The Acquisition of Domino Printing Sciences PLC

Brother Industries, Ltd.
August 4, 2015

Information on this report, other than historical facts, refers to future prospects and performance, and has been prepared by our Management on the basis of information available at the time of the announcement. This covers various risks, including, but not limited to, economic conditions, customer demand, foreign currency exchange rates, tax rules, regulation and other factors. As a result, actual future performance may differ from any forecasts contained on this report.
Contents

• The Outline of the Acquisition
• The Brother Group’s History and Vision
• Brother’s Strategic Investments
• The Strengths of Domino
• The Synergies Expected from the Acquisition
• The Impacts on Financial Performances
• The Shared Values by Brother and Domino
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The Corporate Outline of Domino

Corporate Name: Domino Printing Sciences PLC
Head Office: Cambridge, The United Kingdom
Date of Foundation: 1978
Sales (FY2014): £350 million
Number of Employees: 2,263
Financial Composition (FY2014): Total Assets £302 million/
Equity Capital £212 million
Core Business: Manufacturing and sales of equipment for
coding/marking and digital printing
Main Facilities: 25 locations (Europe: 14/Asia: 6/the Americas: 5)

Sales Breakdown by Industry:
- Electronic Components: 12%
- Construction & Chemicals: 10%
- Industrial: 6%
- Printings: 11%
- Pharmaceutical & Healthcare: 14%
- Others: 42%

Sales Breakdown by Region:
- Western Europe: 31%
- North America: 27%
- UK: 20%
- Middle East & Africa: 7%
- Central & Eastern Europe: 5%
- Others: 3%

Sales Breakdown by Product:
- Hardware: 43%
- Consumables: 37%
- Spare & Services: 20%
### The Outline of the Acquisition

<table>
<thead>
<tr>
<th>The Target Company</th>
<th>Domino Printing Sciences PLC</th>
</tr>
</thead>
</table>
| **Buyout Price**   | • 915 pence per share  
|                    | • The total acquisition price: £1.048 billion  
|                    | (approx. ¥193.2 billion) |
| **The Acquisition Premium** | 26.9% of the closing price on March 10, 2015  
|                    | (a day before the acquisition agreement date) |
| **Funding**        | Brother’s own funds and debt financing |
| **Debt repayment period** | Expected to be approximately eight years according to the estimate based on the group’s current FCF |
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The Brother Group’s History of Transformation

- Growth led by the First Wave centering on sewing machines and the Second Wave focusing on communications & printing equipment
- Pushing forward transformation of the corporate portfolio for 107 years in pursuance of delivering new value
Formulated the mid-term strategy, CS B2015, to promote growth strategies for achievement of GV21

Mid- to Long-Term Vision “Global Vision 21 (GV21)”

| Target |  
|--------|---|
| **Net Sales** | **1 Trillion JPY** |

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

The Mid-Term Business Strategy “CS B2015”

| Target in FY2015 |  
|------------------|---|
| **Net Sales** | **750 Billion JPY** |
| **Operating Income** | **58 Billion JPY** |

“Back to Growth”

- Developing and expanding new businesses and products
- Expanding sales in emerging countries
- Implementing global strategies
- Pursuing M&A and corporate alliances
The targets of the mid-term strategy, CS B2015, have come within our reach due to growth of existing businesses and the positive effect of forex.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales Forecast</th>
<th>Operating Income Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5,028</td>
<td>361</td>
</tr>
<tr>
<td>2011</td>
<td>4,974</td>
<td>342</td>
</tr>
<tr>
<td>2012</td>
<td>5,161</td>
<td>298</td>
</tr>
<tr>
<td>2013</td>
<td>6,168</td>
<td>433</td>
</tr>
<tr>
<td>2014</td>
<td>7,072</td>
<td>575</td>
</tr>
<tr>
<td>2015</td>
<td>7,600</td>
<td>580</td>
</tr>
<tr>
<td>CS B2015 Target</td>
<td>7,500</td>
<td>580</td>
</tr>
</tbody>
</table>

Initial Forecast vs. Target

- Net Sales: 760 Billion JPY
- Operating Income: 58 Billion JPY
For Achievement of GV21

To Achieve Further Growth for Realization of GV21

The First Wave

The Second Wave

The Third Wave

- New Business
- Existing Business


- GV21 1Trillion
- 800 Billion
- 600 Billion
- 400 Billion
- 200 Billion

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Exploration of target business fields for strategic investments

Started to gain interest in the industrial business field as the deliberation of strategic investments progressed. Sought opportunities continuously in the industrial printing field as a highly potential field.

CS B2015
Policies on Strategic investment of

- Actively look for opportunities for M&A and corporate alliances in all business fields and regions, and execute growth strategies
- Up to approximately 150 billion yen of strategic investment is estimated

The Image of filtering the targets

Judgment Criteria

Marketing Opportunities
- Market size
- Growth potential
- Existence of an acquisition target

Utilizing Brother’s strengths
- Technologies
- Customer base
- Partner Networks

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Activities concerning M&A in CS B2015

Acquired Domino, an operator of an industrial printing business, as a strategic investment leading to expansion in the industrial business field.

- **2011**: Nefsis
  - Web Conferencing Business
  - Acquired a web technology utilizing a cloud service

- **2012**: Nissei
  - Industrial Part Business
  - Business expansion in the industrial business field

- **2013**: Mediacreate
  - Karaoke club Business
  - Strengthening of the karaoke club business

- **2015**: Teichiku
  - A Record Label
  - Improvement of music contents

- **2015**: Domino
  - Industrial Printing Business
  - Expansion in the industrial business field
The Development of the Inkjet Product Lineups

Developing businesses in the industrial printing field by utilizing inkjet technology

<table>
<thead>
<tr>
<th>Year</th>
<th>Office/ Home Use</th>
<th>Industrial use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Solid Inkjet Printer</td>
<td>Postage Meters</td>
</tr>
<tr>
<td>1997</td>
<td>Liquid Inkjet Printer</td>
<td>1996</td>
</tr>
<tr>
<td>2003</td>
<td>Compact Inkjet All-in-one</td>
<td>1997</td>
</tr>
<tr>
<td>2008</td>
<td>A3 Inkjet All-in-one</td>
<td>2005</td>
</tr>
<tr>
<td>2012</td>
<td>Hi-speed Inkjet Printer</td>
<td>2012</td>
</tr>
</tbody>
</table>

Accumulation of ink jet technologies
Domino will be part of our foundation to support Brother’s future growth in the industrial business field.

Creating synergies to accelerate further growth
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Domino is a global corporation specializing in B2B industrial printing. Its business domain consists of coding & marking, and digital printing.
A Transition in Financial Performance and Shareholder Returns

A blue-chip company that has been generating high financial performance and shareholder returns for the past 30 years

- More than 10% of average annual growth in both sales and operating income for the last 30 years
- Dividend increased continuously for 25 consecutive years since dividend payment began

A Transition of the Sales and Operating Income (One million pound)
The Coding & Marking Business: 
Domino’s Core Business since Its Foundation

Development, manufacturing and sales of, and services related to printers that print expiration dates and lot numbers on plastic bottles, cans and packaging materials for food, etc. by using inkjet, laser and thermal transfer technologies, and the consumables for these printers.

- **Market growth rate of approximately 5%** resulting from market expansions in emerging nations, and stricter legislation and traceability
- Main customers are in the food & beverage and pharmaceutical industries, which are less affected by economic fluctuation.
- Long-term established relationships with customers

### Core Products

### Printing Samples
Development, manufacturing and sales of, and services related to digital printers that print on product packages, such as labels, by using inkjet technology, and their consumables

- A double-digit market growth rate is anticipated as demand for packaging diversifies and becomes smaller in volume, and lead time shortens.
- Printing quality, productivity and capability to handle various materials improved with advanced digital printing technologies.

Core Products

Printing Samples
A steady increase in the number of working printers is expected due to long product life. The consumables are used in high volume because they are for industrial purposes. The rate of genuine products is high because of the special ink used. As a result, sales of consumables and maintenance account for a large percentage of overall sales.

Ink Consumables

Ink Consumables for Coding & Marking

Ink Consumables for Digital Printing
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The Synergies Expected from the Acquisition

Generating synergies by utilizing the global business foundations of Brother and Domino

- Inkjet Technologies
  - Piezoelectric print head technologies
  - Aqueous Ink technologies
- Laser Technologies
- Thermal Technologies
- Network Technologies
  - Control technologies

Global Business Platforms

- Inkjet Technologies
  - Head module technologies
  - Solvent UV ink technologies
- Laser Technologies
- Thermal Technologies
- Integration Technologies

Shared Corporate Culture

- Customer oriented
- Valuing technology and innovation
- Global Mindset
- Long-term Commitment to Employees
Basic Policies Concerning Integration

Accelerate development of integrated strategies and creation of synergies, while Domino’s brand and operations remain unchanged.

- **Organizational Structure**: Domino becomes one of Brother’s businesses as it continues its business as it is (the Domino business). Domino’s existing entities, including its subsidiaries, remain unchanged.

- **Brand**: The Domino brand, company name and logo remain unchanged.

- **Corporate Governance**: While the current authority of Domino is basically retained, its corporate governance is strengthened under Brother’s rules concerning management of its subsidiaries.

- **Operations**: Current operations remain unchanged.

- **Strategies/Synergies**: Domino’s strategies and synergies are aligned with Brother’s strategies and promoted integrally.
A Structure to Promote the Domino Business

To accelerate growth of the Domino business, and establish a structure to utilize the resources of both companies to the fullest extent.

The Director of the Domino Business
Toshikazu Koike
(Representative Director/President)

The structure of the board of directors
CEO
Nigel Bond
Chairman
Toshikazu Koike

Executive Management Committee

Domino Business Office
The Synergies Expected from the Acquisition

The projection of sales, profit and cash flow expansion arose from the synergies generated by the acquisition.
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Despite the amortization of goodwill and acquisition cost incorporated, the forecast for this fiscal year remains unchanged.

**Net Sales**

(100 Millions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>2015 Forecast excluding Domino</th>
<th>2015 Forecast consolidating Domino</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td>7,800</td>
<td>8,300</td>
</tr>
</tbody>
</table>

**Operating Income**

(100 Millions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>2015 Forecast excl. Domino</th>
<th>The Domino Business income</th>
<th>Acquisition cost, etc.</th>
<th>Amortization of goodwill</th>
<th>Amortization of intangible assets</th>
<th>2015 Forecast consolidating Domino</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td>625</td>
<td>580</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Domino's profit and loss for the 9 months after July 2015 are included.
*Amortizations of goodwill and intangible assets are tentative figures based on the present assumption.
With transition to IFRS, Domino’s contribution to the group’s financial performance is expected from the second year.

**Net Sales**
(100 Millions of Yen)

<table>
<thead>
<tr>
<th>FY2 Forecast excluding Domino</th>
<th>7,800</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2 Forecast consolidating Domino</td>
<td>8,450</td>
</tr>
</tbody>
</table>

**Operating Income**
(100 Millions of Yen)

<table>
<thead>
<tr>
<th>FY2 Forecast excl. Domino</th>
<th>625</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domino business income</td>
<td>100</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>(40)</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td></td>
</tr>
<tr>
<td>FY2 Forecast consolidating Domino(IFRS)</td>
<td>685</td>
</tr>
</tbody>
</table>

- FY2 indicates the second fiscal year from the start of Domino consolidation.
- The forecast for the existing businesses for FY 2015 is used for the forecast for FY2.
- Figures for Domino are indicated based on the conversion of its financial results in the term ending in October 2014 at ¥185 to a pound.
Brother maintains a high shareholders’ equity ratio of approximately 50% (100 Millions of Yen)

As of end of March 2015

- Current assets: 3,717
- Non-current assets: 1,955
- Goodwill: 38
- Cash & Deposit: 1,079
- Net Worth: 3,673
- Liabilities: 1,999
- Interest-bearing debt: 155
- Shareholders' equity ratio: 61.7%
- DER: 0.04

As of end of June 2015

- Current assets: 3,656
- Non-current assets: 3,730
- Goodwill: 1,738 including Domino related goodwill of 1,701
- Net Worth: 3,792
- Liabilities: 3,594
- Interest-bearing debt: 1,757
- Cash & Deposit: 765
- Shareholders’ equity ratio: 49.0%
- DER: 0.49

Total assets: 5,672

Total assets: 7,386

*DER (Debt equity ratio: Interest-bearing debt/shareholders’ equity)
*Goodwill balance as of end of June 2015 is an estimated figure calculated before reclassification into intangible assets.
Debt repayment is expected to be completed within eight years with utilization of the group’s overall ability to generate cash flow.

(100 Millions of Yen)

<table>
<thead>
<tr>
<th>Total acquisition price</th>
<th>Funds for acquisition</th>
<th>Net cash turns positive in five years</th>
<th>Debt repaid in eight years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,932</td>
<td>1,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Utilizing Fund in hand

Debt financing
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The Shared Values

Brother and Domino respect each other's values and aim to generate true synergies through the partnership.

[The Brother Group Global Charter]

- At your side/Customer First
- Global Management/Business Excellence
- Long-term Commitment to Associates/Our people
- Manufacturing/Product Portfolio

‘Domino Effect’ Domino Value

[Code of Practice]
1. Trust and Respect
2. Ethics and Morality
3. Challenging Spirit and Speed

[Team Work]
1. Listening + Honesty
2. Attitude + Commitment
3. Energy + Urgency
4. Clarity + Focus