

Vision and Medium-term Business Strategy

Vision and Medium-term Business Strategy Overview, and Background to the Formulation

The Brother Group has formulated the Brother Group Vision “At your side 2030” based on the awareness of the business environment in 2030. And by backcasting from the 2030 vision, the Group formulated the medium-term business strategy “CS B2024” to realize “Our Purpose” stated in the Vision. Simultaneously, the Group established the goals for “CS B2024” by identifying five materialities as key social issues that must be solved in order for the Brother Group to contribute to society and help protect the earth.

Understanding of the Business Environment and Incorporation into the Strategy Framework



Brother Group Vision “At your side 2030”

Based on the changes in the business environment expected to occur in 2030 and considering what kind of value to provide to its customers and society, “At your side 2030” shows how Brother will provide value (“Our Approach”) and what value will be realized (“Our Focus Areas”), starting from “Our Purpose,” which redefines Brother’s raison d’être.

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.

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.

Materiality

We have identified materialities as the key social issues to achieve “At your side 2030” and to contribute to society and help protect the earth. We have positioned addressing these

issues as a key management issue during the “CS B2024” period, and are carrying out activities across the Group, with the Sustainability Committee playing a central role.

Materiality		Relevant SDGs
Contribute to society	Supporting people’s value creation	This materiality is linked to “Our Purpose” stated in the Brother Group Vision “At your side 2030.” It expresses Brother’s desire to contribute to the enriched and comfortable lifestyles of people around the world through our activities and value provided by Brother’s diverse products and services. SDGs: 3, 8, 9, 12, 13, 17
	Realizing a diverse and active society	This materiality aims to create an environment where diverse employees can play an active role in the Brother Group, and where diverse perspectives, knowledge, and values that are not based on any particular attribute are leveraged in creating innovation and decision-making of the organization. SDGs: 3, 4, 5, 8, 17
	Pursuing a responsible value chain	We are committed to conducting assessments using appropriate methods and making continuous improvements to ensure that the human rights of all people involved in the value chain of Brother’s business operations are respected and that the safety and security of all workers are protected. SDGs: 3, 4, 5, 8, 10, 17
Protect the earth	Reducing CO ₂ emissions	Addressing environmental issues has become an imperative for all companies. At Brother, we announced the “Brother Group Environmental Vision 2050,” the Group’s environmental vision, in March 2018, and have been engaged in the initiatives. SDGs: 7, 12, 13, 17
	Circulating resources	SDGs: 6, 11, 12, 14, 15, 17

Materiality identification process

The Brother Group has identified five materialities through the formulation of “CS B2024” in order to realize “Our Purpose” as stated in the Vision. The decision to identify the materialities was made after discussions at management meetings and by the Board of Directors through the process outlined below. In carrying out “CS B2024,” key measures are determined and implemented for each materiality, and progress is regularly monitored.

- Step 1 Identify issues**
 - Identify social issues based on the SDGs, Brother’s focus
- Step 2 Evaluate importance**
 - Evaluate the importance of the issues to both society and Brother
 - The importance of the issues to society is evaluated based on the monetary scale and the level of interest of stakeholders
 - The importance of the issues to Brother is evaluated based on the company’s own intentions and strengths
- Step 3 Draft materialities**
 - Formulate a materiality draft, taking the significance of Brother’s efforts and past activities into consideration
- Step 4 Gather external opinions**
 - Gather opinions on the draft from multiple organizations and ESG investors involved in environmental protection, human rights advocacy, and other related fields
- Step 5 Make adjustments to materiality draft**
 - Review the consistency of the materialities with the Brother Group Vision “At your side 2030” and the medium-term business strategy “CS B2024”
- Step 6 Identify materialities**
 - Identify materialities through discussions at management meetings and among the Board of Directors
- Step 7 Set targets**
 - Set 10 targets for the duration of “CS B2024” related to the five materialities, focusing on the following aspects
 - Are they consistent with the management policies and can the importance of the targets be explained?
 - Can the targets, issues, and potential financial impact be told as a story?
 - Are management and employees committed to the targets?

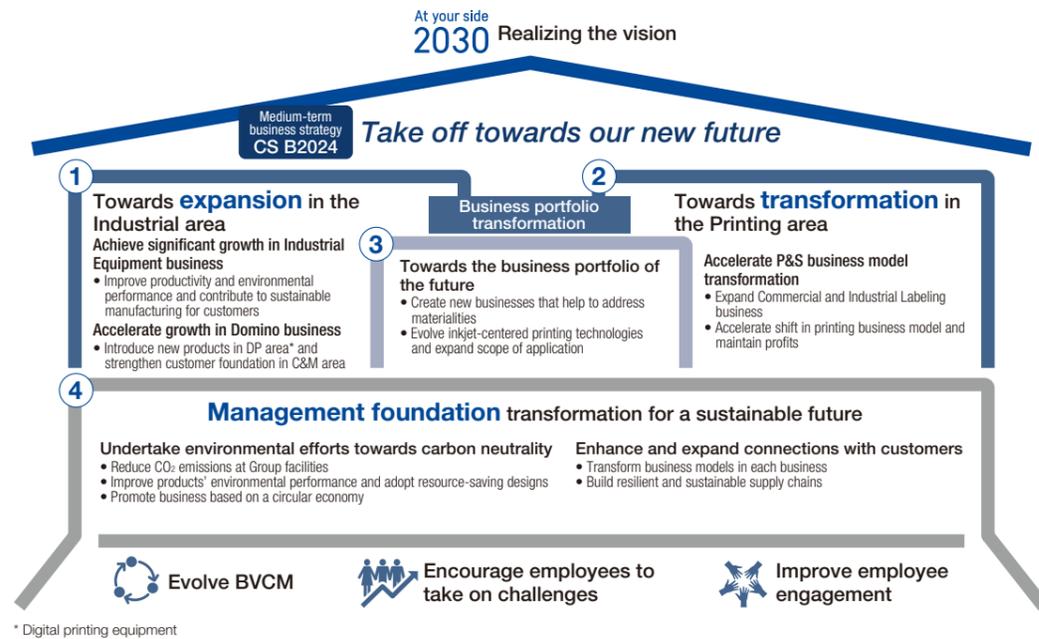
Vision and Medium-term Business Strategy | Medium-term strategy “CS B2024”

Medium-term strategy “CS B2024”

In 2022, the Brother Group formulated its medium-term business strategy “CS B2024” by backcasting from its Vision “At your side 2030” and set “Take off toward our new future” as the theme to be addressed during the first three years of the period leading up to the realization of the Vision. Simultaneously, the Group established sustainability goals related to the five materialities identified as key social issues that need to be solved in order for the Brother Group to contribute to society and help protect the earth.

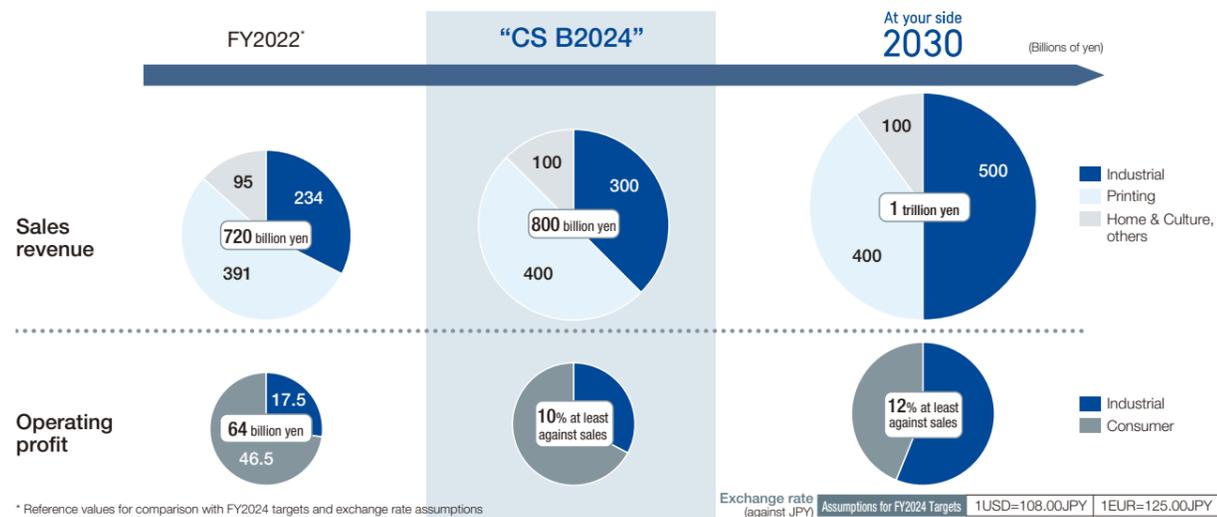
“CS B2024” outline

“CS B2024” has three key themes towards business portfolio transformation: (1) expansion in the Industrial area, (2) transformation in the Printing area, and (3) activities toward the business portfolio of the future. To support these three themes, we are also promoting management foundation transformation for a sustainable future.



Business Portfolio Transformation, the Key Component of “CS B2024”

To continue growing as a multi-business enterprise in the industrial and consumer areas, we plan to expand the sales composition of the Industrial area to approximately 50% in FY2030. Although the printing business’s sales composition will decline, we will maintain its sales scale through business model transformation, including the expansion of businesses that continuously connect with customers.

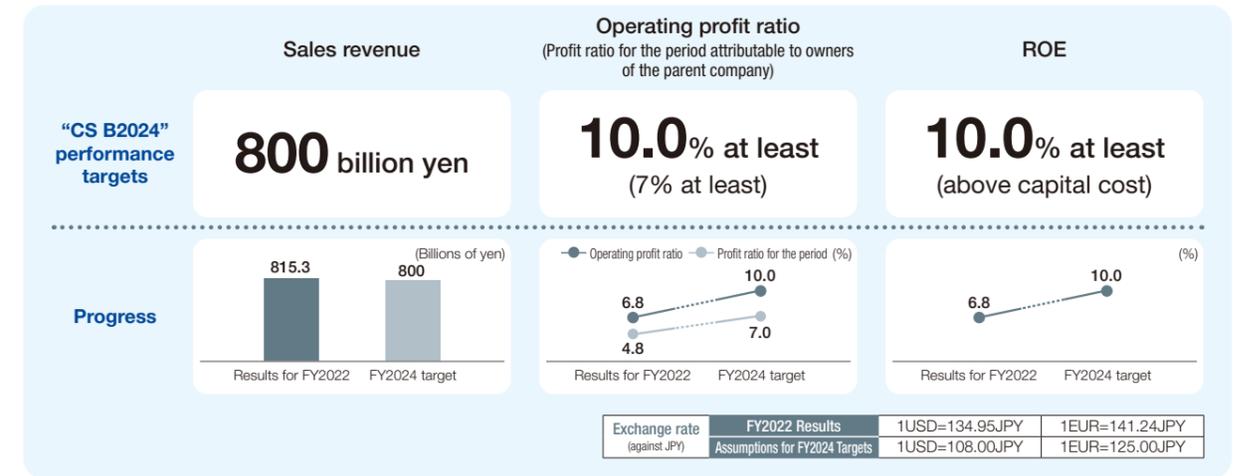


Financial Targets and Progress

“CS B2024” sets three financial targets for sales revenue, operating profit ratio, and ROE, as well as sustainability targets. In the first year, FY2022, sales revenue was 815.3 billion yen, and the exchange rate assumptions for the FY2024 targets were 1 US dollar = 108.00 yen and 1 euro = 125.00 yen. Following the rapid depreciation of the yen, however, the exchange rates for FY2022 were 1 US dollar = 134.95 yen and 1 euro = 141.24

yen. In addition to this positive impact of foreign exchange rates, the P&S Business and other businesses that achieved solid sales growth resulted in the achievement of the FY2024 targets in FY2022, ahead of schedule.

Both the operating profit ratio and ROE were 6.8%, mainly due to the recording of an impairment loss on a portion of goodwill in the Domino Business.



Sustainability Targets and Progress

To address the five materialities identified, we have set sustainability targets for the “CS B2024” period, and the Sustainability Committee (See pages 56-57), chaired by the President & CEO, is promoting activities across the entire Group as management issues.

Materiality	Targets for FY2024	Progress	See	
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 seven new models in the “SPEEDIO” series, boasting high environmental performance and productivity Strengthened efforts to connect interactively with customers, including subscription services in each region 	<ul style="list-style-type: none"> See Pages 28-29. See Pages 26-27.
	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 Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working* 	<ul style="list-style-type: none"> Conducted employee engagement survey Identified the current status of HR policies and issues at major facilities outside Japan 	<ul style="list-style-type: none"> See Pages 32, 34.
	Pursuing a responsible value chain	<ul style="list-style-type: none"> Expand the human rights risk assessment on suppliers Attain RBA* Gold certification for three Group manufacturing facilities 	<ul style="list-style-type: none"> Expanded Program to Develop Female Management Candidates Expanded the number of businesses and suppliers covered in supply chain human rights due diligence on primary suppliers Received RBA Gold Certification at the Vietnam Factory* of P&S as a first facility in the Group 	<ul style="list-style-type: none"> See Page 43. Responsible Supply Chain https://global.brother/en/sustainability/social/supply-chain
Protect the earth	Reducing CO ₂ emissions	<ul style="list-style-type: none"> [Scope 1 and 2] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024) [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 achieved the reduction target for FY2022 [Scope 3] Implemented measures centered on improving energy efficiency of new products as planned, and considered additional measures for FY2023 	<ul style="list-style-type: none"> See Pages 44-45. See Page 47. Medium-term Targets for FY2030 https://global.brother/en/sustainability/eco/cc#cc06
	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"> Implemented measures such as using recycled materials in some products and changing to recyclable cushioning materials 	<ul style="list-style-type: none"> See Page 44. See Page 47.

Vision and Medium-term Business Strategy | Medium-term strategy “CS B2024”

Four Priority Themes of “CS B2024”

Exchange rate (against JPY)	FY2022 Results	1USD=134.95JPY	1EUR=141.24JPY
	Assumptions for FY2024 Targets	1USD=108.00JPY	1EUR=125.00JPY

Under the theme of “Take off towards our new future” in the medium-term business strategy “CS B2024,” the Brother Group aims for the business portfolio transformation as well as the management foundation transformation toward the sustainable future that will support it. We will carry out activities with four strategic themes: (1) expansion in the Industrial area, (2) transformation in the Printing area, (3) activities toward the business portfolio of the future, and (4) management foundation transformation for a sustainable future.

Business Portfolio Transformation ① Towards Expansion in the Industrial Area

Achieve Significant Growth in the Industrial Equipment Business

In response to the growing demand for EV*-related parts and the accelerating trend of carbon neutrality, we will further improve the high productivity and energy-saving performance of the compact machine tool “SPEEDIO” series in

the industrial equipment business to contribute to customers’ strengthening of manufacturing competitiveness and reduction of CO₂ emissions, with the aim of achieving sales revenue of 100 billion yen in FY2024.

* Acronym for electric vehicle

Key initiatives		Sales revenue
Enhance product strength and supply capability <ul style="list-style-type: none"> Contribute to customers’ strengthening of manufacturing competitiveness and reduction of CO₂ emissions <ul style="list-style-type: none"> Further pursue strength of high productivity and energy-saving performance Respond to labor-saving/automation needs Expand sales by effectively promoting environment performance Provide peripheral services using digital technologies Expand production capabilities and storage functions 	Expand customer base <ul style="list-style-type: none"> Expand sales to automobiles and general machine market <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Expand and enhance sales facilities and human resources in Japan, China, and India Introduce new category products 	<p>Results of FY2022: 61.3 FY2024 target: 100 (Billions of yen)</p> <p>Industrial Equipment (machine tools): Significant growth by leveraging high productivity and energy-saving performance</p>
FY2022 Highlights Despite the impact of shortages in semiconductors and other materials, sales to the automotive and general machine market grew steadily, mainly in the EV-related market. Regarding sales, we continue to strengthen our sales and service foundation by positioning China, India, and Japan as priority regions. In manufacturing, we made the decision to construct a new plant in India, where significant market growth is expected in the future. In terms of products, we have expanded our product lineup by launching seven new models. See pages 28-29.		

Accelerate Growth in the Domino Business and Enhance the Industrial Inkjet Technology Foundation

In response to the growing demand for high-mix low-volume printing and increasing interest in traceability to ensure safety in food and other products, we will enhance product strength by introducing new products and strengthen relationships with customers for Coding & marking equipment (C&M area)*1

and digital printing equipment (DP area)*2 in the Domino Business, with the aim of achieving sales revenue of 100 billion yen in FY2024.

*1 Printing of expiration dates and other information on PET bottles and cans
*2 Printing of items such as product packaging labels

Key initiatives		Sales revenue
Enhance ability to provide highly specialized solutions <ul style="list-style-type: none"> Pursue best-in-class “customer experience” <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Continue to launch new competitive products in DP and C&M areas using Brother’s development foundation 	Enhance industrial inkjet technology foundation <ul style="list-style-type: none"> Enhance development of element technologies <ul style="list-style-type: none"> Develop printing heads and inks with a view of future application expansion and sustainability requirements Strengthen inkjet production foundation 	<p>Results of FY2022: 100.8 FY2024 target: 100 (Billions of yen)</p> <p>C&M area: Achieve stable growth by strengthening relationships with customers</p> <p>DP area: Accelerate growth by launching new products</p>
FY2022 Highlights In the C&M area, we are strengthening our product lineup by continuously introducing new products. In the DP area, we are actively carrying out sales and marketing activities, including resumption of participation in exhibitions that had been restricted due to the COVID-19 pandemic, as well as strengthening our product capabilities. In the overall business, we are accelerating growth by enhancing customer experience value through stronger relationships with customers and strengthening our industrial inkjet technology foundation to gain long-term competitiveness. See page 30.		

Brother’s Industrial Printing Area

To make a leap forward in the industrial printing area, centered on the Domino Business, we will support our customers’ productivity and creativity with a wide range of products and new businesses and contribute to solving social issues, based on our extensive printing technologies and customer base. [See product photo 12-13.](#)

	Industrial label printers	Coding & marking equipment	Digital printing equipment	Garment printers
Business (sub-business)	P&S Business (Labeling)	Domino Business	Domino Business	Machinery Business (Industrial sewing machines)
Printing methods	Thermal	Thermal/Inkjet/Laser	Inkjet	Inkjet
Examples of printing				
Target customers	Logistics, manufacturing, retail, medical, maintenance	Brand owners of foods, beverages, and pharmaceuticals, etc.	Printing and processing companies	On-demand printing service providers
Value proposition	Display information on traceability Add design and originality on demand			
Addressing social issues	Improve productivity and operational efficiency			
	Provide safety and security through traceability			
	Reduce waste			
	Provide a safe work environment			
	Conserve water resources			
Provide environmentally friendly products				

Business Portfolio Transformation ② Towards Transformation in the Printing Area

Accelerate P&S Business Model Transformation*

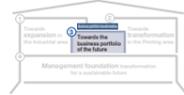
Even amid the harsh market environment, we will strive to strengthen profitability of existing areas in the printing business, while accelerating the shift to a business model that connects with

customers, such as a contract-based business model, with the aim of achieving sales revenue of 430 billion yen in FY2024.

* The Commercial & industrial labeling business refers only to the commercial and industrial segment of the labeling business in the P&S Business.

Key initiatives		Sales revenue
Accelerate shift in printing business model and strengthen profitability <ul style="list-style-type: none"> Expand businesses with continuous ties to customers <ul style="list-style-type: none"> 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 	Expand Commercial & Industrial Labeling business <ul style="list-style-type: none"> Strengthen sales in auto-ID market <ul style="list-style-type: none"> Provide simple barcode printing solution that is easy to implement for retail, logistics, and manufacturing industries Expand application of label printers <ul style="list-style-type: none"> Enhance consumables and apps that are compatible with labeling applications in various situations, such as wire marking 	<p>Results of FY2022: 496.7 (Printing business), 61.7 (Commercial & Industrial Labeling business) FY2024 target: 430 (Printing business), 30 (Commercial & Industrial Labeling business)</p>
FY2022 Highlights We are undertaking our transformation toward the next stage, such as accelerating the shift to a business model that connects with customers, including a contract-based model, and expanding the Commercial & industrial labeling business. In the Printing area, we launched a flat-rate subscription service for the SOHO market, which had been launched earlier in the U.S., in Europe in FY2022. In China, we are carrying out various initiatives, including the introduction of a business model in which customers charge the number of sheets they need to print via a mobile app. See pages 26-27.		

Vision and Medium-term Business Strategy | Medium-term strategy “CS B2024”

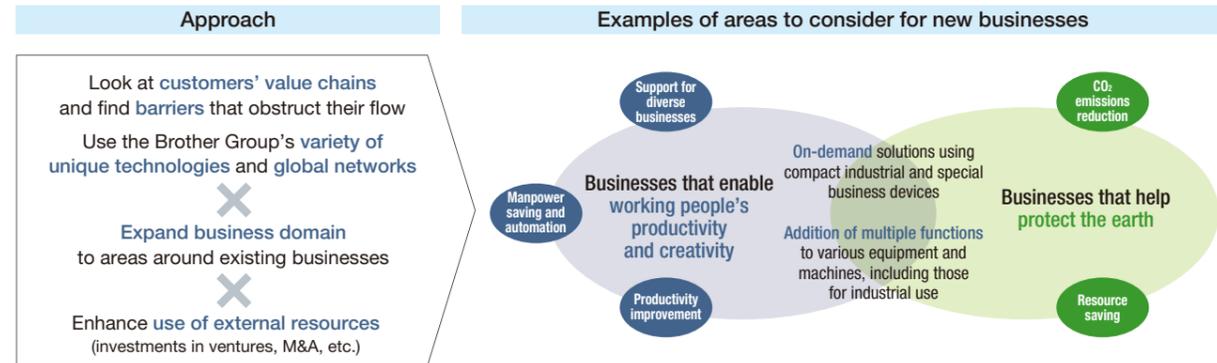


Business Portfolio Transformation ③ Towards the Business Portfolio of the Future

Create New Businesses That Help to Address Materialities

The Brother Group has developed its business based in more than 40 countries and regions while leveraging its diverse unique technologies and global network to create new businesses. In the future, we will leverage

these strengths to search widely for business opportunities that “enable working people’s productivity and creativity” and “help protect the earth” with the aim of creating new businesses that will help to address materialities.



FY2022 Highlights

We are advancing the evolution of printing technology and expanding its range of applications with inkjet at its core in both the industrial and consumer areas. In FY2022, we announced the development of a latex wide-format printer to be used for signs and displays. Furthermore, we are adding new functions to the “BuddyBoard” note taking application for iPad, based on feedback from customers who have actually used the application in the field.

See pages 28-29.



Management Foundation Transformation for a Sustainable Future ④

Undertake Environmental Efforts towards Carbon Neutrality

The Brother Group has declared in the “Brother Group Environmental Vision 2050” that it will achieve carbon neutrality in its business activities by 2050. It has set targets for reduction of CO₂ emissions,

resource circulation, and biodiversity conservation and is making efforts to achieve these targets. Furthermore, we have set a medium-term goal for 2030 and will accelerate our efforts.

Main efforts in “CS B2024”	Progress in FY2022	2030 targets of Environmental Vision
<p>Reduce CO₂ emissions at Group facilities globally</p> <ul style="list-style-type: none"> Promote energy-saving activities Conduct energy-generation activities such as installation of solar panels Purchase CO₂-free electricity 	<p>■Reducing CO₂ emissions</p> <p>[Scope 1 and 2] Implemented energy-saving and energy-creating measures through own efforts, such as more efficient use of electricity and the introduction of solar power systems. Procured the necessary amount of CO₂-free electricity accordingly, and made steady progress toward achieving the target.</p>	<p>Reduction of CO₂ emissions</p> <p>[Scopes 1 and 2] 65% reduction</p>
<p>Reduce CO₂ emissions in product life cycle</p> <ul style="list-style-type: none"> 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 	<p>[Scope 3] Implemented measures centered on improving the energy efficiency of new products as planned. Studied additional measures for further reduction, as it will be necessary to recover from parts supply shortages and increase production of products in the future.</p>	<p>Resource circulation</p> <p>Ratio of virgin materials used in products: 65% or less</p>
<p>Promote businesses based on a circular economy</p> <ul style="list-style-type: none"> Expand recovery and recycling of printer consumables Encourage product reuse Expand businesses with continuous ties to customers, such as subscription services 	<p>■Circulating resources</p> <p>Implemented measures such as using recycled materials in some products and changing to recyclable cushioning materials, and made steady progress toward the 2024 target. Going forward, consider adding measures to increase the reuse and recycling of main units and consumables.</p>	<p>Biodiversity conservation</p> <p>Reduction of environmental impact on the ecosystem and conduct of activities to restore and conserve the ecosystem</p>
<p>Others</p> <ul style="list-style-type: none"> Conduct tree-planting and forest conservation activities Invest in environment-related venture capital 	<p>Expanded businesses with continuous ties to customers, such as subscription services.</p>	

Enhance and Expand Connections with Customers

The Brother Group is promoting DX and leveraging data obtained through relationships with customers in each of its businesses to provide even more value to them, with the goal to “transform business models.” We are also working to further visualize and

systemize our supply chains to “build resilient and sustainable supply chains.” We will continue to enhance and expand connections with customers by thoroughly utilizing digital technology.

See pages 26-29, 31, 33, 41-43.

Business model transformation and progress

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

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

Industrial Providing customized printing services in Japan. See pages 28-29.

P&S Expanding subscription services. See pages 26-27.

P&H Launching a service offering new craft content in the U.S. See page 31.

Build resilient and sustainable supply chains and progress

Redefine roles of factories See page 41.

- Supply and demand adjustments reflecting transportation lead time, container transportation status, etc., in real time
- Visualizing inventory information in the supply chain, including inventory in transit
- Increasing inventory of essential parts as a response to business continuity plans (BCP)

Undertake efforts on human rights of workers See page 43.

- Expanding the scope of businesses and suppliers for supply chain human rights due diligence on first-tier suppliers
- Continuing to conduct mineral procurement surveys
- Obtaining RBA Gold certification for the first time at a Brother Group manufacturing facility* (Brother Industries (Vietnam) Ltd.)

Use digital technologies thoroughly

Foundation for All Transformations—Evolution of BVCM and Employees’ Challenges and Engagement

In order to continue improving the Brother Group’s productivity and creativity, we are continuously working to evolve our own management system, the “Brother Value Chain Management (BVCM),” as the foundation for all transformations, to

encourage employees to take on challenges, and to improve employee engagement.

Brother Value Chain Management

<https://global.brother/en/sustainability/csr/value#v03>

Evolution of BVCM

↑ Sophistication and acceleration of basic BVCM processes

A Making the chain bidirectional for a circular economy

B Rapid product improvement based on customer feedback during the development stage with a focus on 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)

Business Model for Value Creation: Brother Value Chain Management (BVCM)

BVCM is the Brother Group’s original management system that considers customer demands and expectations to be top priority and our guide for all of our business operations including product planning, development, design, manufacturing, sales, and service, and is designed to find and eliminate the barriers to customers’ success and quickly provide them with exceptional value. The Group aims to maximize the value it provides by continuing to evolve BVCM.

Advantage of BVCM

With BVCM, we create value flexibly and quickly through the process for delivering superior value to customers. BVCM consists of three chains—the Demand Chain, Concurrent Chain, and Supply Chain. After providing value to customers, we then make additional improvements while listening to feedback from customers and the market. By accelerating the circulation of this customer-oriented value chain, we are able to quickly deliver superior products, services, and solutions.

Demand Chain (Choosing Value)

- Understand the true needs of customers on a global basis and determine our unique value to provide
- Planning and development departments work together to determine the best way to create and deliver value

Concurrent Chain (Creating Value)

- Development departments (for machinery, electricity & electronics, software, chemicals, etc.), manufacturing departments, and suppliers work in close collaboration
- Utilize an optimal combination of internal and external technologies

Supply Chain (Delivering Value)

- Refine cost competitiveness and adaptability to changes, and manufacture the best products in the best regions
- Provide detailed sales and services based on a thorough understanding of the characteristics of customers in each country and region

Evolution of BVCM

In order to realize the Brother Group Vision of “promotion of cyclical businesses” and “expansion in the industrial area,” we have added **A** Making the chain bidirectional for a circular economy and **B** A flow of rapid product improvement based on customer feedback during the development stage with a focus on the industrial area, to the basic BVCM process (solid white line). Along with the basic process, we will further advance and accelerate the process.

↑ Sophistication and acceleration of basic BVCM processes

A A flow to achieve resource circulation by collecting and reusing resources from cartridges such as ink and toner to whole products in order to realize a circular economy.

B A flow to have customers try prototypes as soon as possible and improve products quickly by obtaining feedback from customers in the industrial area and new businesses.

Business Strategy

Printing and Solutions Business

Pursuing Printing Technologies and Supporting Various Work Situations

We provide a variety of solutions that meet the printing needs of customers. We will continue to support the growth of the Brother Group by working to enhance the profitability of existing businesses even in a difficult market environment, and by accelerating the reforms for the next stage, such as business model transformation and expansion of the commercial & industrial labeling business.



Strengths

Communications and Printing Equipment Business

- Product development capabilities that can meet a wide variety of customer needs utilizing three in-house developed engines: inkjet, laser, and thermal

Labeling Business

- Knowledge as a pioneer in the industry and product and software development capabilities that continue to meet customer needs with an extensive lineup of high-performance labels

Challenges

- Build resilient and sustainable supply chains to establish a stable supply structure of products
- Further strengthen of environmentally friendly design and achieve resource circulation toward a sustainable society
- Accelerate the shift to a business model that connects directly with customers, including the expansion of contract-based services

Understanding the Business Environment

Communications and Printing Equipment Business

- Reduction in printing opportunities due to progress of digitalization
- Changes in customers' purchasing behavior, from ownership to usage
- Accelerated distribution of office functions (acceleration of shift from centralized to distributed) due to satellite offices and remote work becoming commonplace

Labeling Business

- Increase in label printing demand due to expansion of e-commerce and home delivery demand
- Expansion of the market for the automatic recognition area

Both

- Expanding societal demands for sustainability, including environmental laws and regulations

Message from the Executive Officer, Head of P&S Business Division



Satoru Kuwabara
Representative Director & Senior Managing Executive Officer, Head of Printing & Solutions Business Division

Toward the final year of the medium-term business strategy, we will drive the P&S Business to achieve the quantitative targets as Brother's core business that supports its operations.

The sales volumes of printers and All-in-Ones in FY2022 were strong compared to FY2021 as supply constraints on parts and materials were resolved. While consumables sales fell short of plan, the positive impact of foreign exchange also contributed to an overall increase in sales. On the other hand, business segment profits decreased due to a decrease in gross profit resulting from a change in the sales composition and a sharp rise in the cost of parts and materials. We will continue to expand the scale of our business while maintaining profitability by offering a competitive lineup of products. Our efforts toward the "transformation in the Printing area" set forth in "CS B2024," sales of models equipped with high-capacity ink tanks are growing steadily, especially in emerging countries. We are also sequentially launching new products in developed countries. As for commercial & industrial labeling, we have enhanced our product lineup to meet the growing demand for labels with QR codes and barcodes amid the revitalization of logistics such as e-commerce. With regard to "enhance and expand connections

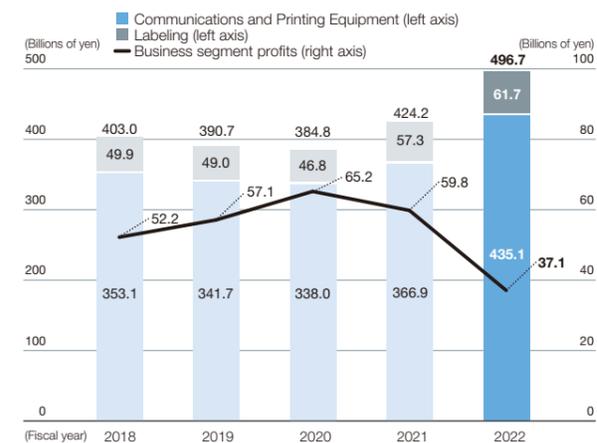
with customers," another theme of "CS B2024," the number of subscribers to MPS^{*1}, a contract-based service for the SMB^{*2} market, which is being developed mainly in Europe, grew steadily. The number of countries that the subscription service^{*3} for the SOHO (Small Office, Home Office) market is available in is increasing in Europe, following the U.S. Toward the final year of the medium-term business strategy, the P&S Business, as the core business that supports Brother's operations, must ensure that quantitative targets are achieved. Brother's printing business has the unique advantage of being able to meet a wide variety of customer needs by utilizing its three in-house developed engines, inkjet, laser, and thermal, in a variety of ways. Brother's products are also highly regarded in the market for their compact size, high performance, and high reliability, and we will create new product lines and expand our business base in addition to these existing highly competitive products. In commercial & industrial labeling, we will provide solutions tailored to each customer in the logistics and retail industries. We will also focus on resource circulation businesses through the collection and recycling of consumables as well as building resilient and sustainable supply chains. As the business environment and social environment change toward 2030, we will first accomplish the business model transformation and provide new value by connecting directly with customers, in addition to ensuring that they continue to use our consumables. I believe that one of my roles is to facilitate the effective utilization of the knowledge, technologies, and resources we have cultivated in the printing business in the industrial printing area, and to secure a unique, one-of-a-kind competitive edge. In the spirit of "At your side," I will continue to lead the way in order to grow together with our customers, distributors, and other business partners, and to help the entire Group's printing-related business beyond ensuring the profit of the P&S Business.

^{*1} Managed print services: Print services for large companies that can be optimized in terms of functions and pricing plans for each customer
^{*2} Small- and medium-sized businesses that include small offices, small- and medium-sized businesses, and businesses with offices in multiple dispersed locations
^{*3} A fixed fee monthly subscription service

Summary of FY2022

As for the sales volume of the devices, sales of laser All-in-Ones/printers were strong compared to FY2021, during which there were supply constraints due to a shortage of parts and materials. Sales of inkjet All-in-Ones were strong due to the elimination of supply constraints and an increase in market share, especially in Asia. As for consumables, sales declined due to inventory control and other trends in the channels in Europe and the U.S.. However, overall business sales increased due to the positive impact of foreign exchange rates. In addition to strengthening the profitability of the business, we expanded our MPS service for the SMB market in Europe, and in the SOHO market, we relaunched a subscription service in Europe, which had started earlier in the U.S., aiming for transformation in the Printing area, and we are striving to shift to a business model that connects with our customers. In labeling, although the sales volume of the devices was affected by supply constraints due to material and parts shortages, the positive impact of foreign exchange rates led to an increase in sales revenue.

Trend of Revenue & Business Segment Profits



TOPICS New proposals to meet diverse customer needs

As the social environment changes with increasing environmental awareness and diversifying values, demand for printing is also changing in a wide variety of ways. In the P&S Business, we offer various proposals tailored to customer needs. A cutter built into the small space within the already compact inkjet printer can automatically cut standard A4-size paper into A5-size sheets. This can cut the amount of paper and ink used roughly in half, making it an environmentally friendly printer. The desktop hot foil printing machine, which transfers foil onto text and designs printed with a laser printer, meets the need for small-quantity, large-variety production of personalized goods and can easily add a sense of luxury to paper items such as shop cards used to promote stores and product packages. We will continue to provide new value in printers and enhance our products and services to meet the diverse needs of customers.



Business Strategy (Business Policy)

Communications and Printing Equipment Business

- Further strengthen profitability and competitiveness as a core business that supports the Group-wide portfolio management
- Accelerate the transformation to a new business model that strengthens connections with customers
- Firmly maintain our position in the laser business market
- Grow inkjet business

Labeling Business

- Firmly maintain global number one position in the home and business/professional areas

- Establish connections with customers by utilizing apps for labeling equipment
- Strengthen sales in the automatic recognition area
- Expand the range of applications for industrial label printers

Both

- Design products and build manufacturing systems aimed at reducing CO₂ emissions and strengthen the resource circulation business to contribute to a sustainable society

Relevant Social Issues and Materialities

- Supporting people's value creation & circulating resources
 Establishment of a foundation to connect directly with customers in the P&S Business to improve their LTV and expand the resource circulation business

Relevant SDGs



Solving Social Issues through Business Activities



Contributing to CO₂ Emissions Reduction and Resource Recycling

To realize the goal of "contributing to society and help protect the earth" set forth in the Group Vision "At your side 2030," the P&S Business is developing and implementing environmentally friendly products and initiatives, including energy and resource conserving products/initiatives. One such example is the collection and recycling of used toner cartridges from laser printers and All-in-Ones, which are returned to customers. In FY2023, the "TN-3512 RE" toner cartridge, which is recycled at our factory in Slovakia, became the first recycled cartridge in the world to receive certification by Blue Angel*. By reusing cartridges and refilling them with toner, compared to producing new cartridges, we are able to achieve both effective use of resources and a reduction in CO₂ emissions. We will continue to strengthen our efforts to take the global environment into consideration.

* A third-party eco-label issued by The German Environmental Agency (Umweltbundesamt – UBA) and the German Institute for Quality Assurance and Labeling

Business Strategy

Machinery

Machinery Business

Contributing to Customers' Productivity Improvement through the Development of Products That Meet Customer Needs

We contribute to improving the productivity of and creating new value for our customers through machine tools that are ideal for parts processing for automobiles and general machinery and equipped with high energy-saving performance; industrial sewing machines that are easy to use, provide high-quality sewing and conserve energy; and garment printers that meet garment digital printing needs.



Strengths	Challenges	Understanding the Business Environment	
Industrial Equipment Business <ul style="list-style-type: none"> Ability to develop products that achieve high productivity and energy-saving performance Extensive lineup offering a variety of solutions to meet customers' needs Industrial Sewing Machine Business <ul style="list-style-type: none"> Product development capabilities for high-speed and high-quality sewing Development of facilities that can respond to requests from customers in a wide range of countries and regions <Garment Printers> <ul style="list-style-type: none"> Achieving high productivity and printing quality supported by inkjet technology Ability to provide solutions utilizing a variety of unique technologies 	Industrial Equipment Business <ul style="list-style-type: none"> Capturing demand in the automobile market, including EV-related markets, and non-automobile markets including medical equipment and semiconductor manufacturing equipment-related markets Further promotion of energy-saving performance to customers who are engaged in carbon neutrality initiatives Industrial Sewing Machine Business <ul style="list-style-type: none"> Launch of new products for the non-apparel markets such as airbags and shoes Improvement of sales proposal and service response capabilities <Garment Printers> <ul style="list-style-type: none"> Product development to achieve further growth in the bulk printing market Assisting productivity improvement in high-volume printing factories 	Industrial Equipment Business <ul style="list-style-type: none"> Expansion of EV-related markets and markets requiring processing of complex shapes (artificial bone, eyewear, watches, etc.), as well as increased demand for equipment with high energy-saving performance Acceleration of labor saving and automation driven by efficiency improvement at production sites and in the labor environment 	Industrial Sewing Machine Business <ul style="list-style-type: none"> Growth of the non-apparel market centered on airbags and shoes Acceleration of labor saving and automation driven by efficiency improvement at production sites and in the labor environment

Message from the Executive Officer, Head of Machinery Business Division



Makoto Hoshi
Senior Managing Executive Officer, Head of Machinery Business Division

To realize the Vision, we will achieve significant growth in the Industrial Equipment Business and realize the Brother Group's business portfolio transformation

In the Industrial Equipment Business, we have introduced a series of new models in FY2022 through FY2023 to meet a wide range of processing needs with a broad lineup. In addition, we have been working to expand our sales and service facilities in the market, to become carbon neutral, and to secure talent. Industrial sewing machines are gaining customer recognition in non-apparel areas such as automobile airbags. Garment printers are experiencing a growth due to our efforts to provide a comprehensive solution for labor-saving and automation, while the adoption of garment printers by users of high-volume printing is progressing. The Machinery Business is a production materials business, so the business environment is susceptible to the fluctuations of the business climate; however, we will steadily implement measures for growth to prepare for the increased purchases expected in the future without being affected by whether the impact is positive or negative.

Below, I will provide more details about the Industrial Equipment Business, on which I am particularly focused and aiming for significant growth.

The greatest value that Brother's industrial equipment can provide is the contribution to maximizing customer profitability through high productivity. Despite being compact machines, our lineup can be selected to meet the machining needs of a wide variety of customers in the automobile market, which includes the EV-related market, and non-automobile markets, and we are taking on the challenge of expanding our machining capabilities and machining areas. In addition, our self-developed NC* specialized in controlling Brother's machines maximizes machining speed. Furthermore, by simultaneously undertaking multiple projects, we have been able to significantly expand our lineup and develop our facilities globally: as a result of our past efforts to enhance personal development, we have had active participation of talents, utilizing the knowledge of the talents transferred from the P&S Business. The Group-wide response to realize business portfolio transformation is yielding positive results. Brother's industrial equipment consume less power by nature of their compact size and are also highly productive; however, from the perspective of reducing CO₂ emissions, we are developing technologies to further enhance their energy-saving performance. Brother is also developing products that will lead to various automation proposals to meet customers' needs for labor-saving and automation at manufacturing sites, which are increasing due to the decrease in the working population. We will contribute to solving these social issues through the use of Brother's industrial equipment by our customers.

In order to "Become a trusted, invaluable solutions partner" in the Industrial area, as stated in our Vision, the Brother Group will continue to work together with our suppliers in the manufacturing and sales of our products to provide value to our customers and become the market leader in small processing machines with the world's highest level of productivity.

*Numerical control, a system in which the movement of a machine can be controlled by a computer

Summary of FY2022

Industrial Equipment Business

Despite the impact of supply constraints due to a shortage of parts and materials, sales increased as a result of efforts to expand the customer base in the automobile and general machinery markets by enhancing the product lineup and strengthening the sales and service structure. On the other hand, business segment profits decreased in the entire Machinery Business due to an increase in selling, general and administrative expenses and a significant increase in the cost of parts and materials, etc. We will continue our efforts to expand our customer base in the automobile and general machinery markets in FY2023 and beyond.

Industrial Sewing Machine Business

<Industrial Sewing Machines>

Although sales stagnated in the second half of the year due to a decline in investment following a decrease in the volume of orders to sewing factories, profit increased due to a steady capture of capital investment demand in the first half of the year and the positive impact of foreign exchange rates.

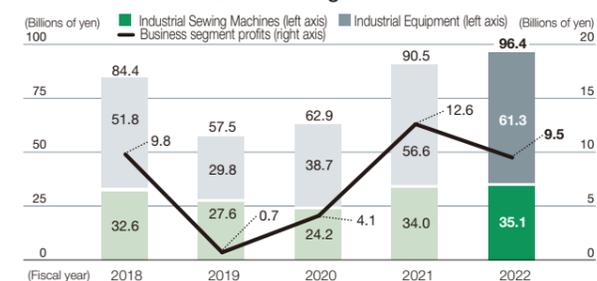
From FY2023 onward, we will expand our product lineup for the high-growth non-apparel market to further increase our market share.

<Garment Printers>

Despite stagnant sales of existing products due to the concerns over the economic recession, profit increased due to the effect of new products and the positive impact of foreign exchange rates.

To expand our share of the high-volume printing market, we will continue to develop new products that meet customer needs in detail and strengthen our sales capabilities by expanding our product lineup.

Trend of Revenue & Business Segment Profits



TOPICS Launch of products with even higher productivity and energy-saving performance

In the Machinery Business, we provide products that meet various customer needs with our product development capabilities that deliver high productivity and energy-saving performance. In FY2022, we launched several new products. We launched several new products in machine tools: the "M200Xd1", the successor to our compact multi-tasking machine; the "M200Xd1-5AX" and "U500Xd1-5AX", which support simultaneous 5-axis machining control to achieve machining performance for complex shapes; the "H550Xd1", the first horizontal machining center in the "SPEEDIO" series capable of machining multiple faces of parts and large workpieces; and the "W1000Xd2" and "M300Xd1", successors to the W series and M series suitable for machining large parts, etc. With the expansion of these product lineups, we will meet a wide range of needs for machining large aluminum parts required in the EV market, for which demand is increasing, thereby leading to positive results in the future.

For garment printers, we have launched the "GTx600", a high-productivity model for the high-volume printing market, and the "GTx600SB", a high-end model equipped with new special inks to achieve high quality. They are capable of on-demand printing, in which ink is applied directly to garments, and can produce in quantities of as little as a single piece with provided data. Because they can adjust production flexibly to accommodate demand, it can be expected to reduce the risk of mass waste.

Furthermore, for sign and display applications, a new industrial printing area for Brother, the "WF1-L640" latex wide-format printer was announced and launched in Europe and Asia. This model leverages the ink and print head technologies we have cultivated through the development of garment printers for printing on cloth to tackle new areas of application.

* A compact machine tool equipped with a swivel axis and a rotary axis that combines lathe turning and machining in a single machine

Business Strategy (Business Policy)

Industrial Equipment Business

- Strengthen product lineup by further pursuing our strengths of high productivity and energy-saving performance
- Expand customer base in the automotive and general machinery markets by strengthening sales and service structures in key markets (China, India, and Japan)

Industrial Sewing Machine Business

- <Industrial Sewing Machines>
 - Capture the recovered demand in the apparel market
 - Strengthen product lineup for growth in the non-apparel market
- <Garment Printers>
 - Strengthen ability to provide solutions by leveraging advanced inkjet technology
 - Take on the challenge of automation and labor saving at bulk printing factories

Relevant Social Issues and Materialities

- Supporting people's value creation
 - Securing of competitive advantage in product performance in order to help improve customers' productivity and reduce CO₂ emissions in the Machinery Business

Relevant SDGs



Solving Social Issues through Business Activities

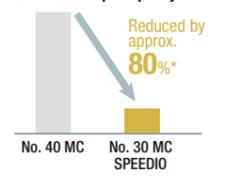
Contributing to CO₂ emissions reduction with compact size and energy-saving technology

The manufacturing sites where Brother products are delivered require both a reduction in environmental impact and high productivity. The "SPEEDIO" series of compact machining centers can machine with far less power consumption than other No. 40* models from other manufacturers due to its compact design, as well as use various energy-saving technologies, such as power regeneration to convert kinetic energy into electrical energy for reuse, contributing to a significant reduction in CO₂ emissions and to achieving carbon neutrality.

In addition to the output from the products, we are also working to reduce the environmental impact of the manufacturing process, and at the Kariya Factory, where "SPEEDIO" is manufactured, we are pursuing a new initiative to obtain carbon neutral certification.

* No. 30 and No. 40 are machine tool industry terms for the size of the tool attachment area and represent product categories

Power consumption per cycle



* This is an example of operation with a machining program provided by BIL

Business Strategy

Domino

Domino Business



- Strengths**
- A trusted brand built on 40+ years of steady growth in the industrial printing area
 - Unique positioning resulting from owning both C&M and DP areas (See page 12, that can produce synergistic effects through the combination of technologies most appropriate for customer needs)
- Challenges**
- Further sales growth and improvement in profitability toward business portfolio transformation
 - Sales expansion of products and enhancement of services and solutions in the C&M and DP areas

Understanding the Business Environment

- Continued market growth expected in both areas
- <C&M Area>**
- Increase in demand associated with population growth in emerging nations
 - Increased needs for traceability among manufacturers
 - Compliance with food safety laws and regulations
- <DP Area>**
- Progress in digitization in response to growing need for productivity improvements in printing factories

Business Strategy (Business Policy)

- <C&M Area>**
- Steady growth by strengthening the customer base
- Enhance product competitiveness by introducing new products with the performance demanded by the market, such as a printing methods and printing widths
 - Propose solutions to eliminate customers' problems and barriers, beyond simply providing products

- <DP Area>**
- Accelerate growth by launching new products
 - Expand and advance new areas such as corrugated cardboard printing*
- <Both>**
- Accelerate growth in the Domino Business by clarifying synergies
 - Expand the industrial printing area with inkjet-centered printing technologies
 - Build resilient and sustainable supply chains

* Printing on coated corrugated sheets

Relevant Social Issues and Materialities

- Supporting people's value creation
Support value creation of customers such as food and beverage manufacturers who want to provide security and safety to consumers through traceability. Support customers' waste-free production by eliminating the need for plate making and cleaning during changes, reducing waste and water consumption in the printing process.

Relevant SDGs



Summary of FY2022

Despite the restrictions on sales activities and disruptions in the supply chain caused by COVID-19, revenue increased in both the C&M and DP areas, with steady growth in sales of hardware and consumables, backed by the solid demand for daily necessities such as foods, beverages, and pharmaceuticals as well as the positive impact of foreign exchange rates. Business segment profits also increased. In product development, synergies from M&A were also created. In the C&M area, the new "Vx150i" thermal printer developed by Brother was launched, and in the DP area, the "N730i" digital printing machine with a print head made by Brother was launched, leveraging Brother's development foundation to enhance product competitiveness. As a result, we achieved the sales revenue target of 100 billion yen under "CS B2024" two years ahead of schedule.

In FY2023, we aim to achieve further increase in sales and profitability by expanding product sales and strengthening solutions that realize labor saving and automation.

TOPICS Strengthening Product Capabilities in the Digital Printing Area

The "N730i" digital label printer is equipped with Brother's own "BITSTAR™" print head based on the inkjet technology Brother has cultivated over the years, achieving high-resolution and high-speed printing. This model is now being installed in our customers' manufacturing facilities. As this model does not require steps such as the plate-making process and cleaning that are necessary for conventional analog printing presses, it contributes to a reduction of man-hours and labor-saving, and its skill-free operation reduces dependence on skilled workers, making it easier to secure staff at the manufacturing site.



Solving Social Issues through Business Activities



Contributing to Traceability and Food Safety

Food traceability is extremely important for demonstrating food safety. Domino's coding and marking equipment achieves high-speed printing of best-before dates, expiration dates, lot numbers, production plant identification codes, and other requirements of traceability on such products as those packaged in cans and glass, plastic, and other containers. Retort pouch foods require inks to be resistant to heat, water, and alcohol so that this printed information is not removed by high-temperature sterilization or alcohol disinfection processes. By providing a range of inks to meet the needs of customers, the Domino Business contributes to the value creation of customers who want to provide security and safety to consumers through traceability.

Nissei Business



- Strengths**
- Ability to deal with customers with finely tuned customization, high quality, and speedy delivery
- Challenges**
- Acceleration of market expansion of high stiffness reducers
 - Reinforcement of production capacity to meet the demand of growing industries, mainly in the robotics/FA market

- Understanding the Business Environment
- Growing need for labor-saving and automation in manufacturing, logistics, retail, and other industries

Business Strategy (Business Policy)

- Capture business growth opportunities in the robotics/FA market with high stiffness reducers and high-precision gears
- Accurately meet diversifying customer needs, such as in the labor-saving and automation areas, which are expected to expand

Relevant Social Issues and Materialities

- Supporting people's value creation
Achievement of labor-saving and automation with robots and automated guided vehicles (AGVs), etc., equipped with Brother products, contributing to improved productivity and elimination of labor shortages at factories, etc.

Relevant SDGs



Summary of FY2022

Revenue and profit increased in FY2022, driven by strong sales of reducers due to growing capital investment demand, such as increasing needs for automation in factories. Going forward, we will expand our lineup of high stiffness reducers to meet the diverse needs of customers and construct a new facility for gear processing (scheduled to start operation in FY2024), aiming to increase sales as a growth business that will play a role in the "expansion in the Industrial area" and thus in the "business portfolio transformation."

Personal and Home Business



- Strengths**
- Strong brand power in the sewing and embroidery machine field, where we boast a top market share
 - Product planning capability that allows for highly original products, such as machines with a built-in projector feature and Disney designs
- Challenges**
- Continuous pursuit of new functions and ease of use that achieve customer delight
 - Promotion of new value through DX (See Summary of FY2022)

- Understanding the Business Environment
- We have a high market share for sewing and embroidery machines.
 - Expansion of sales modes and provision of value through platform businesses and online sales, etc.
 - Business market growth due to increasing demand for customization usage, etc.

Business Strategy (Business Policy)

- Provide value such as excitement and ease of use to customers in a timely manner
- Increase LTV by providing more satisfaction and successful experiences through direct connection with customers via expanded options of value provided such as abundant product and service lineups.
- Promote developing eco-conscious products and upcycling through the products

Relevant Social Issues and Materialities

- Supporting people's value creation
Creation of business opportunities through the support of entrepreneurship and side businesses using Brother products

Relevant SDGs



Summary of FY2022

Despite having passed the peak of stay-at-home demand, sales revenue was on par with the previous year due to the positive impact of foreign exchange rates. Business segment profits decreased due to a change in the sales composition resulting from a decline in sales of mid- to high-end sewing and embroidery machines, as well as the impact of rising costs for logistics and parts/materials. In FY2022, "Artspira", a mobile application for crafts, was released to strengthen the connection with customers as set forth in "CS B2024." In the future, we plan to launch a subscription service for "Artspira" with significantly expanded functions and content, thereby realizing a business model aimed at increasing LTV in the P&H Business.

Network and Contents Business



- Strengths**
- Provide online karaoke systems for business use which offer the largest number of songs in the industry
 - Product development capabilities that enable provision of two-way telecommunication and a wide variety of applications
 - Wide range of businesses operated such as music therapy content for nursing care facilities, home karaoke, etc.
- Challenges**
- Rise of new competitors in karaoke apps for mobile devices
 - Creation of new businesses that can become new core revenue sources

- Understanding the Business Environment
- Changes in consumer lifestyle habits and entertainment in the post-COVID-19 era
 - Changes in the population of karaoke participants resulting from the declining population, aging society with a falling birthrate
 - Development of communication technology capable of sending and receiving large volumes of data stress-free

Business Strategy (Business Policy)

- Advancement of new value provided in karaoke that goes beyond just singing (the "Miruhaco" service with visual content to enjoy)
- Provision of a wide variety of entertainment and learning opportunities by connecting physically separated karaoke spaces through two-way telecommunication
- Business model transformation by further creation of new businesses leveraging the network technology cultivated through online karaoke service

Relevant Social Issues and Materialities

- Supporting people's value creation
Support of healthy lifestyles and reduction of the workload of nursing care staff by providing music therapy content

Relevant SDGs



Summary of FY2022

As customer traffic recovered with the easing of restrictions on outings to prevent the spread of COVID-19, sales of online karaoke equipment remained strong and store sales increased in FY2022, resulting in a significant increase in revenue and profit. Going forward, we will collaborate with various companies to develop products and services that cater to the lifestyle and entertainment preferences of consumers, who have undergone a rapid shift to online and virtual activities following the COVID-19 pandemic, in order to provide new value in karaoke that goes beyond singing, aiming to expand sales and improve profitability.