

May 11, 2022
Brother Industries, Ltd.

The Brother Group Announces Its Medium-Term Business Strategy, CS B2024

Brother Industries, Ltd. (President: Ichiro Sasaki) has formulated the Brother Group's medium-term business strategy, CS B2024 for the period from FY2022 to FY2024.



Economic, industrial, and social changes, such as rapid changes in global conditions, have accelerated even more significantly than before since COVID-19 started to spread. The business environment surrounding the Brother Group is expected to continue to change as well. Amid such changes, to continue to fulfill the expectations of stakeholders, we have shaped medium-to long-term vision regarding the sort of value intended to provide to customers and to society, and planned business strategies.

The Brother Group Vision “At your side 2030” was announced in October 2021 and started from April 2022. It defines the Brother Group’s raison d’être and the values it intends to provide to customers and society leading up to FY2030 as “Our Purpose.” It also details “Our Approach”—which is how the Brother Group intends to provide value to realize “Our Purpose” of “By being ‘At your side,’ we enable people’s productivity and creativity, contribute to society, and help protect the earth.”—and sets out “Our Focus Areas.”

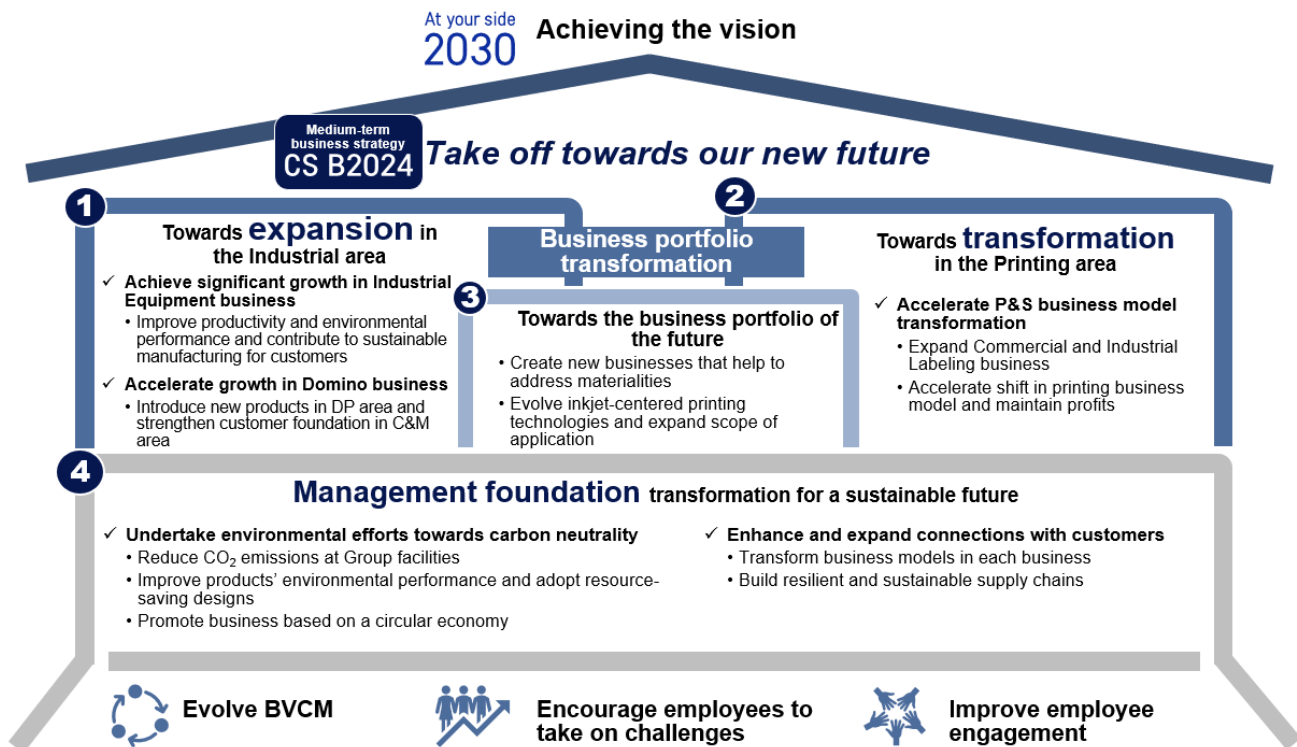
CS B2024, the medium-term business strategy, was formulated with a view of achieving “At your side 2030,” and identifying themes to be undertaken in the first three years backcasted from it.

At the same time, the Brother Group has identified five materialities, which are priority social issues to be addressed to contribute to society and help protect the earth, and also established sustainability targets related to the materialities.

■ Outline of CS B2024

Based on “Take off towards our new future” in CS B2024, the Brother Group will undertake business portfolio transformation—including expansions in the industrial area and transformation in the printing area—as well as management foundation transformation for a sustainable future.

Theme: Take off towards our new future



● Four priority themes

(1) Towards expansion in the Industrial area

✓ Achieve significant growth in Industrial Equipment business

We will achieve significant growth in the Industrial Equipment business by contributing to enhancing customers' competitiveness of manufacturing and reducing CO₂ emissions, through improving productivity and environmental performance.

✓ Accelerate growth in Domino business

We will accelerate growth by enhancing product strength in the digital printing area and strengthening relationships with customers in the coding and marking area, and at the same time, enhance industrial inkjet technology foundation to secure long-term competitiveness.

(2) Towards transformation in the Printing area

✓ Accelerate P&S business model transformation

We will strive to further strengthen the profitability of existing business even amid the harsh market environment, and at the same time, promote transformation for the future, including accelerating the shift to a business model that connects with customers, such as a contract-based business model, and expanding commercial & industrial labeling business.

(3) Towards the business portfolio of the future

- ✓ Create new businesses that help to address materialities

We will search widely for business opportunities that enable working people's productivity and creativity and help protect the earth by further evolving Brother's strengths.

- ✓ Evolving printing technology with inkjet at its core and expanding its range of applications

We will advance the evolution of printing technology with inkjet at its core and expand its range of applications in both the industrial and consumer areas.

(4) Management foundation transformation for a sustainable future

- ✓ Undertake environmental efforts towards carbon neutrality

We will promote efforts towards achieving targets in reduction of CO₂ emissions, resource circulation, and biodiversity conservation stated in the Brother Group Environmental Vision 2050. In particular, we will undertake reduction of CO₂ emissions through various activities to achieve carbon neutrality in the Brother Group's business activities by 2050.

- ✓ Enhance and expand connections with customers

We will connect with even more customers and continuously provide more value than ever before in each of our businesses. Furthermore, we will use data obtained through connections with customers to create even more customer value and seek business model transformation. In addition, we will achieve stable product supply by building resilient supply chains.

- ✓ Foundation for all transformations – Evolve Brother's unique management system Brother Value Chain Management (BVCM) ^{*1}, encourage employees to take on challenges, and improve employee engagement

As a cornerstone of transformation, we will continuously evolve BVCM, encourage employees to take on challenges, and improve employee engagement to continue to improve the productivity and creativity of the Brother Group.

■ Materiality and Sustainability targets

The Brother Group has identified five materialities in order to “contribute to society and help protect the earth” as we set as “Our Purpose” in “At your side 2030.” We have set sustainability targets to address these materialities and will promote company-wide efforts to address them as a management issue.

| Materiality | | Targets for FY2024 |
|-----------------------|--|--|
| Contribute to society | - Supporting people's value creation | - In the Industrial Equipment business, secure performance advantage of products that contribute towards improving customer productivity and reducing CO ₂ emissions - In P&S business, build platform to connect directly with customers towards improving LTV ^{*2} of customers |
| | - Realizing a diverse and active society | - Visualize employee engagement at the global level and improve engagement survey scores - Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan - Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working ^{*3} |

| | | |
|-------------------|--------------------------------------|--|
| | - Pursuing a responsible value chain | - Expand the human rights risk assessment on suppliers - Attain RBA* ⁴ Gold certification for three Group manufacturing facilities |
| Protect the earth | - Reducing CO ₂ emissions | - [Scope 1 and 2* ⁵] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024) Ref.) FY2030 Targets: 65% reduction from the FY2015 level - [Scope 3* ⁵] Take measures to reduce 150,000 tons through own effort Ref.) FY2030 Targets: 30% reduction from the FY2015 level |
| | - Circulating resources | - Achieve ratio of virgin materials used in products of 81% or less Ref.) FY2030 Targets: below 65% |

■Financial policy

The Brother Group will continuously improve shareholder value by achieving both business growth and sustainability goals. While strengthening shareholder returns based on a stable and continuous dividend policy, we will aggressively invest for the future, utilizing operating cash flow generated from our business as well as interest-bearing debt.

✓Prior investments for the future

The Brother Group has set a total of 150 billion yen for prior investments aimed at transforming our business portfolio and realizing the transformation of our management foundation toward a sustainable future. Using this investment quota, we will make investments from a long-term perspective including business growth, environmental efforts and BCP, as well as strategic investments such as M&A, towards “business portfolio transformation.” In addition, we will promote environmental efforts, strengthen our supply chain towards “management foundation transformation for a sustainable future.”

| Theme | | Main Items | Amount |
|---|--|---|------------------------|
| Business portfolio transformation | - Towards expansion in the Industrial area - Towards transformation in the Printing area | - Reinforce sales and service facilities in the Industrial area - Reinforce production capacity in the machinery/FA area - Expand inkjet development and manufacturing facilities | 50 billion yen |
| | - Towards the business portfolio of the future | - Strategic investments for M&A, etc. | 30 billion yen |
| Management foundation transformation for a sustainable future | - Environmental efforts - Enhance and expand connections with customers - Foundation for all transformations | - Factory investment for local production for local consumption of products and the realization of a circular economy - Introduction of energy-generation equipment at Group facilities - Construction of new environmentally friendly building - Supply-chain resilience (expand factories, add multiple functions) - DX investments (build platform for relationships with customers, revamp enterprise system) | 70 billion yen |
| Total | | | 150 billion yen |

✓ Shareholder return

Based on our policy of stable and continuous shareholder returns, we will pay out a minimum annual dividend of 68 yen per share during the period of CS B2024 (with a consolidated payout ratio set at 35% based on the earnings forecast for FY2022), and also consider additional shareholder returns, including an increase in the dividend level, depending on factors such as business performance. We will also flexibly carry out repurchase of our own shares.

■ Financial targets

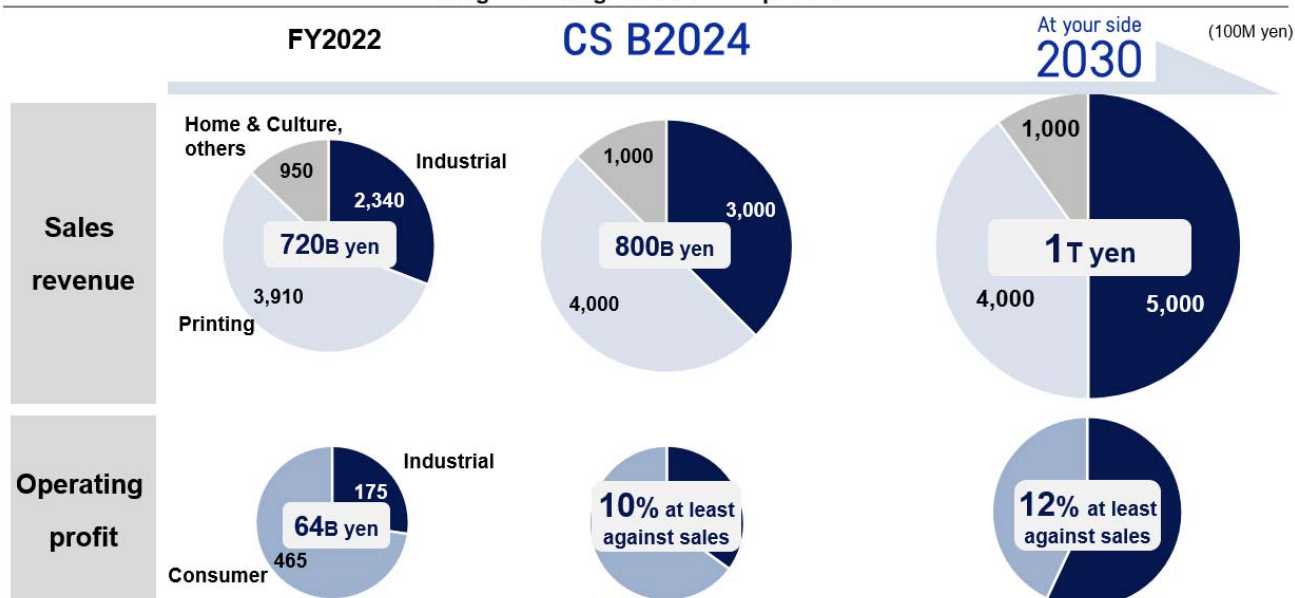
Towards FY2030, which is the final fiscal year of “At your side 2030,” in FY2024, the Brother Group will aim to achieve 800 billion yen in sales revenue and an operating profit ratio of at least 10%. In addition, while taking into consideration the harsh business environment and investments for the future, we will aim for ROE of 10% at least. (above capital cost)

Exchange rate : 1USD=108.00JPY, 1EUR=125.00JPY

| | Targets for FY2024 |
|--|--------------------------------------|
| Sales revenue | 800 billion yen |
| Operating profit ratio (Profit for the period ratio*) | 10% at least (7% at least) |
| ROE | 10% at least |

*Profit for the period attributable to owners of the parent company (assuming a corporate tax rate of 30%)

Image of change in business portfolio



*Regarding the above figures for FY2022:

The forecast for FY2022 announced today is based on the assumption that 1USD=122JPY and 1EUR=133JPY. However, in the above "Image of changes in business portfolio," we have also applied 1USD=108JPY and 1EUR=125JPY for FY2022 in line with the assumed exchange rate for FY2024 target in order to explain the direction and size of growth in an easy-to-understand manner.

The Brother Group will undertake all transformations with even greater speed, aiming to achieve the targets set forth in CS B2024, towards realizing “At your side 2030.”

*1 Brother Value Chain Management (BVCM)

Brother's unique customer-oriented management system defining the flow of value provision to customers

*2 Lifetime Value (LTV)

Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services

*3 Implemented at Brother Industries, Ltd.

*4 Responsible Business Alliance (RBA)

International organization to promote CSR, which establishes standards to ensure that working conditions are safe, that workers are treated with respect and dignity, and that business operations are conducted environmentally responsibly and ethically in the supply chains of the manufacturing industry

*5 Scope 1, 2, 3

Categories of greenhouse gas emission sources; Scope 1 refers to direct greenhouse gas emissions by business operators, Scope 2 refers to indirect greenhouse gas emissions resulting from use of electricity, heat, and steam supplied by other entities, and Scope 3 refers to indirect greenhouse gas emissions other than Scope 1 and 2 (emissions by other entities related to the activities of business operators)