

Human Capital

Capital status

- Number of Group employees: More than 40,000*¹
- Percentage of overseas employees: 76.8%*¹
- Number of core DX talent: 243 individuals*^{1, *2}

*1 As of March 31, 2024
*2 BIL only

Strengths

- A global team of autonomous employees and an open organizational culture

The most important foundation for the Brother Group’s sustainable growth is its talent. The Brother Group has made “realizing a diverse and active society” its materiality and has established the following targets for FY2024: “improving employee engagement*,” “encouraging the assignment of local employees to top management positions of facilities outside Japan,” and “strengthening the talent pipeline for gender balance and establishing an environment for achieving diverse ways of working.” Toward the “management foundation transformation for a sustainable future” set forth in the medium-term business strategy “CS B2024,” the Group will continue to enhance its own productivity and creativity, as well as take actions to further strengthen its human capital such as by creating a comfortable working environment for each and every employee.

* Relationships in which employees and management are equal to each other and provide value to each other

Efforts to Strengthen Human Capital for the Creation of New Value

Formulation of “Human Resource Policy” and Introduction of New Human Resource System

In recent years, the environment surrounding employees and organizations has changed dramatically through not only globalization but also shifts in society’s values and needs. Under these circumstances, it is critical for the Brother Group to continue being the company chosen by customers with the spirit of “At your side” and to foster a corporate culture in which employees can work with even stronger motivation. To accomplish these goals, BIL formulated a “Human Resource Policy” in FY2023. In addition, we have introduced a new human resource system, changing from the previous position-based grading system that placed emphasis on years of service to a role-based grading system that places emphasis on the role played. Under the newly introduced role-based grading system, grades and compensation are determined according to the role that each employee assumes, regardless of length of service or other factors. This system reduces seniority-based elements and better rewards those who produce great achievements and contributions. This system also promotes the early promotion of outstanding talents by shortening the retention period required for promotion of younger employees who bring great achievements and contribution to the Company. Under this system, BIL will encourage “true autonomy and efforts,” as stated in the Human Resource Policy, by maximizing organizational strength while “properly rewarding achievements and contributions.” BIL will also promote activities to “encourage employees to take on challenges” and “improve employee engagement” as set forth in CS B2024, thereby aiming to realize its vision and ever-lasting prosperity beyond.

Human Resource Policy:

- Support “true autonomy and effort” of employees, respect diversity, and properly reward achievements and contributions


 **Talent Development** <https://global.brother/en/sustainability/social/training>

Development of Global Talent

The Brother Group, which maintains production, sales, and service facilities in more than 40 countries and regions, has implemented various talent development programs to develop talents with broad perspectives, high levels of expertise, and the ability to address global issues. As part of this effort, the Group has implemented since FY2008 a trainee system in which young employees are dispatched between BIL and group facilities outside Japan. The trainee program provides young employees with training sessions related to their area of expertise as well as opportunities to gain new knowledge through experiences that differ from their expertise, such as developers visiting customers together with salespersons to hear from customers about their needs and usage conditions, so that they can broaden their perspectives with new knowledge. In addition, since FY2018, the program has also been implementing short-term training for developers and engineers in their 20s to learn at manufacturing or repair sites


outside Japan for one month. This provides an opportunity for developers and engineers to gain new knowledge through experience that differs from their usual scope of responsibilities, such as directly visiting customers, while strengthening collaboration with manufacturing facilities outside Japan. Furthermore, the Group has been organizing a variety of other self-development programs, including language learning programs, for its employees to acquire the skills necessary to be active on a global scale.

Comment from an employee who used the trainee system



— **Learning the True Issues of Customers through Visits to Customers** —

Ayano Tsujii
Labeling Solutions Business Development Dept., P&S Business



— **Learning about Safety and Health Concept and Initiatives in Japan** —

Dien PhamHuu
Safety - Fire Prevention & Environment Section, General Affairs Dept.

 **Comment from an employee who used the trainee system** <https://global.brother/en/sustainability/social/training#04>

Promotion of Assigning Local Employees to Top Management Positions of Facilities Outside Japan and Creating Local Employment Opportunities

The Brother Group encourages the promotion of local talents with the aim of implementing operations in which each facility conducts autonomous management suited to the local business environment. As a result of actively advancing local staff to management positions, including presidents at major sales bases in the United States, China, and other countries, the proportion of local employees in top management positions of facilities outside Japan increased from 61% in 2018 to 67%*¹ in 2023.

The Brother Group has set “enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan” as one of its sustainability targets of CS B2024. The DEI Subcommittee*² has surveyed the current status of major facilities outside Japan during the period from FY2022 to FY2023. As a result, while the challenges of systematically developing successors were revealed, we were also able to identify some examples of good practices. Going forward, in addition to sharing such practices within the Brother Group, we will deepen discussions on optimal talent placement and development, as well as governance systems for autonomous facility management, and promote management that balances locality with globalization.

Furthermore, the Brother Group contributes to the creation of employment opportunities through the establishment and expansion of manufacturing facilities. For example, the manufacturing facility in the Philippines employs over 7,000 local people, and the two manufacturing facilities in Vietnam together employ over 11,000 local people*³.

*1 Including Domino-related companies *2 One of the subcommittees established under the Sustainability Committee. DEI is the abbreviation for Diversity, Equity & Inclusion, a concept of respecting people’s diversity and right to equality and encouraging organizations and society to promote more diverse values by including them *3 As of the end of March 2024


Toward a Healthy Gender Balance in Management

BIL has formulated an Action Plan to Support the Success of Women and aims to increase the number of women in managerial positions from 54 as of March 31, 2024 to more than 60 by the end of FY2025 and the number of female candidates for potential managerial positions to more than 100 by the end of FY2025. While supporting the growth of employees regardless of gender from a talent development perspective, BIL provides female employees with many learning opportunities, including roundtable discussions introducing the careers of female managers in the Company, inviting experts to give lectures, joint career training with female employees outside the Company, and opportunities for outside counseling to potential female managers, for the purpose of increasing awareness of balance between life events and one’s career and creating an environment in which management positions are more accessible to them. So far, 78 people have participated in training sessions for female leaders, which began in FY2022. BIL will continue to promote diversity to create an organization in which diverse talents can succeed.

Metrics and Targets:

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

*BIL

 **See “Sustainability Targets and Progress,” pages 18-19.**

Development of the Foundation to Support Human Capital


Creation of an Environment That Enables Diverse Work Styles

BIL has introduced various systems to support employees’ work-life balance, including the flextime system started in 1995 and the homeworking system started in FY2015. In FY2023, BIL has implemented a system that allows employees to work flexibly regardless of time and place, including the abolition of core hours*¹ under the flextime system and the continuation of the homeworking system following the relaxation of restrictions under COVID-19.

BIL has also introduced various systems, such as short-time working system, that help employees to balance work with childcare, nursing care, medical treatment, etc. We have introduced new systems called the “Babysitter Support System”*² and the “Infertility Treatment Leave System” in FY2023 and FY2024, respectively. BIL has also made an e-learning program on the childcare leave system available to employees and conducted a fact-finding questionnaire survey of male employees who have taken childcare leave.


As a result of these efforts, 70% of the eligible male employees took childcare leave in FY2023, achieving our goal*³ of having more than 60% of male employees take childcare leave for two weeks or more and more than 30% take childcare leave for four weeks or more by FY2025, ahead of schedule.

*1 A time period during which all employees must work *2 Utilizing the Children and Families Agency’s corporate-led babysitter dispatch program *3. Announced in the general employer action plan disclosed under the Act on the Promotion of Women’s Active Engagement in Professional Life

 **Data Regarding Users of Systems for Supporting Work-Life Balance**


<https://global.brother/en/sustainability/social/workplace#w04>

Voice of an employee who utilized the childcare leave system



— **Valuable time with family provided by childcare leave** —

Yasuo Ono IDS Development Dept., P&S Business, Brother Industries, Ltd.

 **Voice of an employee who utilized the childcare leave system**


<https://global.brother/en/sustainability/social/workplace#w03>

Improving of Employee Engagement

In order to realize the transformation required to achieve the Brother Group Vision and to encourage employees to take on new challenges, the Brother Group has made “visualize employee engagement at the global level and improve engagement survey scores” one of its sustainability targets for FY2024 in its materiality initiatives, aiming for a relationship in which employees and the Company grow together and contribute to each other. In addition to an employee awareness survey that has been conducted annually since 2008, BIL conducted a new employee engagement survey in FY2022. The results of the survey revealed that about half of the employees felt “support for their growth” from the organization, with a high level of “alignment with the organization” and “sense of contribution,” indicating that engagement was high overall. In FY2023, we conducted employee engagement surveys at more than 90% of our global facilities to understand the status of employee engagement. Going forward, the Brother Group will continue working on group-wide improvement of engagement by taking measures such as improving the quality of goal setting for each individual and encouraging self-directed career development.


Metrics and Targets:

- Visualize employee engagement at the global level and improve engagement survey scores


 **See “Sustainability Targets and Progress,” pages 18-19.**

Promotion of Health and Productivity Management

The Brother Group considers that managing the health of all employees is important for them to exhibit their talent and skills over a long period of time. BIL established the Brother Group Health & Productivity Management Philosophy in September 2016, which was replaced with the Brother Group Global Health & Productivity Management Philosophy in FY2024 upon the change of the chief health officer (the Representative Director & President of BIL). BIL has also formulated Healthy Brother 2025, a set of long-term targets to be achieved by FY2025, with the aim of allowing employees to actively demonstrate their abilities in a wide variety of areas. These targets include a smoking rate of less than 10% and a secondary cancer screening rate of 90% or above. BIL’s Health Management Center and the Health Promotion Center of Brother Health Insurance Society closely work together to strategically maintain and promote employees’ mental and bodily health. In addition, BIL is implementing initiatives aimed at resolving health issues for its diverse talent, such as holding health-related seminars for women and implementing measures tailored to the issues faced by different age groups. As a result of these efforts, BIL was chosen as a Health & Productivity Stock 2024.

 **“Healthy Brother 2025”—a set of long-term targets for employee health**

<https://global.brother/en/sustainability/social/health#data>



2024
健康経営銘柄
Health and Productivity

Round Table with the Senior Managing Executive Officer in Charge of the Human Resources Department and General Managers

**Masakazu Goto**General Manager of Business Development I
Dept., P&S Business Division**Eiji Okada**

General Manager of Human Resources Dept.

Toshihiro ItoSenior Managing Executive Officer in Charge of Law,
Environment & General Affairs Dept., Human Resources
Dept., CSR & Corporate Communication Dept., and
Environment & Climate Change Strategy Dept.**Yumie Tamaru**General Manager of CSR & Corporate
Communication Dept.**Hirotake Nakamura**General Manager of IJ Technology
Development Dept., Development Center

Toward Transformation of the Management Foundation

Encouraging employees to take on new challenges and improving employee engagement

The Brother Group believes that it is important that our employees work with higher motivation with the spirit of “At your side.”—the company spirit that places our customers first in every situation, every time. To facilitate this, in FY2023, BIL formulated a “Human Resource Policy,” aiming to encourage employees to take on challenges and improve their engagement. The medium-term business strategy “CS B2024” defines these two aims as the themes that BIL must pursue for management foundation transformation for a sustainable future. The Company has therefore been promoting activities to achieve this. In the following round table, the Senior Managing Executive Officer in Charge of the Human Resources Department and four General Managers discuss the achievements of these activities, as well as challenges faced therein.

Brother's organizational culture as a source of high engagement

Please tell us about the purpose of the employee engagement survey and the strengths of the Company suggested in the survey results.

Okada: Brother Industries, Ltd. (BIL) has been conducting Company-wide employee awareness surveys since FY2008. In FY2022, we conducted an engagement survey with the aim of visualizing the work satisfaction of Brother Group employees. The survey results have shown that employee

engagement is high and in a good condition overall. Scores are high particularly in such items as “Contributions to customers through work,” “Support from superiors,” “Empathy with the Vision,” and “Collaboration among diverse employees.” I recognize that this shows that the spirit of “At your side.” has fully permeated among employees and has inspired them to work with each other with support from

their superiors to fulfill the Brother Group Vision for 2030.

Ito: I believe the biggest reason for our high engagement lies in our corporate culture of open communication, active discussions about anything, and mutual respect. I believe that, in promoting a project, superiors are making efforts to explain its background and objectives to their subordinates, ask them what they want to do in response, and provide them with support. We ourselves have been trained in this way, so I feel that this culture has been passed down through generations.

Okada: Our engagement scores are high, but raising them itself is not the objective. Instead, I believe that it is important whether the high engagement scores have led to enhancement of our corporate value. We will carefully maintain Brother's strengths, and at the same time, we will also keep a close eye on the scores to ensure that they do not lead to complacency, thereby promoting human resources measures.

Can you give us any concrete example that shows the value of Brother's corporate culture?

Goto: I recognize that one of Brother's distinctive characteristics is low barriers between superiors and their

subordinates. For example, even young employees are offered many opportunities to interact with executives and General Managers. The executives in charge of the P&S Business, Brother's largest business segment, remember the faces and names of most employees, including

new recruits. All people in the P&S Business call each other “XX-san” (a friendly but adequately polite style of addressing someone), regardless of the job title.

Ito: I also hold talk sessions with employees in my departments to deepen communication about the future vision of the Company and their future careers. I believe that superiors' efforts to have one-on-one discussions with each of their subordinates and pay attention to their aspirations and interests have provided a foundation for a lively workplace.

Nakamura: We have a deeply rooted culture of senior employees devoting efforts to nurturing junior employees while supporting them through work. I recognize that the relationships between superiors and subordinates are very good. When I was younger, I used to repeat a process of taking up a challenge and failing in solving it under the guidance of my seniors. We were nurtured in that way, so I naturally interact with my juniors in the same way.

Goto: In addition to the good relationships between superiors and subordinates, I feel that horizontal relationships are also strong. I am responsible for sales

planning and product planning in the P&S Business, and we have very close relationships with the Group's sales facilities and have many opportunities to work with them to work out plans. Therefore, we have a strong sense of sharing the same awareness with them. Within our Company as well, for example, if we in the P&S Business come up with an idea to work with the P&H Business, which is in charge of home sewing machines, to create something new by combining each other's technologies, we can immediately form a cross-departmental research team. We can take prompt action to exchange opinions without having to prepare huge quantities of materials for advance explanations or engage in tedious preliminary coordination. Accordingly, I believe we should be proud of this corporate culture.

Nakamura: I also feel that the barriers between departments are low. When we consult with other related departments

about challenges that we cannot solve within our department, they always readily give us helpful advice. Mid-career recruits are surprised at how low the barriers between departments are. At Brother, product planning and development are often carried out in project teams, which comprise members from different departments, such as Sales, Design, and Manufacturing. They have discussions beyond departmental borders from the basic perspective of providing superior value to customers. I believe that this system of collaboration enabled by lowering the barriers between organizations from the planning stage has underpinned Brother's corporate culture of open communication.

Tamaru: In the engagement survey, the score for “Empathy with the Vision” is high. My department is working globally to share our Vision and Global Charter.

I recognize that at Brother, many employees empathize with the spirit of “At your side.” shown in the Global Charter. As a corporate strategy, overall corporate activities in the value creation process [See pages 14–15.](#) are consistent in the spirit of “At your side.” To ensure that the spirit of “At your side.” will be more deeply rooted and handed down to the next generation, about 500 Global Charter promotional leaders have been appointed worldwide to promote initiatives to share awareness of the Global Charter and Vision at their respective workplaces. As a result, in a questionnaire survey of more than 30,000 Brother Group employees, 93.1% of respondents worldwide selected the answer “I act in accordance with the Global Charter.” We believe that the high score for “Empathy with the Vision” in the engagement survey is the fruit of the efforts we have made to date.



— Challenge identified from the employee engagement survey: Stimulating transformation and innovation —

What challenges and necessary solutions have been identified from the results of the employee engagement survey?

Okada: While we saw high scores for many items in the engagement survey, the scores for “Enhancement of expertise and potential through work” and “Transformation and innovation” were low. This fact suggests that there is a challenge to be solved: employees have not been fully aware of the outcomes of enhancement of expertise, as well as transformation and innovation. To solve this challenge, we have identified from the engagement survey items that would affect “Transformation,” such as “Target setting” and “Enhancement of expertise.” The Human Resources Dept. is now promoting activities to make improvements to these items. In FY2023, we provided all employees with evaluator and evaluatee training. In addition, we have introduced a new internal concurrent job system and other systems.

Internal concurrent job system

<https://global.brother/en/sustainability/social/workplace#w03>

Goto: I agree that “Target setting” is the key to transformation. I believe that passion for a challenge emerges when there is a target to be achieved but there is no clear vision for the path toward it. When you are given a role without knowing the path toward your target, passion emerges in the process of exploring the path. However, the P&S Business has already established its operating process as a growth business through its long history of achievement. Therefore, I recognize that it has become natural for us to continue on the same old path, preventing the emergence of such passion. I hope to provide the staff of my department with the opportunity to take on new challenges so that they can clarify their own target and explore the path toward it, thereby developing necessary passion for those challenges.

Nakamura: I also believe that putting yourself in a challenging situation is the key to creating innovations. I tell my team members not to become like “boiling frogs,” who stay in their comfort zone.

Okada: I think that BIL's low turnover rate is thanks in part to the Company's good corporate culture and favorable working environment. However, on the other hand, it can also be said that the mobility of its human resources is low, and the organization is highly homogenous. Because such an organization is less capable of creating innovations, we have increased the number of

mid-career recruits so that they account for about 40% of our annual recruits. We believe that this will allow employees who have never worked outside Brother to gain inspirations from the mid-career recruits, creating an environment that more strongly motivates all employees to take on challenges.

Nakamura: Unlike ever before, the increased number of mid-career recruits and more diverse teams have brought a good

sense of tension and stimulation to our workplace.

Itou: Rather than remaining in your comfort zone, you should

pursue your purpose while at the same time continuing to change in line with changes in your surrounding environment and society. I believe this is what we call “True Autonomy” in our Human Resource Policy.

Tamaru: As part of the corporate communications department, I strive to communicate the Company's future vision, including its intentions and background, in an easy-to-understand manner to external stakeholders while also working to strengthen information sharing within the Company. Completely implementing our business strategy that entails transformation involves the important requirement of all employees changing their behavior. We want to make employees feel proud of working at Brother and increase their motivation to take on transformation challenges.

Nakamura: My department has also created the opportunity to share information with all employees across the Company. The IJ Technology Development Dept., which I am in charge of, is not a business department but rather a department that develops inkjet technology for applications in a wide range of areas, from consumer to industrial use. Earlier in FY2024, we held an internal presentation session to introduce the results of our efforts to develop new inkjet technologies to people outside our department. A total of 660 employees, including Executive Officers, visited the event. After listening to our young engineers giving explanations, the attendees asked them various questions and shared their views. We have received a variety of opinions and are already taking action for the future. For the members who gave a presentation, this was an opportunity to have their technology used in an actual product, making them feel very rewarded.

Okada: In FY2023, we revised our human resources system with a view to both maintaining Brother's long-cherished positive corporate culture, including open communication and dialogue with management, and accelerating True Efforts and employees' True Autonomy, which lead to innovation. The new human resources system places higher value on expertise than ever before, in addition to evaluating employees as generalists. We hope to increase employees' motivation by properly evaluating those who have excellent expertise and use it to produce results.

Itou: Brother has a culture that values employees' happiness. I believe that evaluation with high importance placed on expertise will help increase the value of their existence and thereby their motivation. We hope to pursue employees' happiness through appropriate treatment and other features of our new human resources system.



What do you want senior employees (in managerial positions) to do toward transformation?

Goto: I tell managerial positions to think about their work from a mission- and purpose-based perspective rather than from a task-based perspective, with a view to taking on new challenges and creating innovations. For example, if you feel that you do not have enough staff, you may be tempted to hire more people to fill the gap. However, such a task-based way of thinking will not lead to innovation. I tell them to reconsider whether the task is really necessary in relation to the team's mission and purpose, rather than simply handing the task over to someone else.

— For greater efforts toward transformation and inspiration for innovations —

Finally, could you tell us about the contribution you would like to make and your aspirations?

Tamaru: To ensure that Brother will become “a company which leads to a long, successful future,” we hope to continue our efforts to share our Vision, connect with stakeholders through PR and IR activities, and feed back their opinions about Brother



to the Company, thereby accelerating transformation. We also hope to make as many people as possible Brother fans through our attractive branding and communication strategies. We hope to be able to provide more news than ever before that will give each and every employee a

feeling of satisfaction in working at Brother.

Okada: Headquarters departments, including the Human Resources Dept., do not have much opportunity to feel that they are making a direct contribution to customers, so I ask all members of the Human Resources Dept. to consider what is the purpose they are working for. I have found that many of them want to make a positive contribution to society and the Company and that this would bring them the joy of working. We respect the desire of our department members to be useful to people and society and to be appreciated by them. In addition, we hope to encourage them to consider how and where they can demonstrate the results of their own growth to make such a positive contribution, rather than just focusing on being appreciated by others. To achieve this, we hope to promote human resources measures that encompass all employees.

Nakamura: I truly aspire to use inkjet technology to remake the world for the better. This is not something I can achieve by myself. I need many partners, not just in Brother, but also among external parties, such as suppliers and distributors. I believe the first step I should take as a General Manager to achieve this is to create an environment in which the people

Itou: Each business segment has its own established operating process, and I believe that the P&S Business in particular is operating in a systematic way. Therefore, I believe that, although it is not easy to change the operating process, the key is not to destroy it, but to make it even better, such as by changing the combination or order of operations. Also, having just one innovator is not enough; it is important that the entire team innovates. This requires individual relationships of trust as its basis, so I hope that those in managerial positions praise their subordinates for the results they have produced, no matter how small, and try to create a culture and atmosphere that inspire innovations.

I work with can demonstrate their capabilities to the fullest. Transfers and the hiring of mid-career recruits have increased the number and diversity of members of our team, leading to them giving positive stimulation to each other. I hope to combine the capabilities of individual staff members to create greater power and realize innovation.

Goto: To drive transformation and innovation, I hope to always consider whether the staff are able to maintain their high motivation for work. In the planning departments of the P&S Business, all employees enter their future career plans into a human resources database, and all managers in those departments review these entries and consider personnel placement. From now on, I hope to ensure that employees will be able to receive both feedback about the skills and experience they need and active support for their transfer to other departments if they need a transfer to realize their career goals. Additionally, I will ensure that stories about employees' success in achieving their career goals are actively shared within the department to inspire an increasing number of employees to feel they can do what they want, thereby increasing employee motivation and using this as a driving force for commitment to taking on new challenges and creating innovation.

Itou: I want to make Brother a company where employees can continue to work with peace of mind while thinking, “I want to work at Brother forever” or “I can work with these people for a long time.” To achieve this, the most important thing is to create an environment in which diverse employees can maximize their capabilities. Too much emphasis on efficiency would lead to people with different perspectives and strengths being excluded, resulting in a highly homogenous workplace. If a team has members with different levels of skills in a specific field, it should be managed so that each member's strengths in other fields are fully brought out and leveraged within the team. I hope to perform the kind of management that allows each of the diverse employees to demonstrate their capabilities to the fullest, in order to maximize the performance of Brother as a whole.

Intellectual Capital

Capital status

- Research and development expenditures: 47.9 billion yen
- Number of patents owns worldwide: approx. 30,000
- Number of design rights owns worldwide: approx. 3,000

*FY2023 results

Strengths

- A variety of unique technologies

For the Brother Group, we consider true technical capabilities to refer to the utilization of Brother's variety of unique technologies to create products and services that customers demand. We give full attention to customers and devote ourselves to strengthening our intellectual capital for value creation by constantly thinking about what technologies can be made to satisfy customers and what kind of products will be helpful to customers. Also, by obtaining rights for the values created, we protect our unique technologies and contribute to improving profitability and maintaining our advantages. While effectively utilizing our proprietary technologies and intellectual property rights, we will enhance our brand value with our trusted technological capabilities that enable us to provide products, services, and solutions that are chosen by our customers.

Manufacturing technology cultivated through business diversification since the group's founding

The Brother Group started out in the sewing machine repair business. Leveraging its product knowledge gained through sewing machine repairs, it succeeded in the mass production of domestic home sewing machines. After this, the business diversified into typewriters and home appliances, leveraging the press-molding and precision processing technologies it had cultivated. Furthermore, by combining motor and electronic technologies, it has provided customers with a variety of unique products, including machine tools and communications and printing equipment.

Product and Technology Timeline of Brother

<https://global.brother/en/corporate/technology>

Decade	Base Product / Technology	New Products / Businesses
1990s	Information and communications technology for fax machines Electrophotographic technology and inkjet printing technology for printers	Compact All-in-Ones
2000s	Inkjet printing technology for home printers	Garment printers

System supporting intellectual property strategies

At Brother Industries, Ltd., the development departments and the intellectual property department consider intellectual property strategies from various perspectives and set goals for each business area. To ensure the implementation of our intellectual property strategies, we hold regular reporting meetings and, for matters requiring important decision-making, we report to the management, including officers in charge of each business, as needed and ask for their instructions.

Meanwhile, we have established incentive and award systems for employees to encourage the creation of inventions and designs as well as intellectual property activities. Even though in-house inventions are under control as know-how rather than applying for patents, the systems also reward those controlled inventions.

Moreover, in FY2023, we received the Chubu Regional Invention Award for our invention of a highly durable inkjet print head that achieves longer product lifespan. Such external invention awards have been broadly announced throughout the Company.

Measures to invest in and strengthen intellectual capital

Aiming for a business portfolio transformation to realize "At your side 2030," the Brother Group is working on the research and development of a variety of unique technologies to create products and services desired by its customers. In FY2023, the Brother Group as a whole invested approximately 47.9 billion yen in R&D. We possess numerous patents for inkjet print head technology, which strengthens the Industrial Printing area, one of the pillars of our business portfolio transformation. In the P&S Business, we have named our new inkjet printing technology "MAXIDRIVE," and by branding it as a technology trademark, we protect our intellectual property in both patent and trademark aspects. Moreover, as part of our efforts for the business portfolio in future, we are strengthening collaboration with external parties such as Nagoya Institute of Technology to promote the creation of new technologies and businesses. In addition, we provide engineers and designers with training opportunities to deepen their knowledge of intellectual property on their own level. We also provide intellectual property department personnel with professional education through multi-year programs.

Approximately 30,000 patents worldwide

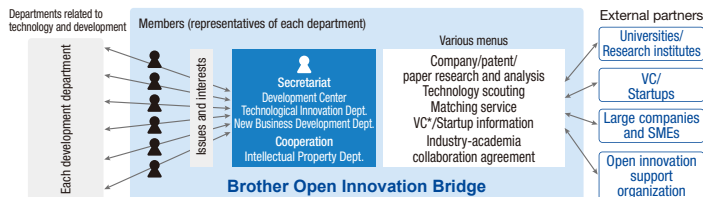
The Brother Group obtains intellectual property according to the situation of each business area. In the Printing area, we continue our activities to possess a considerable number of valuable patents in order to increase profitability and maintain our competitive advantage. We also conduct strategic intellectual property activities, including obtaining patent rights as a barrier to entry, by identifying promising technologies through collaboration between the development departments and the intellectual property department. In March 2024, the "Clarivate Top 100 Global Innovators 2024" title was awarded to Brother Industries, Ltd. for the seventh time by Clarivate, a U.K.-based company, as an organization at the top of the global innovation ecosystem. Moreover, we may issue warnings or enforce our rights against infringing activities. Meanwhile, we respect the rights of third parties and conduct diligent research to ensure that we do not infringe any intellectual property rights of others when developing new products.

Status of Patents

No. of published patent applications in Japan	1,180 (FY2023)
No. of patents granted in Japan	991 (FY2023)
No. of patents granted in the U.S.	649 (FY2023)

Column Open innovation

In order to resolve our customers' problems, we have built an internal platform that uses technologies and information from both inside and outside the Company and are promoting open innovation. As our internal platform, we operate the Brother Open Innovation Bridge, which compiles the technical issues and interests of each development department within the Company, identifies and introduces optimal external partners such as universities and startups, and enables the sharing of information researched and analyzed within the Company.



* Venture Capital company: An organization that invests in venture companies expected to have future growth

Manufactured Capital

Capital status

- Global manufacturing facilities: 27 facilities*¹
- Capital expenditure: 47.4 billion yen*²

*1 As of March 31, 2024
*2 FY2023 result

Strengths

- Highly cost-competitive and flexible global manufacturing system

The Brother Group has produced highly reliable products while developing a highly cost-competitive and flexible global manufacturing system involving multiple facilities. We are further strengthening our system to mitigate various risks and ensure a stable supply of products to our customers by building new factories, diversifying our manufacturing facilities, and expanding our inventory holding functions to realize the goals of "enhancing supply capability" and "enhancing the industrial inkjet technology foundation" that are part of "towards expansion in the industrial area," as well as "building resilient and sustainable supply chains" under "management foundation transformation for a sustainable future," as stated in our medium-term business strategy CS B2024.

Risk Hedging and Achieving Cost Competitiveness through the Promotion of Global Manufacturing Strategy

Start of operations P&S Business: Brother Industries (Philippines), Inc.'s new factory building "Factory No. 3"

One of the main manufacturing facilities in the P&S Business, Brother Industries (Philippines), Inc., has constructed "Factory No. 3," which started operations in March 2024, for increased production capacity in preparation for further increases in product sales. By enabling the production of various types of printers and All-In-Ones, Factory No. 3 will flexibly respond to changes in the business environment and meet customers' needs. We are also strengthening our BCP measures by also having a warehouse function for storing parts and products in case a risk arises in terms of logistics.



Brother Industries (Philippines), Inc. Factory No. 3

Start of operations Hoshizaki Factory: New factory building "Hoshizaki Factory No. 13"

"Hoshizaki Factory No. 13," which was constructed within the premises of the Hoshizaki Factory in Japan (Nagoya, Aichi), started operations in July 2024 as a production facility to strengthen our production capacity for consumer and industrial inkjet printheads and related components. Hoshizaki Factory No. 13 has enabled efficient production by consolidating the production processes of critical components that were previously dispersed across multiple facilities. In addition, as part of its BCP, it has become the first Brother Group building to adopt a seismic isolation structure. Through these measures, in addition to strengthening the profitability of the P&S Business, we aim to achieve the goal of "enhancing the industrial inkjet technology foundation" set forth in "CS B2024."



Hoshizaki Factory No. 13

Strengthening Manufacturing Facilities towards Expansion in the Industrial Area

Completed Machinery Business, Industrial Equipment: A new factory of Brother Machinery India Private Ltd.

India has a population of over 1.4 billion people, and with continued population growth and economic growth, a large market expansion for machine tools is expected, especially for automobiles and motorcycles. Therefore, in September 2024, the Brother Group completed the construction of a new factory in India, which will be the third manufacturing facility for machine tools, following those in Japan and China. The new factory is scheduled to start operations in December 2024. By manufacturing in India, we will be able to deliver products to customers in India with shorter delivery times.



New factory in India

Under construction Minato Factory: A new warehouse, "Minato Warehouse No. 2"

In order to meet the increased demand for storage of products and parts, which is expected to grow in view of "expansion in the industrial area," we are constructing "Minato Warehouse No. 2" at the Minato Factory (Nagoya, Aichi) of BIL, which is scheduled to be completed in January 2026. Minato Warehouse No. 2 is designed to accommodate BCP measures by placing the building floor 80 cm higher than the expected height of a tsunami. Upon completion, in addition to meeting the increased storage demand for products and parts of the Machinery Business, we plan to transfer the functions of the distribution center located in Nagoya to the new facility to improve the efficiency of warehousing and logistics operations for the entire Group in Japan.



Rendering of "Minato Warehouse No. 2," a new warehouse at the Minato Factory

Start of operations Nissei Business: New factory building, "Plant K"

Nissei (Anjo, Aichi) has constructed a new building, "Plant K," on the premises of its head office factory to secure production capacity to expand sales of gears for factory automation and robots, and the building began operations in April 2024. Plant K has solar panels installed on the roof and has no pillars inside, allowing for a flexible layout. In conjunction with the start of operations of Plant K, we have begun restructuring the layout of the entire head office factory with Plant K as the axis, in order to shorten lead times and streamline* the manufacturing process. In addition, we have secured an area for further automation of equipment, aiming to improve productivity throughout the factory. The layout restructuring is scheduled for completion in January 2025.



Nissei Business New Factory Building "Plant K"

* Achieving a state in which goods and information flow smoothly in the production processes of the manufacturing sector

Social and Relationship Capital

Capital status

●Number of consolidated subsidiaries: 106 companies*1

●Number of countries and regions supplied with Brother products and services: More than 180*1*2

*1 As of March 31, 2024

*2 Countries or regions with Brother sales facilities or authorized Brother agents

Strengths

●Global customers and business partners that we grow together with

As for strengthening social and relationship capital, the Brother Group will continue to provide excellent customer experiences and value through the expansion of businesses that connect with customers and other efforts toward achieving “supporting people’s value creation” as one of its materialities.


In pursuing another materiality, “pursuing a responsible value chain,” the Group will ensure respect for human rights as well as safety and security for all people involved in the Group’s business while co-creating value with business partners.

Trusting Relationships with Stakeholders Based on the Global Charter

Based on the “At your side.” Spirit, the Brother Group aims to create social value through business activities. The foundation of this is the building of long-term, trustful relationships with our stakeholders as outlined in the Global Charter. All employees of the Group act with this sense of value to continue to promote its management with an emphasis on sustainability.

 **Stakeholder Engagement** <https://global.brother/en/sustainability/csr/stakeholder>

Expansion of Business That Connects with Customers

To “accelerate P&S business model transformation” as stated in “CS B2024,” the Brother Group is undertaking a shift to a business model that connects more proactively with customers who use its products.  See “Promoting initiatives to connect with customers toward transformation in the Printing area” page 27.

In addition, we are working to build a one-to-one marketing system in order to “Enhance and expand connections with customers” as set forth in CS B2024. As part of our one-to-one marketing, the P&H Business released “Artspira,” a mobile application for crafts, in FY2022. Artspira is an app that provides the data content and instructions necessary for making creations to the many customers who enjoy crafts such as sewing, embroidery, cutting, and printing. In FY2023, we enhanced our services, including the launch of paid services that offer more design content and editing tools. By creating an environment where we can communicate directly with customers through Artspira, we will be able to make proposals based on their product usage and the products they own, which we believe will also lead to improved LTV. Going forward, we aim to provide even greater value to our customers by utilizing the data we obtain from our connections with them to make proposals that are tailored to the needs of each individual customer, rather than taking a one-size-fits-all approach.


“Pursuing a Responsible Value Chain” as Stated in the Materiality

Responsible Business Alliance

Since BIL joined the Responsible Business Alliance (RBA) in January 2019, we have been strengthening our supply chain risk assessment and the implementation system for corrective actions based on assessment results in the areas of labor, health and safety, environment, ethics, and management systems as stated by the RBA in its Code of Conduct. As a result of audits conducted by third-party organizations certified by the RBA, since FY2022, BIL’s three manufacturing facilities have received RBA Platinum certification, and the Group has achieved one of the sustainability goals it has set to address its materiality, “Attain RBA Gold certification for three Group manufacturing facilities.” In addition, we are strengthening our efforts toward “pursuing a responsible value chain,” which is listed as one of our materialities. These efforts include self-assessment conducted at our main manufacturing facilities using a self-assessment tool provided by the RBA in order to confirm that there are no significant risks.

RBA Certified Facilities in the Brother Group (as of May 2024)

Facilities	Status	Date of Acquisition	Facilities	Status	Date of Acquisition
BROTHER INDUSTRIES (VIETNAM) LTD.	Silver	April 14, 2024	BROTHER INDUSTRIES (PHILIPPINES), INC.	Platinum	November 18, 2023
BROTHER TECHNOLOGY (SHENZHEN) LTD.	Platinum	October 3, 2023	BROTHER INDUSTRIES, LTD. (Hoshizaki Factory)	Platinum	May 3, 2024

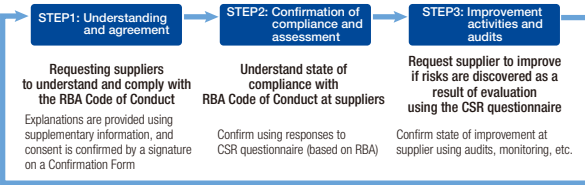
 **Responsible Business Alliance**


<https://global.brother/en/sustainability/social/supply-chain#rba>

Co-Creation of Value with Suppliers (Business Partners)

The Brother Group is working to raise the level of CSR procurement by formulating Procurement Policy and CSR Procurement Standards and carrying out awareness-raising activities, including explaining them to suppliers. The Group is also implementing the CSR Procurement Level-up Program for suppliers to its manufacturing facilities (P&S Business). The program has evolved further since FY2023 as the information to be understood for consent changed from the Brother Group’s CSR Procurement Standards to the RBA Code of Conduct to promote activities toward RBA compliance. With regard to the procurement of minerals for raw materials and parts, we are striving to ensure transparency in the supply chain and to avoid the use of conflict minerals through formulating policies and surveying usage. In addition, we are cooperating with our suppliers to build a parts procurement system that can flexibly handle changes by establishing relationships that enable us to have multiple procurement channels and to quickly consider alternatives in the event of design changes, even in normal times.

CSR Procurement Level-up Program



 **CSR Procurement Efforts**

<https://global.brother/en/sustainability/social/supply-chain#activities>


Respect for Human Rights

The Brother Group Principles of Social Responsibility have been established to clearly define our corporate responsibility and actions toward achieving a sustainable society. In addition, the Group has been promoting efforts, such as respecting the human rights of all people involved in its business and preventing negative impacts on human rights throughout the value chain, based on “pursuing a responsible value chain” as one of its materialities. The Group established the Brother Group Human Rights Global Policy (Human Rights Policy) in January 2023 and conducts human rights due diligence on our suppliers. It has also established a consultation and whistleblowing helpline for all stakeholders, and offers human rights training programs within the Group.

Implementation Structure

The Brother Group has established the Responsible Value Chain Subcommittee as one of the subcommittees under the Sustainability Committee to promote group-wide global efforts to ensure respect for human rights.

This subcommittee formulates global human rights due diligence policies and implements human rights due diligence throughout the value chain as its activities to ensure that the human rights of people involved in the Group’s business are respected and to provide safe and secure workplaces for workers.

 **Sustainability Committee**


<https://global.brother/en/sustainability/csr/management#m01>

Metrics and Targets:

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

Establishment of the Brother Group Human Rights Global Policy

In January 2023, BIL formulated the Human Rights Policy to clarify the international norms that it adheres to, such as the International Bill of Human Rights, as well as the human rights issues that the Group recognizes as important. It also declares that the Group will work on measures to prevent negative impacts on human rights that may arise from its business activities and require its suppliers to comply with the Policy.

 **Brother Group Human Rights Global Policy**

<https://global.brother/en/sustainability/social/human-rights#policy>

Implementation of Human Rights Due Diligence

The Brother Group conducts human rights due diligence with the aim of achieving responsible procurement in its supply chain. Specifically, we conduct surveys on first-tier suppliers*1 of our main businesses annually*2 to confirm that there is no forced labor, child labor, or health and safety issues. In addition, in FY2023, we expanded the scope of our survey to include some of our second-tier suppliers, which are the upstream of first-tier suppliers, so as to further promote our efforts toward responsible procurement. We request improvements in writing as necessary and conduct audits, including on-site audits, of selected first-tier suppliers based on the results of our surveys.

*1 Suppliers mean companies that supply parts that are necessary for manufacturing Brother products.

*2 Once every two years for those of the Domino Group.

FY2023 Targets and Results of Human Rights Due Diligence

Assessment based on survey	Target 1,099 companies	Result 1,129 companies
Onsite or online audit	Target 10 companies	Result 10 companies
Number of companies subject to correction after audit		Result 0 company

Establishment of Grievance Mechanism

The Brother Group joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) in FY2022, and established a whistleblowing helpline where the Group’s suppliers, customers, investors, employees, and all other stakeholders can raise specific concerns about human rights. This helpline allows anonymous reporting so that whistleblowers can report without fear of retaliation. When a report is received, we promptly investigate the case. In case negative impacts on human rights or human right risks are identified, we take necessary corrective action. No grievances were reported from FY2022 to FY2023.

Human Rights Training

The Brother Group conducts training related to human rights to raise employees’ awareness.

In FY2022, BIL conducted an e-learning program on the Human Rights Policy and the Group’s initiatives to promote respect for human rights for all its employees. In FY2023, such e-learning programs were also implemented at Brother Industries (Vietnam) Ltd., a manufacturing facility in Vietnam. Other efforts to deepen understanding of the Brother Group’s human rights initiatives globally include holding study sessions on “business and human rights” for BIL employees and holding human rights seminars at Taiwan Brother Industries, Ltd., a manufacturing facility in Taiwan.

Human Rights Management Cycle Chart



Based on the Human Rights Policy, the Brother Group implements human rights due diligence based on human rights education and communication with suppliers. In implementing human rights due diligence, we engage in earnest dialogue with stakeholders regarding human rights, and address any human rights issues that may still arise by establishing a grievance mechanism, thereby reinforcing our commitment to respect for human rights.

Natural Capital (Environmental Initiatives)

Capital status

●Resource consumption (raw materials for products) 173,996 t*

●Total energy consumption (crude oil equivalent) 42,381kL*

* FY2023 results

The Brother Group helps society achieve sustainable development by positively and continuously considering environmental impact in all aspects of our business operations.

Safety and environmental impact shall be prime considerations at all stages of the product lifecycle to build a society capable of sustainable development. With this as the cornerstone, we seek to deploy environmental activities in accordance with the basic philosophy of the Brother Group's Environmental Policy.

Brother Group's Environmental Policy

<https://global.brother/en/sustainability/eco/policy>

Environmental Vision 2050 and CS B2024

The Brother Group formulated three pillars; reduction of CO₂ emissions, resource circulation, and biodiversity conservation, in the “Brother Group Environmental Vision 2050” as a company that uses energy and resources to provide products using bio-based items such as paper, thread and cloth. This Environmental Vision recognizes the key social issues of climate change, resource depletion, environmental pollution, and destruction of the ecosystem as business risks for the Brother Group and clearly states the Group’s continuous commitment to solving these issues over the long term.

Brother Group Environmental Vision (2050 targets)

Targets and goals		Medium-term Targets for FY2030	
Reduction of CO ₂ emissions	Aim to achieve carbon neutrality within the entire Group in all business operations and minimize CO ₂ emissions from the entire value chain so as to contribute toward creating a carbon-free society	●[Scopes 1 and 2] Achieve 65% reduction from the FY2015 level ●[Scope 3 C1, C11, and C12] Achieve 30% reduction from the FY2015 level	<div><div><div></div></div><div>SCIENCE BASED TARGETS</div><div>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</div></div>
	<div>Main efforts</div> <div>Introduction of solar power generation, renewal of air conditioning facilities, renewal and adoption of energy-saving for production facilities, etc.</div>	<div>* The medium-term target for FY2030 has been recognized as a target based on scientific evidence (1.5°C target) by the Science Based Targets initiative (SBTi), an international initiative established to help achieve greenhouse gas emissions reduction targets.</div>	
Resource Circulation	Maximize resource circulation within the entire Group toward 2050 to ensure the sustainable use of resources and minimize the environmental impact due to wastes	●Reduce the ratio of virgin materials used in products*1 to 65% or less*2 by FY2030 through the expansion of circular-economy-based businesses and materials recycling. ●The Group's manufacturing facilities continuously endeavor to ensure efficient use of water resources and proper treatment of wastewater.	
	<div>Main efforts</div> <div>Expansion of circular-economy-based businesses, reuse of products and parts, use of recycled materials, etc.</div>	<div>*1 Including packaging materials *2 Applies to the Printing and Solutions Business, Machinery Business, and Personal and Home</div>	
Biodiversity conservation	Minimize the environmental impact of business operations within the entire Group on the ecosystem and promote activities to restore and conserve the ecosystem beyond the impact	●The Brother Group assesses the environmental impact of its business operations on the ecosystem and the effectiveness of restoration and conservation activities, and works to avoid and reduce the environmental impact on the ecosystem. ●The manufacturing and sales facilities of the entire Group work on ecosystem restoration and conservation activities on a voluntary basis depending on the situation in each region.	
	<div>Main efforts</div> <div>Biodiversity conservation activities, reduction of CO₂ emissions, and promotion of resource circulation</div>		

The Brother Group has set sustainability targets for the period of the medium-term business strategy CS B2024 to address the five materialities for achieving “At your side 2030” Vision, and is promoting the efforts as important management issues. Of the five materialities identified, the ones related to the protection of the earth are CO₂ emissions reduction and resource circulation.

See “Medium-Term Business Strategy” on pages 17-23

Target for FY2024 and Achievements so far

Materiality		Target for FY2024	Achievement in FY2019-FY2023
Protect the earth	Reduction of CO ₂ emissions	[Scope 1 and 2] Reduce CO ₂ emissions by 47% from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024) Ref.) FY2030 Targets: 65% reduction from the FY2015 level	CO ₂ emissions (Scopes 1, 2, and 3) <div><div><div></div>See “Non-financial Indicators” on page 65</div></div>
		[Scope 3 C1, C11, and C12] Take measures to reduce 150,000 tons through own effort Ref.) FY2030 Targets: 30% reduction from the FY2015 level	
	Resource Circulation	Achieve ratio of virgin materials used in products of 81% or less Ref.) FY2030 Targets: below 65%	Amount of production waste / amount of recycling <div><div><div></div>See “Non-financial Indicators” on page 65</div></div>

Reduction of CO₂ Emissions

Efforts to Reduce CO₂ Emissions at Business Sites

In FY2023, the Brother Group newly installed solar panels at the Hoshizaki Factory and the Research & Development Center in Japan, as well as at Brother Technology (Shenzhen) Ltd., Brother Industries (Vietnam) Ltd., and Brother Industries (Philippines), Inc. outside Japan. The combined output of these panels is approximately 6,700 kW. As a result of this initiative, the total output of solar panels installed at the Brother Group’s facilities has increased by approximately 16 times compared to the FY2021 level.

At Minato Warehouse 1 adjacent to the Minato Factory, where solar panels were installed in FY2022, a combined on-site and off-site PPA* has been introduced. The power generated by the solar panels is consumed at Minato Warehouse 1, and the surplus power is transmitted to the Brother Museum and the Brother Head Office building, ensuring the efficient use of renewable energy. This is the first pioneering initiative in the Chubu region, which will lead to the expanded adoption of renewable energy.



* PPA is the abbreviation for “Power Purchase Agreement,” a system in which a company that owns and manages solar power facilities provides electricity generated by a solar power generation system installed on the premises, roof, or other space provided by the facility owner to the facility’s electricity users for a fee.

Improvement of the CO₂ Emissions Reduction Effect of Products



The Brother Group has identified business portfolio transformation as one of the key themes in “CS B2024.” In the field of new businesses, the Brother Group aims to create businesses that will help solve materiality issues, such as productivity improvement, labor saving and automation, support for various businesses, CO₂ emissions reduction, and resource saving, as businesses that support worker productivity and creativity and businesses that help protect the earth. Based on this policy, BIL has been engaged in the development of fuel cells, a clean energy source that generates electricity using hydrogen and oxygen from the air as fuel and produces only water as a byproduct, as well as a project utilizing pole-mounted pipelines to transport hydrogen safely and affordably and make hydrogen utilization more accessible. BIL is also advancing various hydrogen utilization initiatives, including the supply of green hydrogen produced using renewable energy. The Brother Group will continue to actively promote further hydrogen utilization under the “PureEne” brand and will engage in continuous efforts toward achieving a carbon-neutral society.

Fuelcell

<https://sdgsstory.global.brother/e/customer/457/>

Resource Circulation and Waste Reduction

World’s First Blue Angel Certification for Recycled Toner Cartridges

In June 2023, Brother's recycled toner cartridges produced at its Slovakian factory received the German environmental label “Blue Angel” certification (DE-UZ 177)*.



* The standards applicable to recycled toner cartridges and ink cartridges for printers, All-in-Ones, etc.

Water Usage Reduction Initiatives

Securing safe water resources is an important environmental challenge common across the globe.

The Brother Group has been monitoring all of our sites regularly, evaluating water risks at each site every year, and working to reduce

water consumption to fulfill our responsibilities as an operator of manufacturing facilities in many countries and regions. At the 13 facilities with relatively higher water consumption, we formulate water management plans and implement various initiatives.

In FY2022, we formulated the Brother Group Environmental Action Plan 2024 (effective from 2022 to 2024), setting a target to reduce water withdrawal at manufacturing facilities from the previous fiscal year (per unit of sales), and we are committed to reducing water usage.

For example, BTSL implemented measures in FY2023 such as improvement of water spraying equipment, introduction of new cleaning methods, increased use of air conditioning water, and utilization of wastewater from analyzers, resulting in a 11% reduction compared to the FY2022 level (per unit of sales).

Water Consumption / Amount of Recycling: See “Non-financial Indicators” on page 65

Biodiversity Conservation



In October 2023, BIL joined the 30by30 Alliance for Biodiversity*1, a coalition of volunteers launched by the Ministry of the Environment (MOE) to actively develop initiatives for biodiversity conservation. At the same time, the MOE has recognized BIL’s “Brother Forests in Gujo”, which BIL has been operating since 2008 as part of its environmental protection activities, as a “Nationally Certified Sustainably Managed Natural Site”**2 (first half of 2023) to achieve the 30by30 target. In August 2024, “Brother Forests in Gujo” was also registered in the World Database on OECMs*3, one of the international databases managed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC), as an OECM.

In addition to the above initiatives, the Brother Group will continue its biodiversity conservation efforts worldwide, including activities to protect tropical rainforests and the habitats of endangered wildlife in Peru through the promotion of the “Cool Earth Eco-Rewards initiative,”**4 as well as projects to regenerate mangrove forests in Thailand and prevent desertification in China.

*1 The 30by30 Alliance for Biodiversity is a target to effectively conserve at least 30% of the land and sea as healthy ecosystems by 2030, which was agreed upon at the G7 Summit in 2021.
*2 The Nationally Certified Sustainably Managed Natural Site is an area where biodiversity is being conserved through private initiatives and other efforts as part of Japan's actions to achieve the 30by30 target, and the Japanese government began certifying these sites in FY2023.
*3 OECM stands for “Other Effective Area-based Conservation Measures,” referring to areas that are not designated as national parks or similar protected areas but where biodiversity can be effectively conserved.
*4 The Cool Earth Eco-Rewards initiative is an activity in which funds, based on the volume of collected consumables such as toner and ink cartridges, are donated to Cool Earth.

Biodiversity Conservation

<https://global.brother/en/sustainability/eco/biodiversity>

Natural Capital (Environmental Initiatives)

TCFD



Compliance with the TCFD Recommendations and Further Promotion of Climate Change Countermeasures to Reduce CO₂ Emissions as One of Our Materialities

The Brother Group has identified the reduction of CO₂ emissions as one of the materialities (priority social issues to be solved) in order to contribute to society and protect the earth, and has set sustainability targets. In February 2020, the Brother Group expressed our support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). In 2021, based on these TCFD Recommendations, the risks and opportunities of climate change with regard to our P&S Business, Machinery Business, P&H Business and new businesses were analyzed, and relevant information was disclosed. We will expand the scope of businesses subject to analysis and strive to enhance our information disclosure as well as further stepping up our climate change countermeasures in order to contribute to the formation of a decarbonized society.

Governance

The Brother Group has established the Sustainability Committee, chaired by the Representative Director & President, to promote materiality initiatives globally, and the Environment & Climate Change Subcommittee, which specializes in addressing the materialities related to the future of the Earth, particularly climate change, under the Sustainability Committee.

The Sustainability Committee is strengthening company-wide management with a focus on sustainability by having the President (or a person assigned by the President), who chairs the committee, report on activity plans and results of activities, including climate change measures, three or more times a year at committee meetings and one or more times a year at the Board of Directors' meetings. Furthermore, to ensure that the efforts are effective, executive remuneration is linked to the progress of major climate change-related targets.

As for the Environment & Climate Change Subcommittee, it is chaired by the General Manager of the Environment & Climate Change Strategy Department and aims to manage the progress of sustainability goals and promote activities related to the environment, particularly climate change, and regularly reports on the status of these activities to the Sustainability Committee.

When formulating and revising important matters such as environmental risks and environmental issues, they are reviewed by the Sustainability Committee or the Environment & Climate Change Subcommittee, then deliberated at the Strategy Meeting, finalized by the Board of Directors, and directed and supervised by the management.

The Environment & Climate Change Subcommittee held four meetings in FY2023. The Sustainability Committee held ten meetings, and reported the results of the

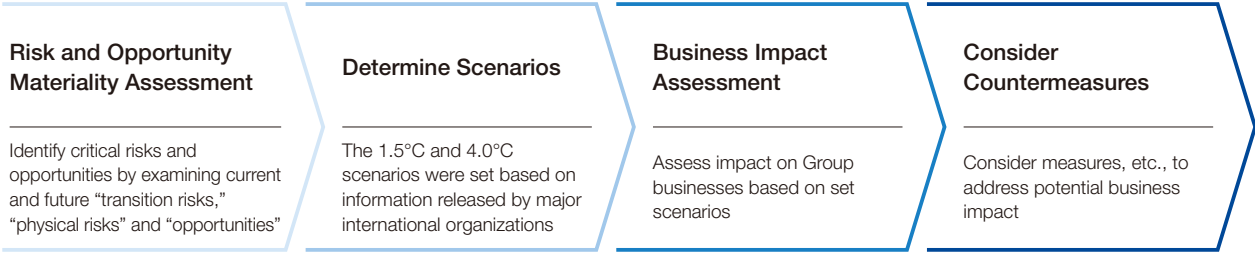
discussions made by the Environment & Climate Change Subcommittee at four of those ten meetings. At the Board of Directors meeting, the Sustainability Committee reported on its activities once.

Strategy (scenario analysis)

The “Brother Group Environmental Vision 2050” places the reduction of CO₂ emissions as an important matter for the Brother Group. Together with recognizing that climate change, which is becoming more serious around the globe, is an important social issue, we regard climate change as a business risk and opportunity for the Brother Group and are striving to resolve it on a long-term and continuous basis.

In FY2020, the Brother Group identified seven key risks and opportunities based on the “1.5°C scenario”^{*1} and the “4.0°C scenario”^{*2} for its major businesses and evaluated their impact on its own operations and finances^{*3}. As a result of this analysis, it was determined that efforts toward carbon neutrality, especially in addressing the circular economy, are important for the Brother Group in terms of both risks and opportunities. In order to incorporate this into its business strategies and activities, the Brother Group has included “undertake environmental efforts toward carbon neutrality” in the “management foundation transformation for a sustainable future” section of its medium-term business strategy “CS B2024,” has set sustainability goals related to CO₂ emission reduction and resource circulation, and is carrying out activities to achieve these goals as priority management issues.

^{*1} Scenario in which global warming countermeasures are implemented and a decarbonized society is closer to being realized.
^{*2} Scenario in which global warming countermeasures are not taken beyond the current level and temperatures continue to rise further.
^{*3} Based on IEA (International Energy Agency) SDS (Sustainable Development Scenarios), IPCC (Intergovernmental Panel on Climate Change) RCP8.5 scenario, Aqueduct (water risk assessment tool), etc.



Climate-related risks

Changes in the external environment		Financial impact* ¹	Estimated time* ²	Impact on the Brother Group	Countermeasures
Transition risks (Policy and legal risk, changes in the market)	Introduction of carbon tax or increase in carbon tax rate	Medium	Medium-term	Increases in product and service costs due to introduction of carbon tax or increase in carbon tax rate	●Reduce CO ₂ emissions in offices (Conduct energy-saving measures at each facility and utilize renewable energy sources) ●Reduce CO ₂ emissions in products (Improve energy efficiency of products, Reduce the number of parts and packaging materials) ●Participate in industry activities to promote corporate carbon neutrality (Participate in the Green x Digital Consortium of the JEITA* ³)
	Shift from gas/diesel vehicles to electric vehicles	Medium	Short-term	Falling demand for metalworking parts for internal combustion engines	●Develop compact machine tools for EVs (Develop new products in the SPEEDIO series that boast high energy-saving performance and productivity)
	Circular economy ●Strengthening of environmental regulations ●Growing market demand	—	Short to Medium-term	Sales opportunity losses owing to lag in meeting environmental regulations and market demand in the communications and printing equipment sectors	●Reduce waste and virgin materials (Use recycled and reused materials in products, Use recyclable cushioning materials for packaging materials) ●Research future regulatory trends (Gather information on environmental regulation trends in Europe and reflect these in product development)
Physical risks (Acute)	Intensified damage from extreme weather events such as cyclones and floods	Medium	Short to Long-term	Production could be suspended due to floods	●Ensure parts inventories that can withstand temporary production halts ●Implement risk countermeasures through multi-site production for some models ●Strategically consider parts suppliers and their upstream suppliers

^{*1} Financial Impact Low: 1 billion yen or less Medium: 1 to 10 billion yen Large: Over 10 billion yen -: Consider in the future
^{*2} Estimated Time Short-term: Within 10 years Medium-term: 10-50 years Long-term: Over 50 years ^{*3} JEITA: Japan Electronics and Information Technology Industries Association

Climate-related opportunities

Changes in the external environment	Impact on the Brother Group	Countermeasures
Increasing need for customers to cut CO ₂ emissions	Increased demand for energy-efficient products and low-carbon products	●Expand sales of ENERGY STAR compliant products ●Invest to collect information on future environmental technologies Invest in the Mirai Creation Fund III and WiL Ventures III
Shift from gas/diesel vehicles to electric vehicles	Rising demand for machine tools to increase new manufacturing workpieces for electric vehicle-related parts, etc.	●Develop compact machine tools for EVs Develop new products in the SPEEDIO series that boast high energy-saving performance and productivity
Circular economy	Secure business opportunities through the expansion of circular-economy-based businesses	●Expand circular business, such as through subscriptions

Risk Management

The Brother Group regards important social issues such as climate change, resource depletion, environmental pollution, and ecosystem destruction as business risks. As such, the Brother Group Environmental Vision 2050 makes it clear that we will strive to resolve these issues on a long-term, ongoing basis.

In FY2022, the Brother Group established a Sustainability Committee chaired by the president to promote sustainability and risk management, including climate change response,

Metrics and Targets

Under the Brother Group Environmental Vision 2050, in the reduction of CO₂ emissions, the Brother Group will aim to achieve carbon neutrality in all business operations and minimize CO₂ emissions from the entire value chain by FY2050. In addition, the medium-term target for FY2030—which serves as a milestone—is set as achieving, by FY2030, 65% reduction in CO₂ emissions from the Brother Group from the FY2015 level for Scopes 1 and 2, and 30% reduction from the FY2015 level for the stages of product procurement, use, and disposal (categories 1, 11, and 12 of Scope 3), which emit particularly significant amounts of CO₂ in the value chain. This medium-term target for FY2030 regarding the reduction of CO₂ emissions has been certified as “1.5°C target” by the “Science Based Targets initiative (SBTi),” an international initiative.

Similarly, the resource circulation section of the Brother Group Environmental Vision 2050 states that the Brother Group aims to maximize resource circulation to achieve sustainable use

to identify and assess priority climate change risks and opportunities and provide appropriate response instructions. The Environment & Climate Change Subcommittee, established under the Sustainability Committee, identifies key issues such as climate change, determines and implements appropriate countermeasures. In addition, the subcommittee sets ambitious targets for climate change response and monitors progress on a regular basis.

of resources and minimize the environmental impact caused by waste toward the year 2050.

The medium-term target for FY2030, the milestone for this vision, sets a goal of reducing the ratio of virgin materials used in products to less than 65% by FY2030 through the expansion of circular-economy-based businesses and the recycling of resources.

Furthermore, short-term targets for 2024 are set in CS B2024 and the Brother Group Environmental Action Plan 2024 as milestones toward achieving the medium-term target for FY2030. They are then broken down into targets for each fiscal year, and the progress and results are reported to the Environment & Climate Change Subcommittee and the Sustainability Committee.

See “Non-financial Indicators” on page 65

Brother Group Environmental Vision 2050 “Medium-term target for FY2030”

<https://global.brother/en/sustainability/eco/vision>