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Company Name: Brother Industries, Ltd.

Representative: Ichiro Sasaki, Representative Director & President

(Code: 6448; First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange)

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### **Introduce Stock Price-Linked Compensation Plan (Phantom Stock)**

Brother Industries, Ltd. announces that the Board of Directors adopted a resolution today to grant a stock price-linked compensation plan (phantom stock) for the payment of money to foreign Executive Officers who reside outside of Japan. The details are set forth below.

Brother has continuously granted stock-based compensation in the form of stock options to Directors and Executive Officers for the purpose of increasing incentives to enhance the company's long-term results.

At this time, the company will introduce a stock price-linked compensation plan (phantom stock) that pays money instead of stock options as stock-based compensation to Executive Officers who are nationals of a country other than Japan and non-residents of Japan. An overview of the plan is below.

- (1) Eligible recipients Brother Executive Officers who are nationals of a country other than Japan and non-residents of Japan
- (2) Timing of grant Following the adoption of a resolution of the Board of Directors to grant phantom stock to eligible recipients at a meeting held after the Company's Ordinary General Meeting of Shareholders, the grant shall be made on the last day of the month after the month in which the resolution was adopted.
- (3) Details of grant The number of phantom stock calculated in accordance with certain criteria determined by the Company shall be granted.
- (4) Exercise period As in the case of stock options as stock-based compensation, phantom stock may be exercised only during the five-year period starting one year after the day on which a Director, Corporate Auditor, Executive Officer, or Counselor of the Company, its subsidiaries, or company of which the Company or a subsidiary controls 40% or more of all shareholder voting rights loses that status.
- (5) Payment When a grantee exercises phantom stock, an amount of money equal to the number of phantom stock exercised multiplied by the price of the company's stock on the exercise date will be paid to the grantee. When payment is made, an amount equivalent to the pay-in amount for stock options as stock-based compensation (one yen per share) will be deducted. Even in cases where the company pays dividends from surplus in relation to common stock, dividends and amounts equivalent to dividends shall not be paid for phantom shares.
- (6) Other In addition to the above, in principle, the various conditions relating to stock options as stock-based compensation shall apply correspondingly to the details regarding phantom stock, but the specifics shall be determined by rules established by the Company and agreements concerning the grant of phantom stock entered into by the Company and grantees.