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(Code: 6448;  
Prime Market of the Tokyo Stock Exchange and Premier Market of the Nagoya Stock Exchange)  
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## Notice of Introduction of the Performance-Based Stock Compensation Plan for Directors, etc. of the Company

At a Board of Directors meeting of Brother Industries, Ltd. (the "Company") held today, the Company reviewed the compensation system for Directors and Executive Officers, (excluding Outside Directors, part-time Directors, and Directors and Executive Officers who are non-residents of Japan; eligible Directors and Executive Officers are hereinafter referred to as "Directors, etc.") and resolved to introduce a stock compensation plan using a trust structure (the "Plan") for Directors, etc. to replace the stock options for a stock-linked compensation plan. The Company hereby announces that it has decided to submit a proposal concerning the Plan to the 130th Ordinary General Meeting of Shareholders (the "General Meeting of Shareholders") scheduled to be held on June 20, 2022 as follows.

### 1. Introduction of the Plan

- (1) In 2006, the Company abolished retirement benefits paid in cash to Directors, and has continued to grant Stock Options for a Stock-linked Compensation Plan to Directors in order to increase incentives for long-term performance improvement.

Subsequently, in 2009, grantees eligible for the stock options were expanded to include Executive Officers, and in 2020, a cash-based Stock Price-Linked Compensation Plan (Phantom Stock) was introduced for Executive Officers with foreign nationality residing outside Japan.

Following the formulation of the Brother Group's medium-term business strategy "CS B2024," which covers the period from FY2022 to FY2024, this new compensation plan for Directors, etc. will be introduced for the purpose of providing incentives to achieve the management targets (financial and sustainability targets) set forth in the medium-term business strategy and to enhance corporate value over the medium to long term, including shareholder value.

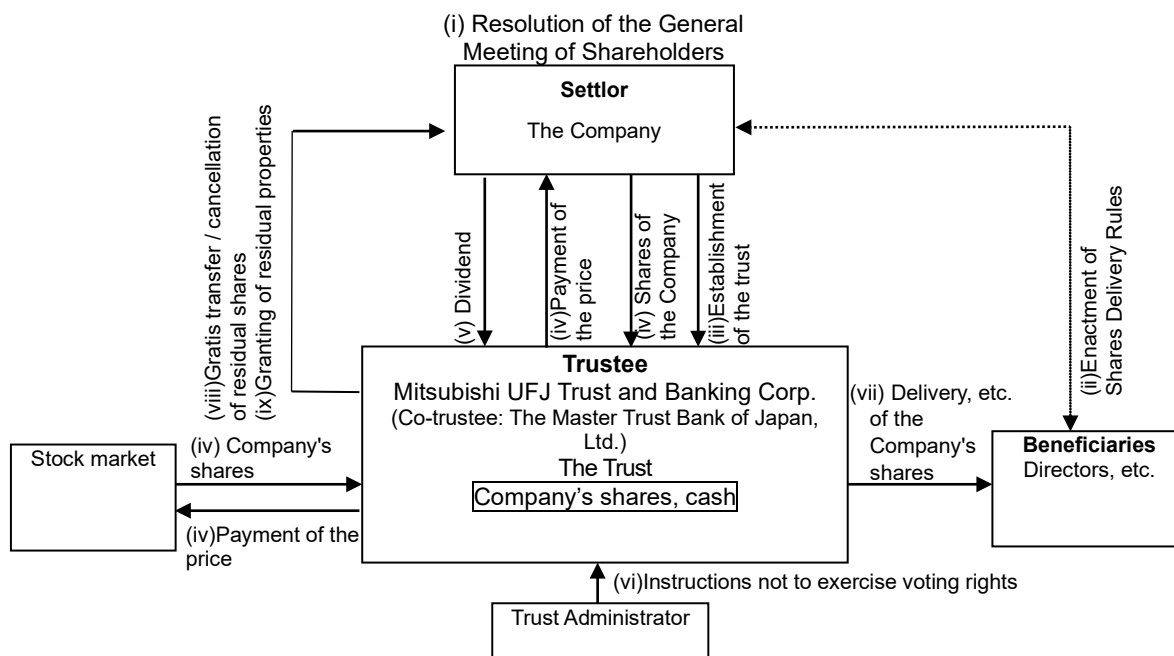
The compensation of the Company's Directors, etc. will consist of three components: basic remuneration to be paid monthly in accordance with their position, annual bonuses paid in accordance with the performance for each fiscal year, and stock-based compensation paid in accordance with their position and the medium- to long-term performance.

After the introduction of the Plan, no new stock options will be granted to Directors, etc., but stock options already granted to Directors, etc. will not be waived and may continue to be exercised within a pre-determined period. In addition, for Directors, etc. who are non-residents of Japan, cash equivalent to the amount of stock-based compensation under the Plan (Phantom Stock) will be paid in lieu of the Plan.

- (2) The introduction of the Plan will be subject to approval at the General Meeting of Shareholders.
- (3) The Plan is a stock-based compensation plan that uses a Board Incentive Plan Trust ("BIP Trust"). A BIP

Trust, similar to Performance Shares and Restricted Stock in Europe and the United States, delivers and provides ("delivers, etc.") to Directors, etc. shares of the Company and cash equivalent to the liquidation value of the shares of the Company (the "Company's shares, etc.") according to their position, achievement of performance targets, etc.

## 2. Outline of the Plan



- (i) The Company will obtain a resolution at the General Meeting of Shareholders to approve the compensation for Directors, etc. pertaining to the introduction of the Plan.
- (ii) The Board of Directors of the Company will establish Share Delivery Rules regarding the details of the Plan.
- (iii) The Company will establish a trust (the "Trust") whose beneficiaries are Directors, etc. satisfying beneficiary requirements by entrusting money within the limit approved by the resolution of the General Meeting of Shareholders referred to in (i) above.
- (iv) The Trust will acquire the Company's shares from the Company (disposition of treasury stock) or from the stock market using the money contributed in (iii) above in accordance with the instructions of the Trust Administrator. The number of shares to be acquired by the Trust will be within the range approved by the resolution of the General Meeting of Shareholders referred to in (i) above.
- (v) Dividends on the shares of the Company in the Trust will be paid in the same manner as those on other shares of the Company.
- (vi) The voting rights of shares of the Company in the Trust will not be exercised during the trust period.
- (vii) During the trust period, Directors, etc. will be granted points (specified in (5) below; the same applies hereinafter) in accordance with the Company's Share Delivery Rules. Directors, etc. satisfying certain beneficiary requirements will, after their resignation, receive delivery of shares of the Company equivalent to 70% of the accumulated points. The remaining shares of the Company equivalent to the remaining points will be liquidated within the Trust in accordance with the provisions of the trust agreement and cash equivalent to the liquidation value of the Company's shares will be paid to the Directors, etc.
- (viii) At the expiration of the trust period, residual shares resulting from failure to achieve performance targets, etc. will be subject to delivery, etc. to Directors, etc. if the Trust is to continue to be used for the

Plan or a stock-based compensation plan of the same type by way of modification of the trust agreement and additional entrustment. If the Trust is terminated at the expiration of the trust period, the Company plans to acquire the residual shares without consideration through a gratis transfer from the Trust and cancel them by a resolution of the Board of Directors as a return of earnings to shareholders.

(ix) The remainder of the dividends on the Company's shares in the Trust that arise at the expiration of the trust period will be used as funds for share acquisition if the Trust continues to be used. However, if the Trust is terminated at the expiration of the trust period, the remainder will be attributable to the Company within the trust expense reserve, which is the trust money minus the funds for share acquisition, and any excess of the trust expense reserve will be donated to an organization or organizations in which the Company and the Directors, etc. do not have any interest.

\* If the number of shares in the Trust may fall short of the number of the Company's shares corresponding to the number of points to be provided to Directors, etc. during the trust period, or the money in the trust property may be insufficient to pay trust fees and expenses, additional money may be added to the Trust within the total maximum amount of trust money referred to in (7) below.

(1) Outline of the Plan

The Plan is a system under which the Company delivers the Company's shares, etc. as compensation to Directors, etc. in accordance with their positions and the degree of achievement of the performance targets of the medium-term business strategy during the three fiscal years (the "subject period") of the planned period for the medium-term business strategy.

In the event of the continuation of the Trust (specified in (4)(ii) below; the same applies hereinafter), the number of years corresponding to the planned period for the medium-term business strategy established by the Company at the time of the continuation will be the new period covered by the Trust.

(2) Resolution by the General Meeting of Shareholders concerning the introduction of the Plan

The General Meeting of Shareholders will resolve the total maximum amount of trust money to be contributed to the Trust, the maximum number of points to be granted to Directors, etc. during the trust period (the maximum number of shares that can be decided to be granted to Directors, etc. for each trust period), the outline of the conditions for delivery of shares, and other necessary matters.

If the Trust is to be continued, the trust agreement may be amended and additional contributions may be made to the Trust at the expiration of the trust period by a resolution of the Board of Directors within the scope approved at the General Meeting of Shareholders.

(3) Eligibility under the Plan (beneficiary requirements)

Directors, etc. may receive delivery of the Company's shares, etc. equivalent to the accumulated points after the prescribed beneficiary determination procedures on condition that they satisfy the requirements for beneficiaries separately stipulated in the Share Delivery Rules.

(4) Trust period

(i) Initial trust period

The initial trust period will be approximately three years from August 2022 (planned) to August 2025 (planned).

(ii) Continuation of the Trust

At the expiration of the trust period, the Trust may be continued by way of the modification of the trust agreement and additional entrustment.

In such case, the number of years corresponding to the planned period for the medium-term business

strategy established by the Company at that time will become the new subject period, the trust period of the Trust will be extended for the same period as the new subject period. The Company will make additional contributions for each extended trust period within the maximum amount of trust money approved by the resolution of the General Meeting of Shareholders, and continue to grant stock delivery points to the Directors, etc. during the extended trust period. However, in the event that such additional contribution is made, if there are the Company's shares (excluding the Company's shares equivalent to the points granted to Directors, etc. which have not yet been delivered, etc.) and money ("residual shares, etc.") remaining in the trust assets at the end of the trust period before the extension, the total amount of the residual shares, etc. and the additional trust fund to be contributed will be within the maximum amount of the trust fund approved by a resolution of the General Meeting of Shareholders. This extension of the trust period is not limited to one extension only, and the Trust may be re-continued in the same way thereafter.

If the trust agreement is not changed or the additional trust is not made at the end of the trust period and there are Directors, etc. who may meet the beneficiary requirements, points will not be given to the Directors, etc. thereafter. However, the trust period of the Trust may be extended for up to 10 years until the relevant Director, etc. retires and the delivery of the Company's shares, etc. to the relevant Director, etc. is completed.

(5) Company's shares, etc. to be delivered, etc. to Directors, etc.

The Company's shares, etc. to be delivered, etc. to Directors, etc. will be determined by converting one point into one share of the Company's stock (rounded to the nearest whole number) according to the cumulative value of points granted to Directors, etc. (the "cumulative number of points") in accordance with the following point-granting rules.

If a Director, etc. becomes a non-resident during the target period, points based on this Plan will not be awarded while he / she is a non-resident, and instead of the Plan, the amount of stock compensation based on the Plan will be used. Equivalent money (phantom stock) shall be calculated according to this Plan and paid at the time of retirement.

If the Company's shares are subject to a stock split or reverse stock split, etc. during the trust period, the number of the Company's shares per point will be adjusted in accordance with the split ratio or reverse stock split ratio, etc. of the Company's shares.

Point-granting rules

Directors, etc. are granted 50% as fixed points and 50% as performance-linked points out of the number obtained by dividing the base amount of stock compensation, which is set according to their position, by the base stock price (\*1). Fixed points and performance-linked points are accumulated and added together. Performance-linked points are calculated by multiplying the cumulative value for each subject period by a performance-linked coefficient based on the degree of target achievement (\*2) in the subject period and fluctuate within a certain range (\*3). For Directors, etc. who retired, died, or became non-residents in the middle of the subject period, multiply by the performance-linked coefficient according to the degree of achievement of performance targets at that time.

(\*1) Average closing price (rounded to the nearest whole number) of the Company's shares on the Tokyo Stock Exchange in July 2022 (or, if the trust period is extended, the month prior to the time of extension)

(\*2) For the subject period from FY2022 to FY2024, the indicators to measure the degree of target achievement will be consolidated revenue and consolidated net income (meaning net income

attributable to owners of the parent company; the same applies hereinafter), CO<sub>2</sub> emissions reductions, and TSR in the final fiscal year during the subject period (the final fiscal year of the planned period for the medium-term business strategy). The indicators for the subject period after FY2025 will be determined separately by the Board of Directors.

- (\*3) For the subject period from FY2022 to FY2024 the rate will fluctuate within a range of 0% to 150%. As for the subject period after FY2025, the indicators will be determined separately by the Board of Directors.

- (6) Method and timing of delivery, etc. of the Company's shares, etc. to Directors, etc.

Directors, etc. satisfying certain beneficiary requirements will, after resignation, receive the delivery of shares of the Company in the number corresponding to 70% of the accumulated number of points calculated in accordance with (5) above (rounding down any shares less than one unit), and provision of cash equivalent to the liquidation value of the Company's shares corresponding to the remaining points after they are liquidated.

In cases where a Director, etc. dies during the trust period, the Company's shares corresponding to the accumulated number of points held by the Director, etc. at that time will be liquidated within the Trust, and the heirs of the Director, etc. will receive a cash payment from the Trust in an amount equivalent to the liquidation value of the Company's shares.

- (7) Total maximum amount of trust money to be contributed to the Trust and maximum number of points to be granted to Directors, etc. during the trust period (maximum number of shares that can be determined to be delivered to Directors, etc. for each trust period)

The maximum total amount of trust money to be contributed to the Trust during the trust period and the maximum number of points to be granted to Directors, etc. during the trust period (the maximum number of shares that can be determined to be delivered to Directors, etc. for each trust period) will be subject to the following limits, on condition that they are resolved at the General Meeting of Shareholders.

- (i) Total maximum amount of trust money to be contributed to the Trust during the trust period  
660 million yen (\*4)

Note that, if the Trust is continued as described in (4)(ii) above, the total maximum amount of the trust money to be contributed to the Trust will be the amount calculated by multiplying 220 million yen by the number of years of the new subject period.

- (\*4) The total amount of the funds for the acquisition of shares by the Trust during the trust period and trust fees and expenses

- (ii) Maximum number of points to be granted to Directors, etc. during the trust period (maximum number of shares that can be determined to be delivered to Directors, etc. for each trust period)  
330,000 points (equivalent to 330,000 shares) (\*5)

Note that, if the Trust is continued as described in (4)(ii) above, the maximum number of points to be granted to Directors, etc. during the extended trust period (the maximum number of shares that can be determined to be delivered to Directors, etc. for each trust period) will be the number of shares calculated by multiplying 110,000 points (equivalent to 110,000 shares) by the number of years of the new subject period.

- (\*5) Based on the total maximum amount of the trust money referred to above, the number is set

by reference to the current stock price and other factors.

(8) Method of acquiring shares of the Company by the Trust

The initial acquisition of the Company's shares by the Trust is planned to be made from the Company (Issuance of new shares / Disposal of treasury stock) or from the stock market.

If the number of shares in the Trust may fall short of the number of shares corresponding to the number of points to be granted to Directors, etc. during the trust period due to an increase in the number of Directors, etc., additional money may be contributed to the Trust to acquire additional shares of the Company within the maximum number of shares corresponding to the total maximum amount of trust money to be contributed to the Trust and maximum number of points as described in (7) above.

(9) Exercise of voting rights pertaining to shares of the Company in the Trust

Voting rights of shares of the Company in the Trust (those that remain in the Trust before they are delivered, etc. to the Directors, etc. in accordance with (6) above) will not be exercised during the trust period to ensure neutrality to company management.

(10) Handling of dividends on the Company's shares in the Trust

Dividends pertaining to the Company's shares in the Trust will be received by the Trust and will be used to pay trust fees and expenses incurred by the Trust.

(11) Treatment at the expiration of the trust period

Residual shares arising at the expiration of the trust period due to non-achievement of performance targets, etc. during the subject period will be subject to delivery, etc. to Directors, etc. if the Trust is continuously used for the Plan or a stock-based compensation plan of the same type. If the Trust is terminated at the expiration of the trust period, the Company plans to acquire the residual shares without consideration through a gratis transfer from the Trust and cancel them by a resolution of the Board of Directors as a return of earnings to shareholders.

The remainder of the dividends on the Company's shares in the Trust that arise at the expiration of the trust period will be used as funds for share acquisition if the Trust continues to be used. However, if the Trust is terminated at the expiration of the trust period, the remainder will be attributable to the Company within the trust expense reserve, which is the trust money minus the funds for share acquisition, and any excess of the trust expense reserve will be donated to an organization or organizations in which the Company and the Directors, etc. do not have any interest.

(Reference)

[Outline of the trust agreement]

(i) Trust type	An individually-operated designated trust of cash other than cash trust (third party benefit trust)
(ii) Trust purpose	Providing incentives to Directors, etc.
(iii) Settlor	The Company
(iv) Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd.)
(v) Beneficiaries	Directors, etc. of the Company satisfying the beneficiary requirements
(vi) Trust Administrator	A third party that does not have any interest in the Company (certified public accountant)
(vii) Trust agreement date	August 2022 (planned)
(viii) Trust period	August 2022 (planned) to August 2025 (planned)
(ix) Plan start date	August 2022 (planned)
(x) Exercise of voting rights	No exercise
(xi) Type of acquired shares	Common shares of the Company
(xii) Maximum amount of trust money	660 million yen (planned) (including trust fees and expenses)
(xiii) Method of acquisition of shares	Acquired from the Company (Issuance of new shares/Disposal of treasury stock) or from the stock market
(xiv) Holder of a vested right	The Company
(xv) Residual property	Residual property that can be received by the Company, which is the holder of a vested right, will be within the limit of the trust expense reserve calculated by deducting the funds for share acquisition from the trust money.