

Message from the President

Brother's Strength Lies in Corporate Culture of Open-mindedness

Toward Further Transformation through Flexible Responses to Changes in the Times and the Environment

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Brother Group's corporate culture

You were appointed as President in June 2024. What is your view on Brother's corporate culture?

I joined Brother Industries Ltd. (BIL) in 1985. I chose Brother for two reasons. One reason was that I felt that it had a corporate culture of freedom. My job interview was done in a very relaxed atmosphere, so I remember being able to say exactly what I wanted to say. I felt this atmosphere after joining the Company as well. Even now, I feel that relationships between superiors and subordinates in the Company are friendly and that the Company has a corporate culture of open communication. I believe that this open-mindedness is the very DNA of Brother, in which one of its strengths lies, and has served as a driving force behind its ability to change its business in response to changing times and environments without being afraid of transformation. I have also grown up in this culture of open-mindedness.

However, in the process of Brother's growth into a larger company, it may have lost some of this good quality. I personally do not really feel that the corporate culture has been changing, but it seems that some employees, especially young ones, feel that management is far away from them. It is certain that it is becoming harder for their voices to be heard.

I want to change this situation even just a little, so I deliver my casual messages on my internal blog. I want to always treat all people impartially, and I hope that employees treat me the same way. In my blog, I tell employees not to be formal in front of me just because I am the president, but to be sufficiently honest and open to share their views and questions with me.

The other reason I joined the Company was that I thought I would be able to work outside Japan and achieve personal growth. At that time, Brother was already expanding its facilities abroad, so I felt it was the perfect choice for me because I wanted to work outside Japan, though I wasn't good at English. I have so far worked overseas for a total of 11 years, including four years in Germany and seven years in the U.S., which later enabled me to notice important things. One of Brother's strengths lies in its global network. As global Team Brother, we are able to grow by building trust and sharing our knowledge base with each other.

What is your mission as the leader?

I have two missions. One of them is to ensure that business portfolio transformation [See page 17.](#) will be completed successfully. Over the past 30 years, Brother has grown significantly as sales of its consumer printers and all-in-ones have expanded. However, an expected decrease in printer printing volume due to a shift to paperless lifestyles and work styles requires us to establish new pillars for growth. "At your side 2030," our Group Vision toward FY2030 [See page 3.](#), declares that we aim to increase the percentage of sales in the industrial area to about 50% by FY2030 [See page 17.](#). To realize the Vision, we have defined "expansion in the industrial area" as one of our key priorities [See page 20.](#) in our medium-term business strategy "CS B2024" [See page 17.](#).

The other mission of mine is to build a foundation for human resources who can successfully complete business portfolio transformation. Growth in the industrial area in particular requires us to acquire and redeploy a wider variety of human resources than ever before. Needless to say, not only the business departments but also the headquarters departments that support them must change. At the same time, we must strengthen our efforts in succession to younger generations. This is an important management challenge that Brother should solve to achieve sustainable growth. Sudden succession to a younger generation would cause chaos, so I must play a role in ensuring that the succession process will unfold smoothly without any disruptions. The key to achieving this is not only to develop next-generation management talent but also to develop a wide range of generations of human resources: two generations who follow the next.

In terms of human resource development, diversity is an important keyword. However, diversity is not an end in itself. For our generation, what we had to do in business management was clear, so the homogeneity of employees in terms of thoughts sometimes made things efficient. Today, with the increasing uncertainty in the world and the growing number of tasks we must perform, the range of options becomes limited if many people share the same opinions. We need diverse staff members to ensure a diversity of opinions. It is certainly important to appoint women and people from outside Japan to important positions, but I place higher importance on the diversity of thoughts than categorical attributes. For example, there are various ways of thinking; some people are product-oriented and others are service-oriented, while some others are design-oriented. I hope that

we will be able to combine various ideas.

Meanwhile, we are essentially a manufacturing company, so it is also important for us to hand down the knowledge and know-how in development and manufacturing that we have so far accumulated. Last year, we made major changes to our human resources systems, including replacing the position-

Brother's business models and core competencies

Please tell us about the business models that have enabled Brother to demonstrate its strengths for many years.

There are two main patterns of success in our business. One of them can be said to be Brother's standard style, where the Company repeats a process of making a later entry to an industry in which the market and customers are already established, setting clear targets, providing products quickly, receiving feedback, and reflecting it in the next model, thereby exploring a share in the market. Typical examples of the fields where we followed this pattern include fax machines, for which we formerly held a large market share both in and outside Japan, and printers and all-in-ones, which are the Company's current main business.

For example, in the case of all-in-ones, major office equipment manufacturers already had a large share of the market. Therefore, we targeted small offices and home offices (SOHO) and sold compact all-in-ones that combined five functions compactly—the fax, copying, printing, scanning, and phone functions—at mass retailers specializing in office supplies. This allowed us to obtain a large number of customers and even to be called the “pioneer in compact all-in-ones,” resulting in the advantage we have maintained to date.

Similar things occurred in the field of machine tools as well. We have been dealing with small machine tools called “BT30 spindle machines” for many years. The origin of Brother's machine tools business was its in-house manufacture of sewing-machine processing machines for use in its own factories. Brother later began to sell them outside the Company. Even back then, our products featured compact size and energy-saving capacity, and we are now actively expanding our business into adjacent fields while strengthening our lineup based on the markets where Brother has strengths [See pages 28-29](#). In expanding our business, we are not forcing ourselves to expand into isolated areas, but are instead formulating strategies that are thoroughly focused on the needs of our customers.

The second pattern is to learn from failure. Examples of the fields where this pattern worked include online karaoke

based grading system with a role-based grading system, to facilitate the early selection and promotion of competent younger staff [See pages 32-33](#). I hope to enhance our system operations in view of firm and steady establishment of the systems across the Company and the purpose of the system change, rather than changing things hastily.

and labeling systems. Brother once developed a vending machine that could download PC game software using communication lines, but sales were poor, so it explored other ways of using this system in other ways. This is how the Company came up with online karaoke. This shift to the idea of sending music data using communication lines enabled us to develop a system that could a larger number of songs earlier than laser disc karaoke systems available at the time, which sparked the karaoke boom of the time.

Also, around the time I joined BIL, the Company launched the Japanese word processor “Picoword,” which was the first in the industry to be priced at below 100,000 yen and became very popular in the market. However, major home appliance and office equipment companies then suddenly entered the word processor market, and we lost out in the price war, resulting in a decline in sales. Under these circumstances, we found through research that a certain number of our customers were using word processors to print labels on cassette tapes and video tapes. This made us believe that if we created a product dedicated to printing on label tapes from the start, it would sell well, so we proceeded with development. When Brother finally commercialized a labeling system, the Company discovered that there was actually a greater demand for labels to stick on the spines of files in offices than for cassette tapes. Sales of this product expanded rapidly from that point on. The labeling system was the very starting point for Brother to establish its consumables business.

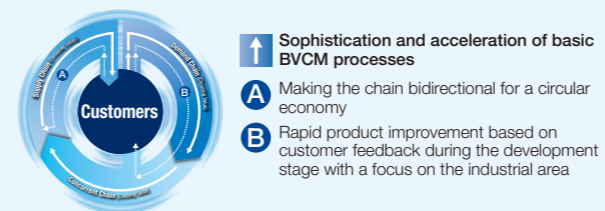
Thus, Brother is not a company that has consistently achieved success by commercializing groundbreaking technology-oriented inventions. Commonalities between these two patterns of success include rapid product development through a customer-centric approach and, in many cases, global product distribution. These are the methods that Brother has developed over its long history.

Brother has the spirit of “At your side.”—the company spirit that places our customers first in every situation, every time [See page 2](#). We also have a unique management system called “Brother Value Chain Management (BVCM)”

[See page 23](#), which allows us to quickly create and provide excellent value. This system is underpinned by the spirit of “At your side.”

BVCM consists of three components: the Demand Chain, Concurrent Chain, and Supply Chain. In the Demand Chain, we select the value that customers truly want from the various kinds of value that we can provide. In the Concurrent Chain, Development, Design, Quality Control, and other departments unite to create value, while in the Supply Chain, we materialize the value and provide it to customers. The way we achieve this is extremely unique. Not only does it involve horizontal collaboration between departments within the Company, but it also involves and enlists the help of business partners, such as parts suppliers, to further power and speed up development. In addition, these chains are not separated but highly coordinated, and all parties involved work simultaneously in one project. Therefore, with little disagreement between departments, we can make these chains work at a very fast pace.

Evolution of BVCM



On the other hand, please tell us what changes Brother needs to make in the future.

BVCM is a system that has long supported Brother's growth. We are evolving it so that it can be utilized in the same way to provide value to customers in the industrial area, which we are aiming to significantly expand in the future. The current BVCM has additional features, such as rapid product improvement based on customer feedback during the development stage, which is important in the industrial area. We hope to successfully incorporate BVCM into our business in the industrial area, where every single product requires customization. In addition, our initiative to make the chain bidirectional for a circular economy is now also part of BVCM. We are considering how to provide total value to our customers by implementing this initiative. Just as we have so far done with BVCM, we need to conform with the spirit of “At your side.” in our efforts both to serve the industrial area and to realize a circular economy.

For resource circulation, we will promote the expansion of circular-economy-based businesses and resource recycling. Achieving this requires us to not only change the design



concept of our products but also consider how to collect them. Therefore, we will move forward boldly and steadily.

The next thing I would like to mention is digital transformation (DX). We are focusing on three major themes to promote business portfolio transformation and management foundation transformation. The first theme is Business DX, which involves utilizing digital technology to strengthen connections with customers and using the data obtained through the connections to further enhance customer value. The second is Operational DX. To build a resilient and sustainable supply chain, we are creating a system for constant, end-to-end supply chain monitoring, under the slogan of “connected, visible and never-stop factories.” The third is DX talent development, which is aimed at achieving the two above. AI is already being used in software development, operational reforms, and the automation of routine work, but we are promoting the development of talent necessary to further evolve it [See page 22](#). Moreover, achieving dramatic business growth requires us to effectively utilize AI and digital technology, so we are also working to build a system that allows human resources with a wealth of knowledge, experience, and ideas to lead the use of AI and digital technology.

Finally, I would like to mention M&A. This is merely a means, not an end in itself. The most important condition for M&A is that we have a solid vision for post-acquisition strategy. No matter how different the parties involved are in terms of their values and corporate culture, M&A will be successful if there is mutual trust between them so that they are confident that they will be able to work together through post-merger integration (PMI). In the past, the emphasis was

on starting up as a collaboration and getting to know each other over the years. However, I recognize that the shelf life of strategies is becoming shorter these days. Today, things often can be meaningful only if they are done immediately at the right moment. Therefore, quick decisions and action

Progress and materiality of the medium-term business strategy “CS B2024”

Please tell us about the achievements of CS B2024 and the challenges therein.

Thanks to the weak yen, we expect to exceed the numerical targets set in our medium-term business strategy [See page 19](#). However, the slowdown in the Chinese economy was greater than expected, having a major negative impact on some of our businesses. It had a particularly massive impact on the Industrial Equipment Business [See pages 20 and 28-29](#). However, we are now completely ready to make a strong start when the market recovers. Since FY2022, we have significantly strengthened our product lineup by launching 10 new machine tool models.* We have also opened five technology centers and seven business sites/sales offices in our priority regions of China, India and Japan. Our new factory in India has also been completed, and preparations are underway to start operations in December 2024.

The Domino Business Division [See pages 20 and 30](#) recorded partial impairment losses on goodwill for the second consecutive year. The key factor behind the losses was the impact of interest rates and exchange rates, but another factor was that the market transition from analogue to digital printing was slower than expected. Meanwhile, sales of coding and marking equipment are growing even on a local currency basis, and we are introducing new products and applications to the market.

In the P&S Business [See pages 21 and 26-27](#), the market is shrinking due to the shift to paperless lifestyles and work

are required. In addition, combining Brother's unique value creation capabilities with those of other companies may help eliminate the barriers that customers have faced that Brother could not eliminate alone. We will continue to proactively consider M&A opportunities in the future.

styles. Nevertheless, sales of consumables are relatively strong as customers are using products for longer periods and the number of units in operation in the market is maintained. From now on, we will further strengthen measures to connect directly with customers and focus on acquiring customers with high print volumes by offering consumables and services on a pay-as-you-go basis, automatically delivering consumables and making proposals based on customer usage.

* New products launched during FY2022 and FY2023, excluding loading systems

What is your view on materiality?

Our five current materialities [See pages 18 and 19](#) have been identified from among the social issues we selected based on the SDGs that Brother values. Although they seem reasonable and easy to understand, we are re-examining their importance and impact on society in the belief that materialities should cover both solutions to social issues and value creation through business. We must consider from the perspectives of what Brother values, what value we can provide, and what risks we face. For example, one of our current materialities is “Realizing a diverse and active society.” This seems to me to be a very good item, but I recognize that there is a certain degree of ambiguity about what specific social value Brother can provide. We will work to clearly explain what value we can create and provide to society by resolving the materialities.

Business management conscious of cost of capital and share prices

What are your thoughts on management conscious of share prices?

As for our stock price, our price-to-book ratio (PBR) currently remains at a level of over 1, but we will make further efforts to ensure a higher market valuation. We aim to improve ROE by steadily making prior investments for the future toward business portfolio transformation and generating profits

through business growth. We will also enhance shareholder returns, including dividends, and increase management transparency by clarifying and addressing business and financial risks that could hinder the Company's sustainable growth. We will proactively communicate with the market about our future vision and current initiatives to foster expectations for us so that we will be able to achieve a higher

valuation from the stock market [See pages 24-25](#).

As one of our specific initiatives, we are transforming our business structure with a focus on expanding the industrial area, and at the same time, we have introduced ROIC as an internal indicator to improve return on investment [See page 25](#). We will use ROIC as a reference indicator to monitor the invested capital of each business, evaluate whether specific strategies and actions are appropriate in

consideration of the stage and characteristics, and make appropriate resource allocation.

In addition, for directors and executive officers, we have adopted a stock-based compensation system that uses share price-linked indicators for part of the remuneration for full-time directors with the aim of increasing corporate value over the medium term. We are thus creating a system for management that is always conscious of share prices.

Message to our stakeholders

How do you plan to engage with various stakeholders in the future?

Brother's corporate management is centered on its customers. The value creation process to deliver value to our customers is supported by collaboration with business partners. Brother will not change its stance of placing importance on engagement with global customers and business partners.

Moreover, in FY2024, we ran a special campaign to celebrate the 50th anniversary of the establishment of the Brother Employee Shareholding Plan, targeting employees of BIL and some Group companies. It helped increase the percentage of employees participating in the plan to 66.4%. Now that we feel confident that employees' interest in Brother shares has increased, we will continue to implement measures to promote employee engagement [See pages 32-37](#), including measures similar to the abovementioned campaign.

We will also continue to actively engage in dialogue with shareholders, investors, and securities analysts and sincerely listen to their candid opinions and even harsh criticism. Up until now, Brother has mostly answered questions from shareholders and investors. However, from now on, we will also ask them questions and discuss with them why

they have invested in us and what we need to do to attract new investment. By doing so, we hope to deepen two-way communication with them and incorporate the opinions of shareholders and investors into our management.

This fiscal year is the final year of CS B2024, and we are currently formulating a new medium-term business strategy for us to execute from April 2025. In the process of formulating a new strategy, we will continue our efforts to engage in dialogue with many investors and increase corporate value from various perspectives.

When I was appointed as President, I carefully considered what I would value. Many ideas came to mind, but they can be summed up into the following three:

- The Brother Group will always be sincere in its dealings with customers and all other stakeholders.
- All Group employees worldwide will be able to be proud of their work and have great hope for the future.
- As a result, Brother will continue to grow as a trusted global company.

We will achieve these three goals and increase our corporate value over the long term, so we look forward to the continued support of all our stakeholders.



Profile of Kazutomi Ikeita

In his second year at the Company, he was in charge of product planning for the color copier “Renaissa,” and after it was commercialized, he was in charge of its sales in Japan. Although he made various efforts to acquire new customers, including cold calling, the Company withdrew from the business. He later gained experience in global sales and marketing, including working in sales of fax machines to Japan, China and other Asian countries and serving as Director & Executive Vice President of a German sales company and Director & President of an overseeing company in the Americas. During his days of working in Germany, he attended German language school on weekends and studied from scratch to master the language; his tireless efforts were even featured in a local newspaper. Originally from Kagawa Prefecture, he is a true connoisseur of udon noodles, a specialty of his home prefecture. His hobbies are golfing, watching movies and home vegetable gardening. He is an avid fan of the Japanese professional baseball team Hanshin Tigers.