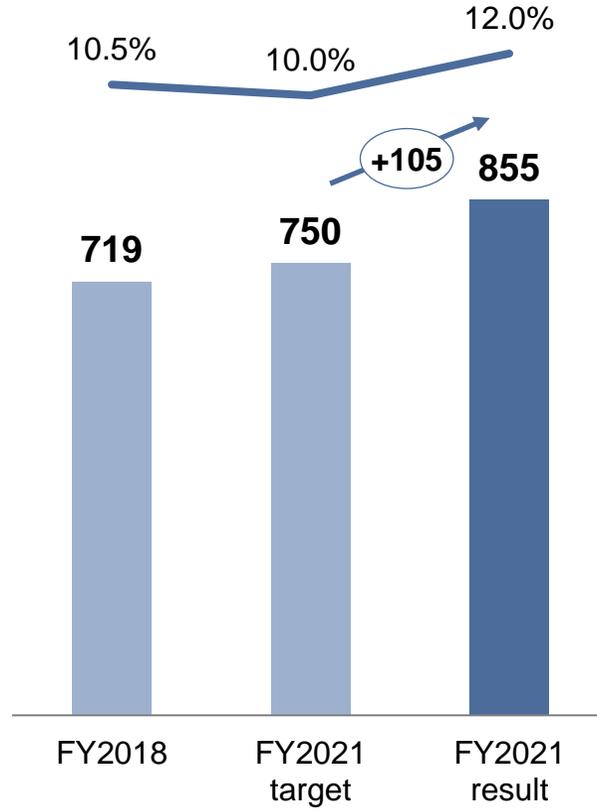
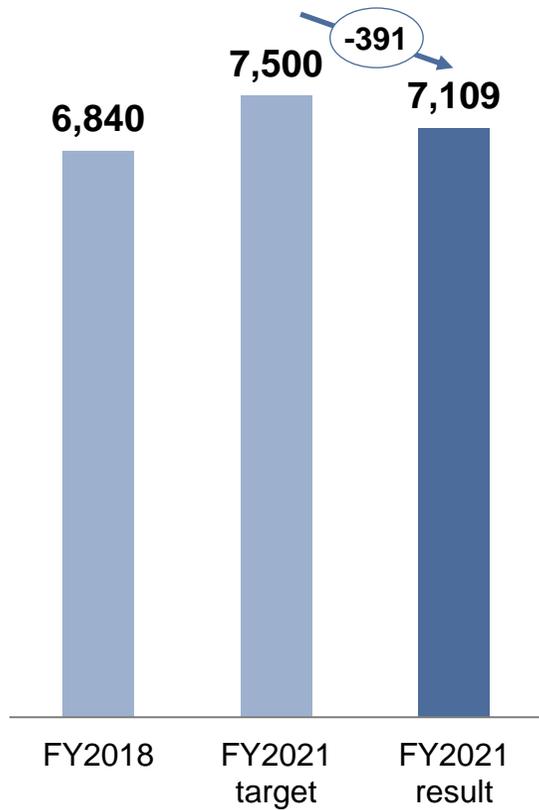
Review of CS B2021 – Financial indicators

Operating profit exceeded the target and ROE was around the same level as the target, although sales revenue fell short.

Sales revenue (100M yen)

Operating profit (100M yen)

ROE (%)



USD	110.69 yen	105.00 yen	112.86 yen
EUR	128.43 yen	125.00 yen	131.01 yen

Review of CS B2021 – Four strategic themes

Profitability improved significantly, but we did not achieve the target for growth in the Industrial area, and we recognize the need for a variety of transformations for the future, including those in various management foundations.

Achievements of CS B2021

Challenges for CS B2024

1 Printing - win to survive

- Achieved significantly improved profits due to steady sales of consumables, improved product mix, and mitigation of price competition

- Accelerate business model transformation
- Achieve growth in Commercial & Industrial Labeling business

2 Machinery/FA - accelerate growth

- In Industrial Equipment business, increased sales in automobile and general machine market

- Achieve continuous growth in sales of Industrial Equipment business
- Return Nissei's business to a growth trajectory

3 Industrial Printing - develop a growth platform

- Domino's C&M and garment printer achieved steady growth
- Enhanced Domino's product lineup by utilizing Brother's development resources

- Accelerate growth in Domino business
- Strengthen technological foundation for product development in Industrial Printing area

4 Form a solid foundation to gain speed/cost advantage

- Reduced manhours and other measures through operational reforms and responded to a myriad of irregular operations under the COVID-19 pandemic

- Improve resilience of own supply chain, which showed confusion due to the COVID-19 pandemic
- Optimize allocation of talents to priority areas such as the industrial business area

- ✓ Brother Group Vision
- ✓ Review of CS B2021
- ✓ **Outline of CS B2024**
- ✓ Management targets of CS B2024

At your side
2030 **Achieving the vision**

Medium-term
business strategy
CS B2024

Take off towards our new future

1

Towards expansion in the Industrial area

- ✓ **Achieve significant growth in Industrial Equipment business**
 - Improve productivity and environmental performance and contribute to sustainable manufacturing for customers
- ✓ **Accelerate growth in Domino business**
 - Introduce new products in DP area and strengthen customer foundation in C&M area

2

Business portfolio transformation

3

Towards the business portfolio of the future

- Create new businesses that help to address materialities
- Evolve inkjet-centered printing technologies and expand scope of application

Towards transformation in the Printing area

- ✓ **Accelerate P&S business model transformation**
 - Expand Commercial and Industrial Labeling business
 - Accelerate shift in printing business model and maintain profits

4

Management foundation transformation for a sustainable future

- ✓ **Undertake environmental efforts towards carbon neutrality**
 - Reduce CO₂ emissions at Group facilities
 - Improve products' environmental performance and adopt resource-saving designs
 - Promote business based on a circular economy
- ✓ **Enhance and expand connections with customers**
 - Transform business models in each business
 - Build resilient and sustainable supply chains



Evolve BVCM



Encourage employees to take on challenges



Improve employee engagement

Assumptions for performance targets

In order to better clarify the direction and scale of growth of CS B2024, this presentation compares FY2022 target with FY2024 using the same exchange rate.

Recent performance and FY2024 target

(100M yen)		FY2021	FY2022 forecast	FY2022 target with changed FX	FY2024 target
Profit and loss	Sales revenue	7,109	7,750	7,200	8,000
	Operating profit	855	730	640	10% at least
	Profit for the period	610	510	450	7% at least
Exchange rate (against JPY)	USD	112.86	122.00	108.00	
	EUR	131.01	133.00	125.00	

A year in which extraordinary factors related to the impact of COVID-19 had a significant impact on profit.

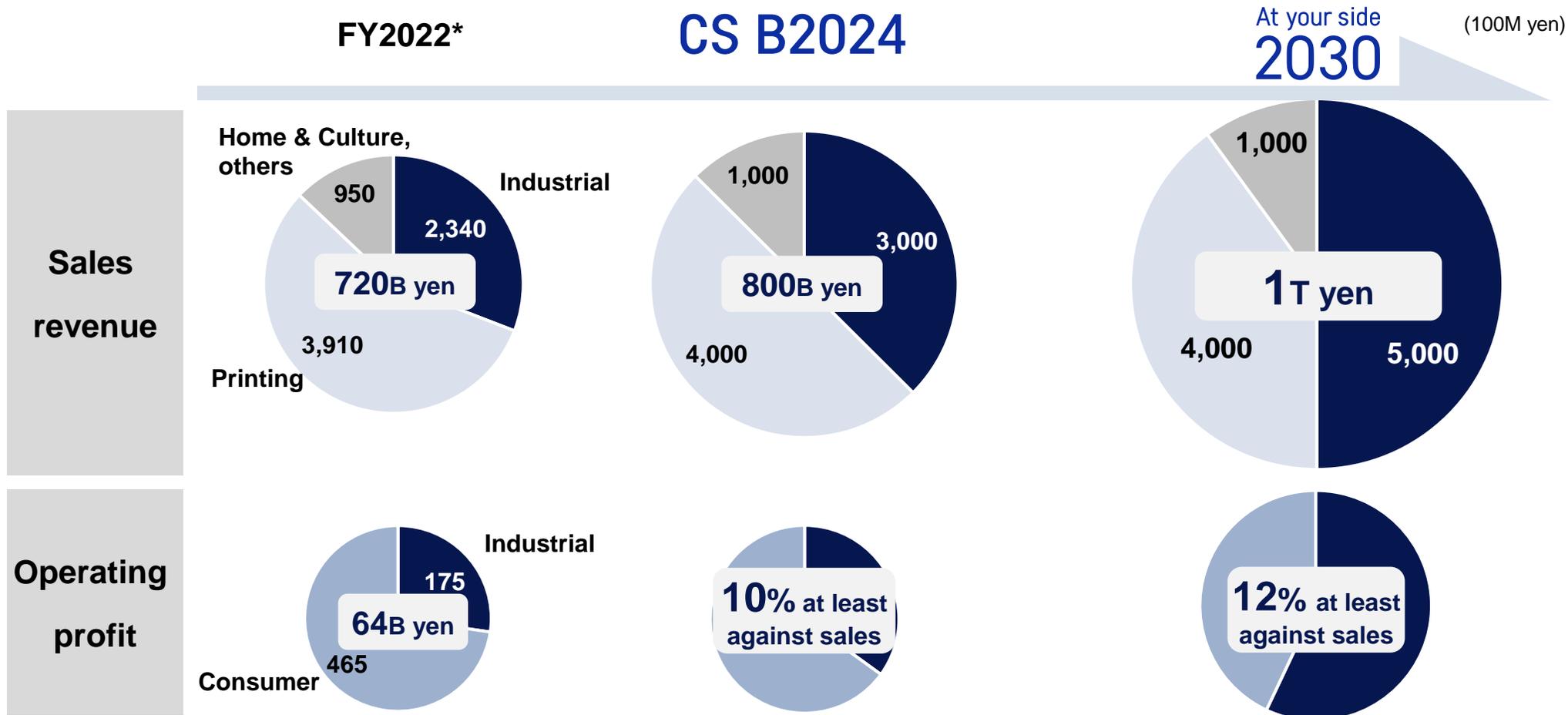
The latest forecast that has been updated with new assumptions regarding currency exchange rates since the global situation changed suddenly in March.

FY2022 target using the same exchange rate as FY2024

Business portfolio transformation

Transform business portfolio through expansion in Industrial area and transformation in Printing area and continue to grow as a multi-business enterprise in Industrial and Consumer areas.

Image of change in business portfolio



* Reference values for comparison with FY2024 targets and exchange rate assumptions

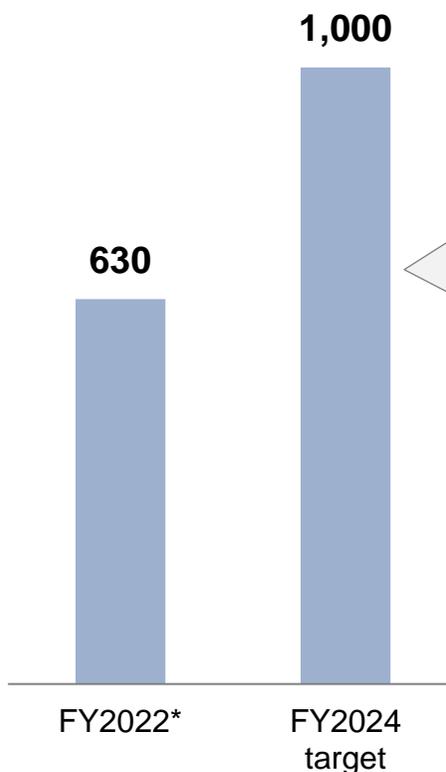
① Towards expansion in the Industrial area

Achieve significant growth in Industrial Equipment business

Achieve significant growth in the Industrial Equipment business by contributing to enhancing customers' competitiveness of manufacturing and reducing CO₂ emissions, through improving productivity and environmental performance.

Sales revenue

(100M yen)



Industrial Equipment (machine tools):
Significant growth by leveraging high productivity and environmental performance



Key initiatives

Enhance product strength and supply capability

- Contribute to customers' strengthening of manufacturing competitiveness and reduction of CO₂ emissions
 - Further pursue strength of high productivity and energy-saving performance
 - Expand sales by effectively promoting environment performance
- Provide peripheral services using digital technologies
- Expand production capabilities and storage functions

Expand customer base

- Expand sales to automobiles and general machine market
 - Use change in processing requirements as an opportunity and launch full-scale push in EV-related market
 - Develop non-auto applications towards further growth
- Enhance sales organizations in major markets
 - Expand and enhance sales facilities and human resources in Japan, China, and India
- Introduce new category products

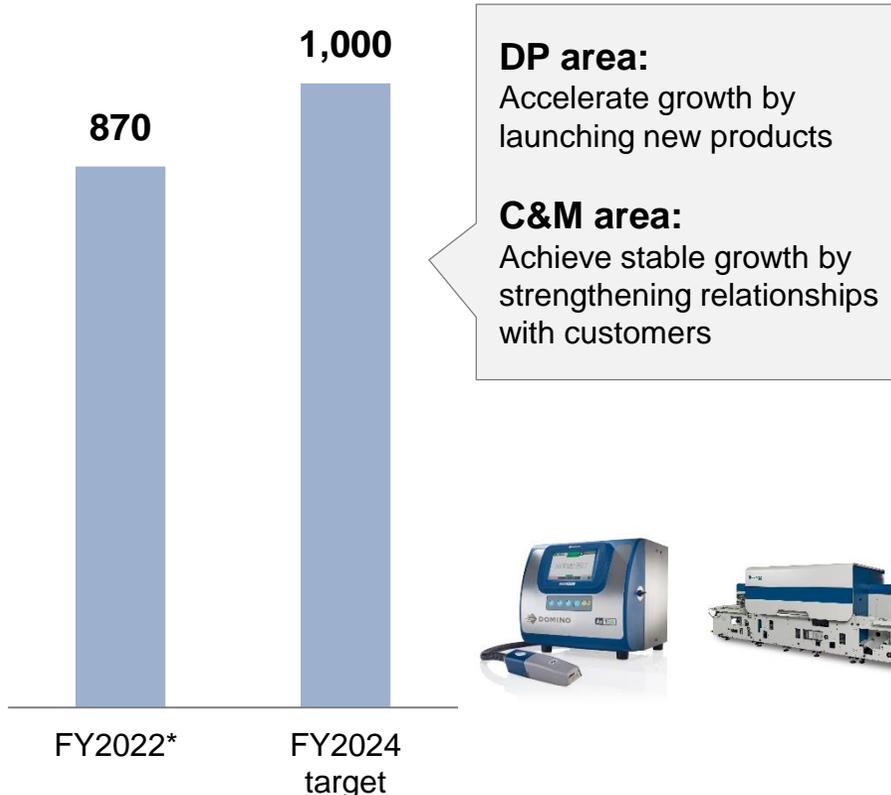
* Reference values for comparison with FY2024 targets and exchange rate assumptions

① Towards expansion in the Industrial area
Accelerate growth in Domino business and strengthen industrial inkjet technology foundation

Accelerate growth by enhancing product strength in DP area and strengthening relationships with customers in C&M area. Enhance inkjet technology foundation to secure long-term competitiveness.

Sales revenue

(100M yen)



Key initiatives

Enhance ability to provide highly-specialized solutions

- Pursue best-in-class “customer experience”
 - Solve expanding issue of traceability in daily consumables
 - Use expertise in digital printing technology to provide solutions
 - Strengthen relationships with customers using digital technologies and expand aftermarket sales
- Enhance product competitiveness
 - Continue to launch new competitive products in DP and C&M areas using Brother’s development foundation

Enhance industrial inkjet technology foundation

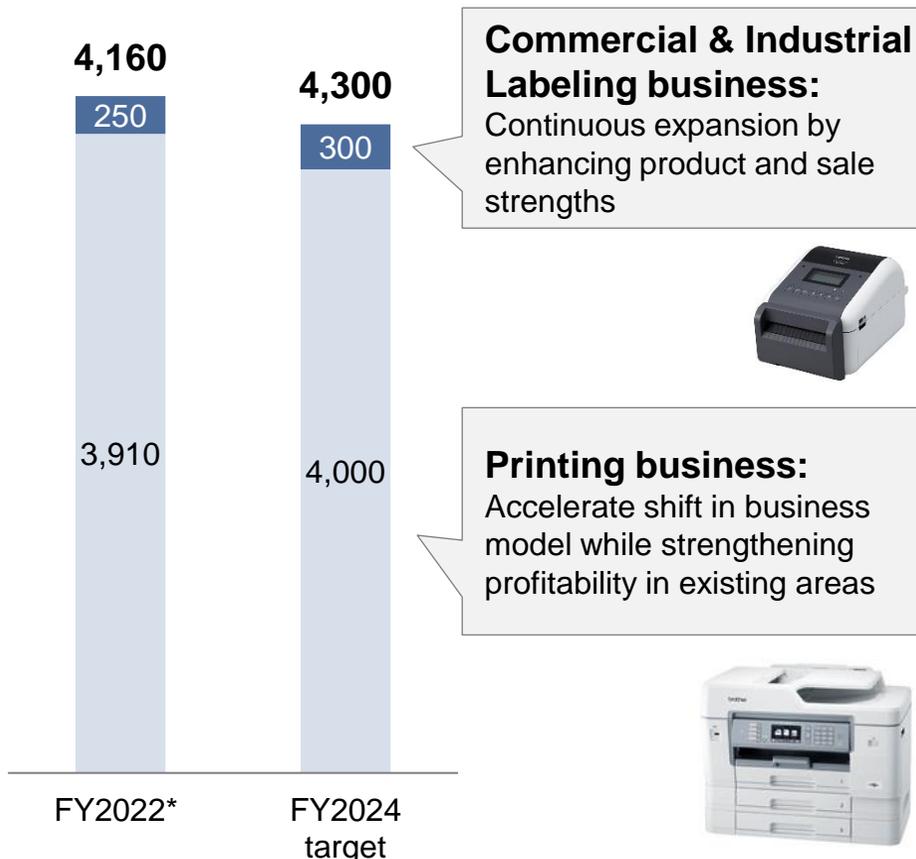
- Enhance development of element technologies
 - Develop printing heads and inks with a view of future application expansion and sustainability requirements
- Strengthen inkjet production foundation

* Reference values for comparison with FY2024 targets and exchange rate assumptions

② Towards transformation in the Printing area
Accelerate business model transformation of P&S business

Strive to strengthen profitability of existing business even amid the harsh market environment. Accelerate transformation for the future, including shifting business model and expanding Commercial & Industrial Labeling business.

Sales revenue (100M yen)



Key initiatives

Expand Commercial & Industrial Labeling business

- Strengthen sales in auto-ID market
 - Provide simple barcode printing solution that is easy to implement for retail, logistics, and manufacturing industries
- Expand application of label printers
 - Enhance consumables and apps that are compatible with labeling applications in various situations, such as wire marking

Accelerate shift in printing business model and strengthen profitability

- Expand businesses with continuous ties to customers
 - Enhance contract-based services that respond to a wide variety of customer needs, including remote work
 - Build contact points with customers using apps of labeling equipment
- Undertake efforts that contribute to sustainability
- Maintain laser business market position
- Profit and growth of inkjet business

* Reference values for comparison with FY2024 targets and exchange rate assumptions

3 Towards the business portfolio of the future
Create new businesses that help to address materialities

Search widely for business opportunities that enable working people's productivity and creativity and help protect the earth by further evolving Brother's strengths.

Approach



Look at **customers' value chains** and find **barriers** that obstruct their flow



Use the Brother Group's **variety of unique technologies** and **global networks**



Expand business domain to areas around existing businesses



Enhance **use of external resources** (investments in ventures, M&A, etc.)

Examples of areas to consider for new businesses

Businesses that enable working people's productivity and creativity

Productivity improvement

Manpower saving and automation

Support for diverse businesses



Addition of multiple functions to various equipment and machines, including those for industrial use

On-demand solutions using compact industrial and special business devices

Businesses that help protect the earth

CO₂ emission reduction

Resource saving

4 Management foundation transformation for a sustainable future Undertake environmental efforts towards carbon neutrality

Undertake reduction of CO₂ emissions, resource circulation, and biodiversity conversation through various activities to achieve carbon neutrality in the Group's business activities by 2050.

Main efforts in CS B2024

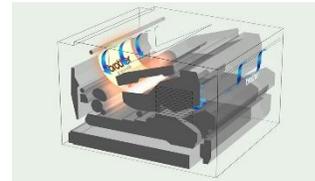
Reduce CO₂ emissions at Group facilities globally

- Promote energy-saving activities
- Conduct energy-generation activities such as installation of solar panels
- Purchase CO₂-free electricity



Reduce CO₂ emissions in product life cycle

- Further reduce energy consumption and lengthen lifespan
- Maximize use of recycled materials
- Strengthen collaboration with suppliers for reduction of CO₂ emissions across the entire supply chain



Promote businesses based on a circular economy

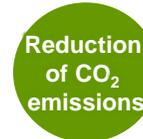
- Expand recovery and recycling of printer consumables
- Encourage product reuse
- Expand businesses with continuous ties to customers, such as subscription services



Others

- Conduct tree-planting and forest conservation activities
- Invest in environment-related venture capital

2030 targets of Environmental Vision



[Scopes 1 and 2] **65%** reduction

[Scope 3] **30%** reduction (from the FY2015 level)



Ratio of virgin materials used in products: **65%** or less



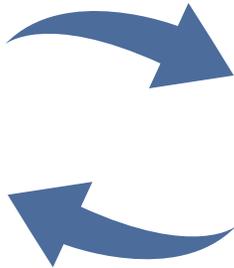
Reduction of environmental impact on the ecosystem and conduct of activities to restore and conserve the ecosystem

4 Management foundation transformation for a sustainable future
Enhance and expand connections with customers

Use digital technologies thoroughly and promote business model transformation and building of resilient supply chains to connect with even more customers and continuously provide more value than ever before.

Transform business models

Promote **DX** (digital transformation) in business models and main functions of each business



Use **data** obtained through relationships with customers to create even more customer value

Industrial

Deepen relationships with customers through services using IoT, etc. and expand aftermarket revenue

P&S

Connect with customers such as through contract-based businesses to achieve more value provision with greater continuity than ever before

P&H

Connect with customers and maximize LTV using apps, services, and products that widen the scope of creativity

Connect with **30 million customers or more** by 2030

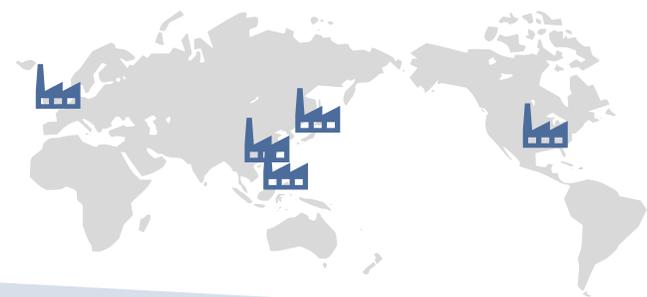
Build resilient and sustainable supply chains

Redefine roles of factories

- Asia: Move from pursuit of low costs to factories with multiple functions including recycling and repair
- Europe and U.S.: Strengthen local production for local consumption of consumables
- Expand production facilities for industrial products

Undertake efforts on human rights of workers

- Promote attainment of RBA certification by manufacturing facilities
- Promote CSR procurement
- Strengthen collaboration with suppliers



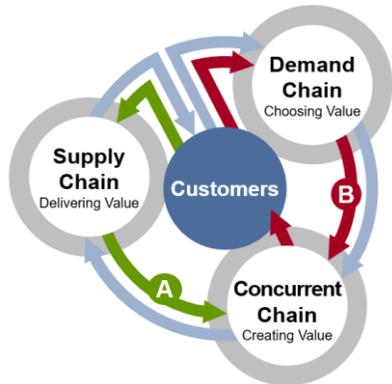
Use digital technologies thoroughly

4 Management foundation transformation for a sustainable future
Foundation for all transformations – Evolution of BVCM and employees’ challenges and engagement

Continuously undertake the three priority themes to continue to improve the Brother Group’s productivity and creativity.

Three priority themes that form the foundation for all transformations

Evolve BVCM



BVCM basic process

- Create bidirectional chain for circular economy
- Improve products quickly based on customer feedback, mainly in the industrial area



Encourage employees to take on challenges

- Support true autonomy of employees
- Enhance development and reskilling of talents working on the industrial area and DX
- Develop culture that allows every individual to play active roles

Spirit of Foundation

- ✓ Create work for people wishing to work
- ✓ Create factories with pleasant atmospheres
- ✓ Develop the import-based industry into the export-based industry



Improve employee engagement

Brother and employees share the same vision

Brother and employees grow together

Promote DE&I (pursue diversity, equity, and inclusion)

- ✓ Brother Group Vision
- ✓ Review of CS B2021
- ✓ Outline of CS B2024
- ✓ **Management targets of CS B2024**

Performance targets

Target 800B yen sales revenue and at least 10% operating profit ratio in FY2024 by growing businesses and improving profitability while incorporating prior investments for the future.

CS B2024 performance targets

Assumed exchange rate

1USD=**108.00**JPY

1EUR=**125.00**JPY

Exchange rate
(against JPY)

Sales revenue

800B
yen

Operating profit ratio

(Profit for the period ratio*)

10.0%
at least
(7% at least)

ROE

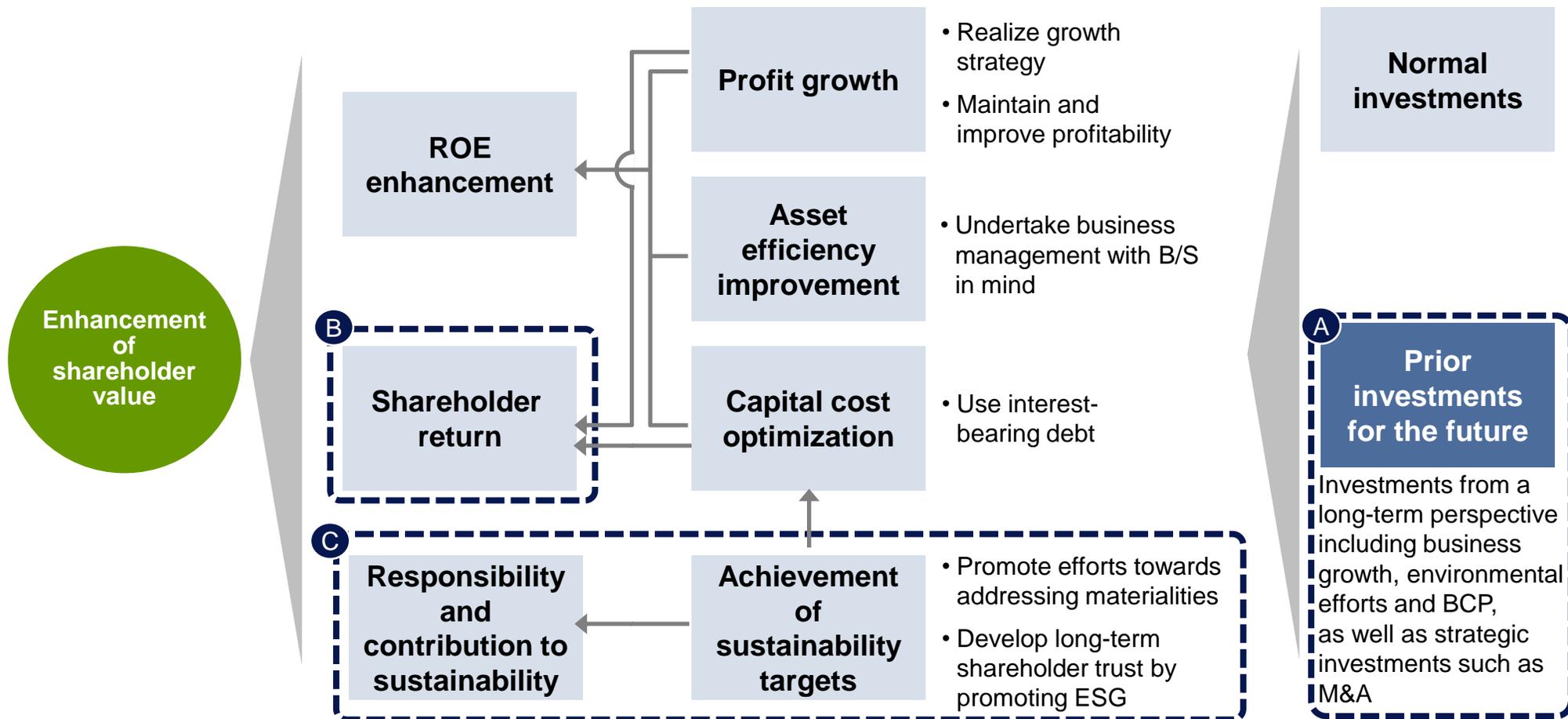
10.0%
at least
(above capital cost)

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

Financial policy – Towards enhancing shareholder value

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

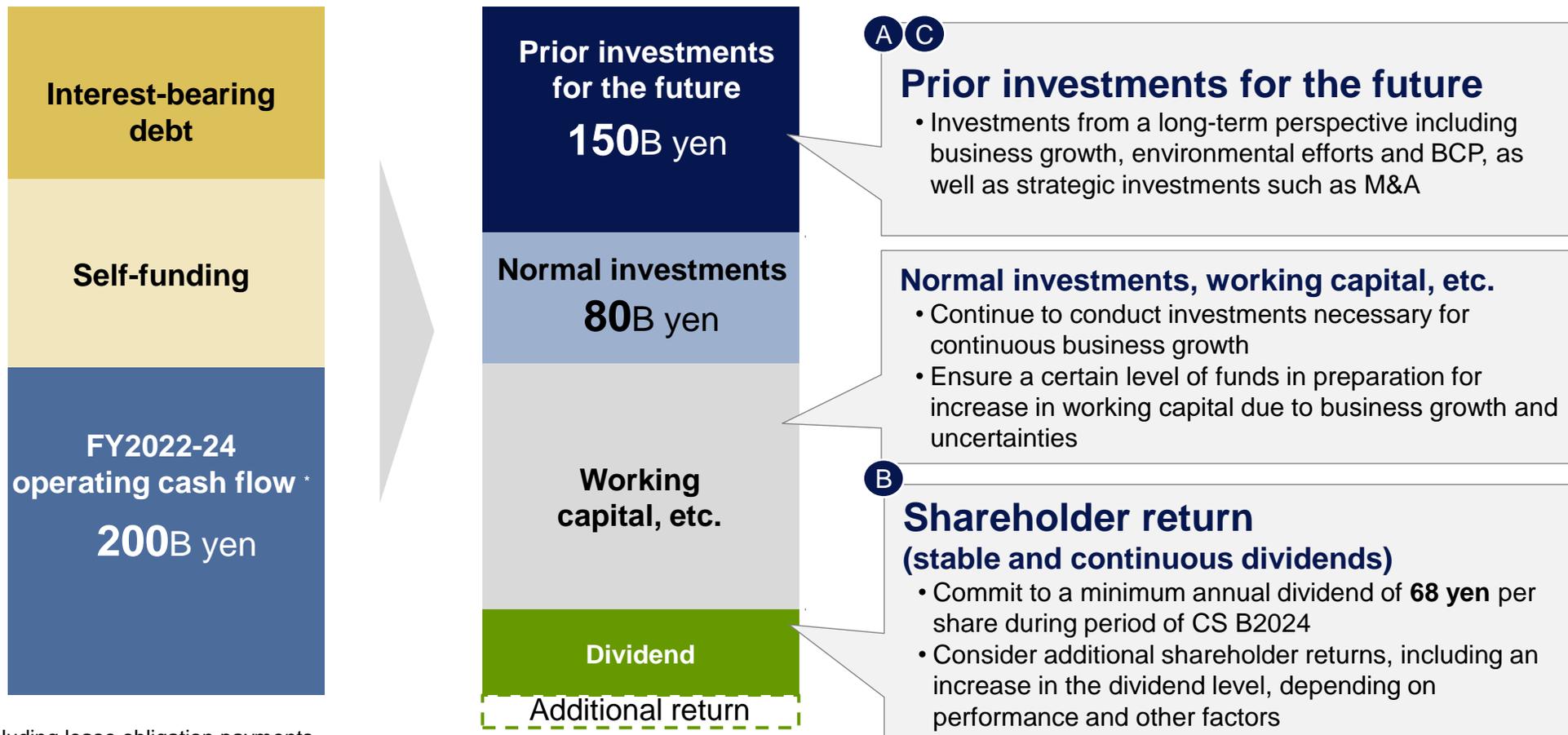
Overview of financial policy for enhancing shareholder value



Financial policy – Capital policy (cash allocation)

Actively perform investments for the future using operating cash flow, generated from business growth, and interest-bearing debt while enhancing shareholder return.

Cash allocation



* Excluding lease obligation payments

A

Financial policy – Prior investments for the future (1/3)

**Set a total of 150B yen for prior investments;
invest 50B yen towards expansion in the Industrial area and transformation in the Printing area.**

Prior investments for the future

	Theme	Main items	Amount
Business portfolio transformation	<p>Towards expansion in the Industrial area</p> <p>Towards transformation in the Printing area</p>	<ul style="list-style-type: none"> Reinforce sales and service facilities of Industrial area Reinforce production capacity in the Machinery/FA area Expand inkjet development and manufacturing facilities 	50B yen
	Towards the business portfolio of the future	<ul style="list-style-type: none"> Strategic investments for M&A, etc. 	30B yen
Management foundation transformation for a sustainable future	<p>Environmental efforts</p> <p>Enhance and expand connections with customers</p>	<ul style="list-style-type: none"> Factory investment for local production for local consumption of products and the realization of a circular economy 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) 	70B yen
Total			150B yen

Reinforce sales and service facilities of Industrial area



Reinforce production capacity in the Machinery/FA area (Expand Nissei's) factories

Expand inkjet development and manufacturing facilities (Hoshizaki Factory of Brother Industries, Ltd.)



A

Financial policy – Prior investments for the future (2/3)

**Set a total of 150B yen for prior investments;
invest 30B yen towards the business portfolio of the future.**

Prior investments for the future

	Theme	Main items	Amount
Business portfolio transformation	Towards expansion in the Industrial area	<ul style="list-style-type: none"> Reinforce sales and service facilities of Industrial area Reinforce production capacity in the Machinery/FA area Expand inkjet development and manufacturing facilities 	50B yen
	Towards transformation in the Printing area		
	Towards the business portfolio of the future	<ul style="list-style-type: none"> Strategic investments for M&A, etc. 	30B yen
Management foundation transformation for a sustainable future	Environmental efforts Enhance and expand connections with customers	<ul style="list-style-type: none"> Factory investment for local production for local consumption of products and the realization of a circular economy 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) 	70B yen
Total			150B yen

Create new businesses and technologies that help to address materialities

Strategic investments:
30B yen

Further evolve inkjet-centered printing technologies and expand scope of application



Look at customers' value chains and find bottlenecks that obstruct their flow



Businesses that enable working people's productivity and creativity



Businesses that help protect the earth

Applications in the consumer area

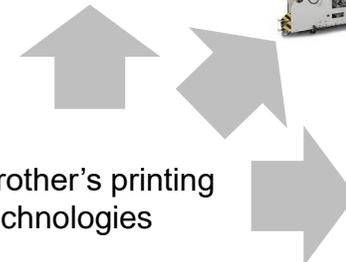


Applications in the industrial area



Brother's printing technologies

Enhance technology portfolio



Set a total of 150B yen for prior investments; invest 70B yen for management foundation transformation for a sustainable future.

Prior investments for the future

	Theme	Main items	Amount
Business portfolio transformation	Towards expansion in the Industrial area	<ul style="list-style-type: none"> Reinforce sales and service facilities of Industrial area Reinforce production capacity in the Machinery/FA area Expand inkjet development and manufacturing facilities 	50B yen
	Towards transformation in the Printing area		
	Towards the business portfolio of the future		
Management foundation transformation for a sustainable future	Environmental efforts Enhance and expand connections with customers	<ul style="list-style-type: none"> Factory investment for local production for local consumption of products and the realization of a circular economy 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) 	70B yen
Total			150B yen



Supply-chain resilience (expand factories, add multiple functions)



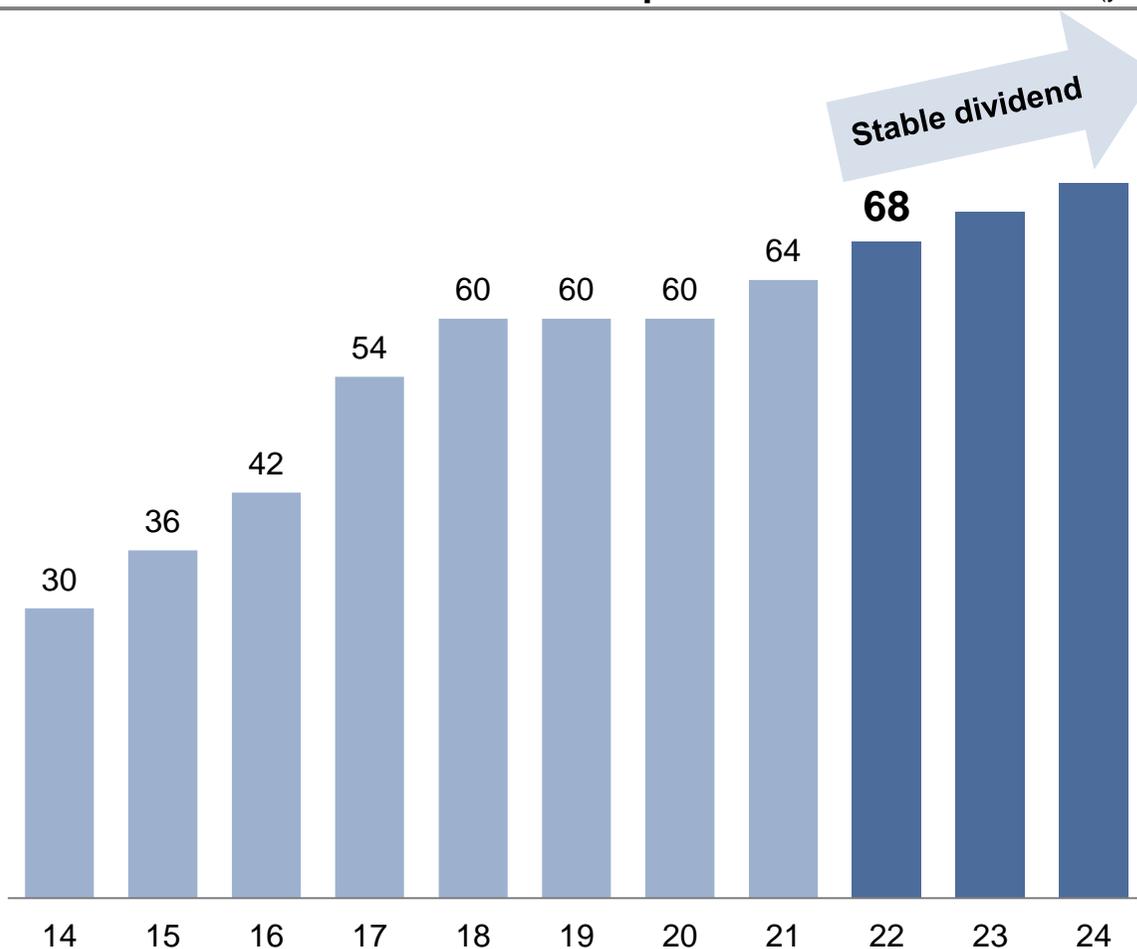
DX investments (build platform for relationships with customers, revamp enterprise system)



Construction of a new environmentally friendly building (head office area of Brother Industries, Ltd.)

Implement stable shareholder returns with a minimum annual dividend of 68 yen per share during period of CS B2024.

Annual dividend per share (yen)



Shareholder return policy

Basic policy

Implement stable and continuous shareholder returns

- Minimum annual dividend of **68 yen** per share during period of CS B2024
(Used consolidated dividend payout ratio of 35% based on net income forecast of 51B yen for FY2022)
- Consider **additional shareholder returns**, including an increase in the dividend level, depending on factors such as business performance. In addition, flexibly carry out **repurchase of our own shares**.

Set sustainability targets related to newly identified materialities and promote company-wide efforts to address them as a management issue.

Materiality

Targets for FY2024

Relevant SDGs

Contribute to society

Supporting people's value creation

- 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



Realizing a diverse and active society

- 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
- Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working*



Pursuing a responsible value chain

- Expand the human rights risk assessment on suppliers
- Attain RBA Gold certification for three Group manufacturing facilities



Protect the earth

Reducing CO₂ emissions

- [Scope 1 and 2] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024)
Ref.) FY2030 Targets: 65% reduction from the FY2015 level
- [Scope 3] Take measures to reduce 150,000 tons through own effort
Ref.) FY2030 Targets: 30% reduction from the FY2015 level



Circulating resources

- Achieve ratio of virgin materials used in products of 81% or less
Ref.) FY2030 Targets: below 65%



*Brother Industries Ltd



**The Brother Group
Medium-Term Business Strategy**

CS B2024

Take off towards our new future

**Brother will undertake all
transformations with even greater speed**

brother
at your side

Reference: Glossary of terms

Acronym	Official term	Explanation
BCP	Business Continuity Plan	A plan for continuing business under unforeseen circumstances
BVCM	Brother Value Chain Management	Brother's unique customer-oriented management system defining the flow of value provision to customers
C&M	Coding & Marking	Coding & Marking business for the development, manufacturing, sales, and servicing of equipment for printing and marking of expiration dates, lot numbers and so forth on plastic bottles, cans, and food packaging materials, etc. and their consumables
DP	Digital Printing	A printing method to print directly from digital-based typesetting data generated on a PC onto a substrate
DX	Digital Transformation	Transformation of business models and operations using digital technologies
DE&I	Diversity, Equity & Inclusion	A way of thinking that recognizes and accepts the diversity of people and actively establishes environments and engages people to allow individuals to apply their capabilities; also referred to as
ESG	Environment Society Governance	The three elements of environment (E), society (S), and governance (G) which are important for achieving a sustainable world and long-term corporate growth
EV	Electric Vehicle	A vehicle that runs on electricity
FA	Factory Automation	Automation of various factory works and processes using machines and information systems
LTV	Life Time Value	Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services
MPS	Managed Print Service	An outsourcing service that improves the output environment of copiers, printers and other equipment in the office and provides total support for their operation and management
PV	Print Volume	Printing volume
RBA	Responsible Business Alliance	International organization to promote CSR, which establishes standards to ensure that working conditions are safe, that workers are treated with respect and dignity, and that business operations are conducted environmentally responsibly and ethically in the supply chains of the manufacturing industry
Carbon neutral		A state where the amount of greenhouse gas emitted is the same as that absorbed
Sustainability		Systems and processes which are sustainable into the future
Circular economy		An ideal for economic activities that use resources in a sustainable manner instead of the traditional one-way manner of activities in an economic society
Scopes 1, 2, and 3		Categories of greenhouse gas emission sources; Scope 1 refers to direct greenhouse gas emissions by business operators, Scope 2 refers to indirect greenhouse gas emissions resulting from use of electricity, heat, and steam supplied by other entities, and Scope 3 refers to indirect greenhouse gas emissions other than Scope 1 and 2 (emissions by other entities related to the activities of business operators)
Materiality		A social issue to be undertaken by a company, which has been given priority and expressed in an easy-to-understand manner; it is a priority issue for an organization
Reskilling		Redevelopment and retraining of occupational skills