

CS B2027

The Brother Group
Medium-Term Business Strategy

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Brother Industries, Ltd.
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CS B2027

The Brother Group
Medium-Term Business Strategy

Creating our Future. Boldly.

We will accelerate business portfolio transformation for the enhancement of our corporate value over the long term, improving profit-generating capabilities.

- Aim to achieve an operating profit of 100 billion yen by clarifying the role of each business and executing strategies based on key indicators.
- We will steadily execute growth investments of approximately 200 billion yen over the next three years, driving growth in the industrial area.
- Strengthen the technological and talent foundations that support transformation.
- Enhance shareholder value by implementing management with a focus on cost of capital and share prices.

This presentation will explain the key points of the Brother Group's new three-year Medium-Term Business Strategy, "CS B2027," covering FY2025 to 2027.

"Creating our Future. Boldly" — this is the theme of CS B2027.

This theme embodies our strong determination for transformation and our forward-looking stance. The theme reflects the attitude of all employees taking on new challenges actively and continuously, and signifies our commitment to breaking free from the status quo and boldly shaping the future. Aiming to achieve the Brother Group's Vision for 2030, "At your side 2030," we will further foster an open, dynamic, and agile organizational culture and actively drive transformation.

With this new Medium-Term Business Strategy, the Brother Group aims to accelerate its business portfolio transformation and ensure that it is achieved over the next three years, with the goal of enhancing long-term corporate value.

The new Medium-Term Business Strategy CS B2027 is built on four key points.

The first is achieving an operating profit of 100 billion yen, which will be our top priority key indicator. To reach this target, we will clarify the roles of each business and execute strategies based on key indicators for each business.

The second is expanding growth investments.

We will steadily implement growth investments totaling around 200 billion yen over the three years. We will focus resources on the Industrial area and actively pursue M&A and alliances.

The third is strengthening our technological and talent foundations.

While steadily executing the strategies outlined by each business and delivering results, we will also work to strengthen the technological and talent foundations that support these strategies. Through these efforts, we will enhance the company's overall profit-generating capabilities.

The fourth point is raising the level of our stock price and linking it to the improvement of corporate value.

While maintaining a balance with growth investments, we will significantly strengthen shareholder returns.

We will implement management with an awareness of capital costs and stock prices to enhance shareholder value.

- **What the Brother Group aims to achieve**
- **Review of CS B2024**
- **Policy of CS B2027**
 - Overall policy
 - Business strategy
 - Management foundation strategy
 - Financial strategy and Management targets

What the Brother Group aims to achieve

Before explaining CS B2027, let me explain again what the Brother Group aims to achieve.

Toward FY2030, we have defined Our Purpose, Our Approach, and Our Focus Areas, aiming for expansion in the Industrial area and transformation in the Printing area.

At your side 2030

Our Purpose

By being “At your side,” we enable people’s productivity and creativity, contribute to society, and help protect the earth.

Our Approach

We identify and eliminate barriers to customers’ success by utilizing our unique technologies and global network.

Our Focus Areas

- Industrial - Become a trusted, invaluable solutions partner.
- Printing - Continue leading print innovation and pioneering new offerings.

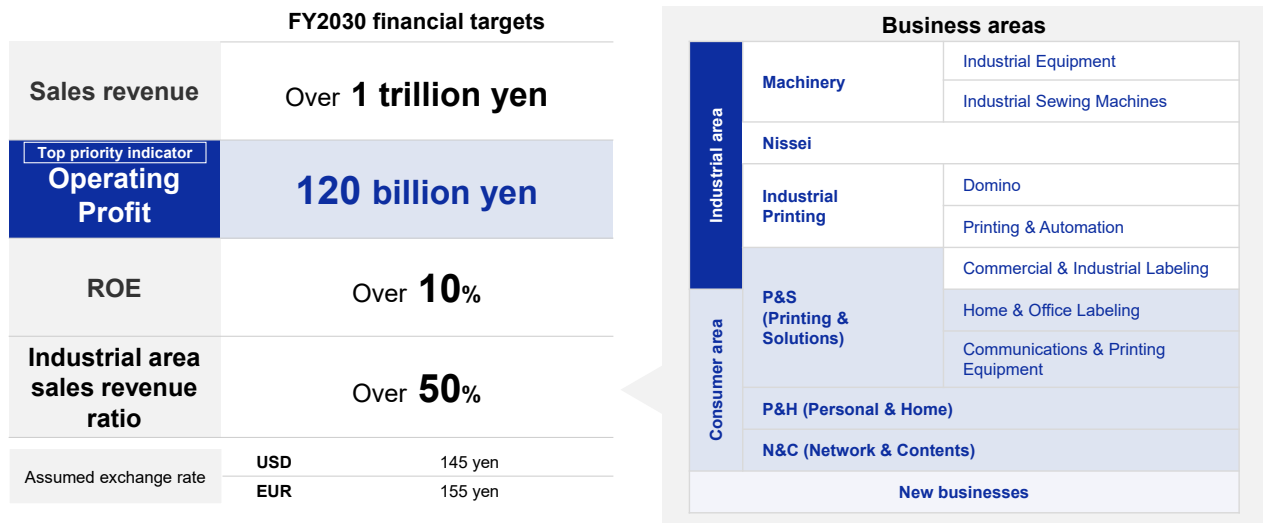
In the Brother Group’s Vision toward FY2030, “At your side 2030,” we have defined Our Purpose as “By being ‘At your side,’ we enable people’s productivity and creativity, contribute to society, and help protect the earth.” Starting from this vision, we have outlined Our Approach, and Our Focus Areas, striving for expansion in the Industrial area and transformation in the Printing area.

For the expansion in the Industrial area, we will focus on industrial equipment, industrial printing, and commercial labeling within the Printing & Solutions business (P&S), aiming to expand their sales scale.

While some segments of the printing market are experiencing contraction, even under these conditions, we aim to maintain a solid revenue base by transforming our business model.

In this CS B2027, we have reaffirmed the importance of this goal and deepened discussions on the path to business transformation.

Achieve business portfolio transformation and achieve an operating profit of 120 billion yen in FY2030.



These are the financial targets for FY2030, the final year of the vision.

Among these targets, we have set the achievement of 120 billion yen in operating profit as our top priority key indicator.

As a company, we place importance on continuously generating profit while pursuing growth, and by doing so, we will raise ROE to over 10%.

When we achieve 120 billion yen in operating profit, we expect our revenue to grow beyond 1 trillion yen, with the businesses in the Industrial area accounting for over 50% of total revenue.

Here, let me provide additional information about the business segments within the Industrial area. Starting in FY2025, we will make some changes to the segments in the Industrial area.

Business centered on garment printers, which has been included in Industrial Sewing Machines under the Machinery business, will be classified as a new sub-segment called “Printing & Automation.”

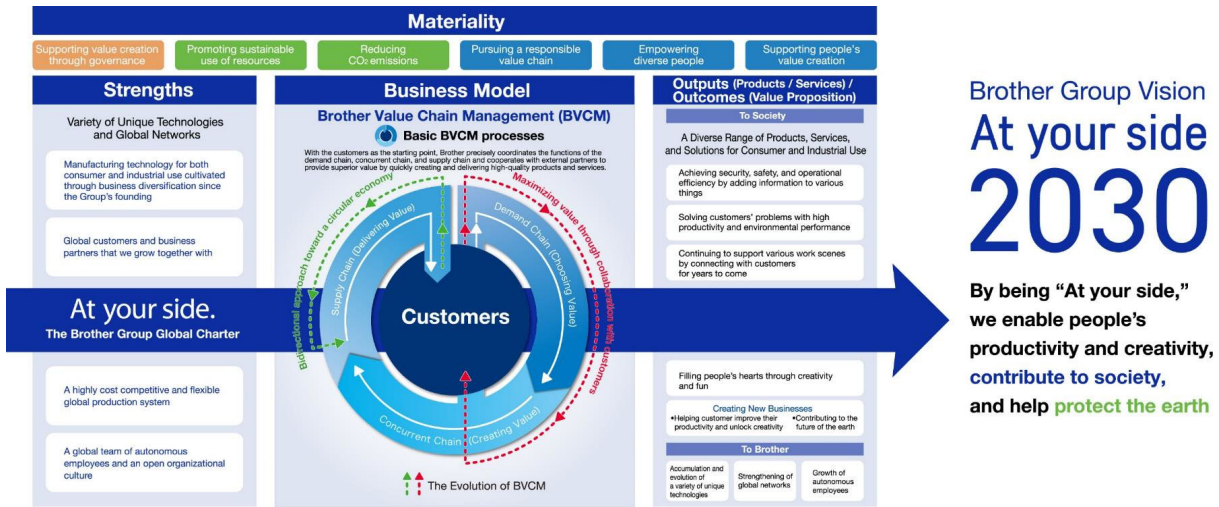
We will integrate this Printing & Automation with the Domino business to create a new segment called “Industrial Printing business.”

A key characteristic of Brother is that we operate in both the Industrial and Consumer areas.

The Industrial area includes Industrial Equipment, Industrial Sewing Machines, Nissei, Domino, and Printing & Automation, as well as Commercial & Industrial Labeling within the P&S business.

Currently, the Industrial area accounts for only about 30% of our total revenue, but we aim to increase this proportion to over 50% by FY2030, accelerating business portfolio transformation.

Leverage our strengths to create and swiftly deliver superior value with the spirit of "At your side."



Brother Group Vision
At your side
2030

By being "At your side,"
we enable people's
productivity and creativity,
contribute to society,
and help protect the earth

This is a diagram illustrating the Brother Group's value creation process.

Based on Brother's fundamental principle of conducting business activities with the spirit of "At your side." which involves placing our customers at the center, we are advancing Brother Value Chain Management (BVCM), which has been refined through our consumer business.

By doing so, we will create and swiftly deliver superior value for both the Consumer and Industrial areas while remaining mindful of the environment.

Furthermore, leveraging Brother's strengths of a variety of unique technologies and global network cultivated over our 117-year history since our founding, we are committed to solving social issues and identifying and eliminating barriers to our customers' success.

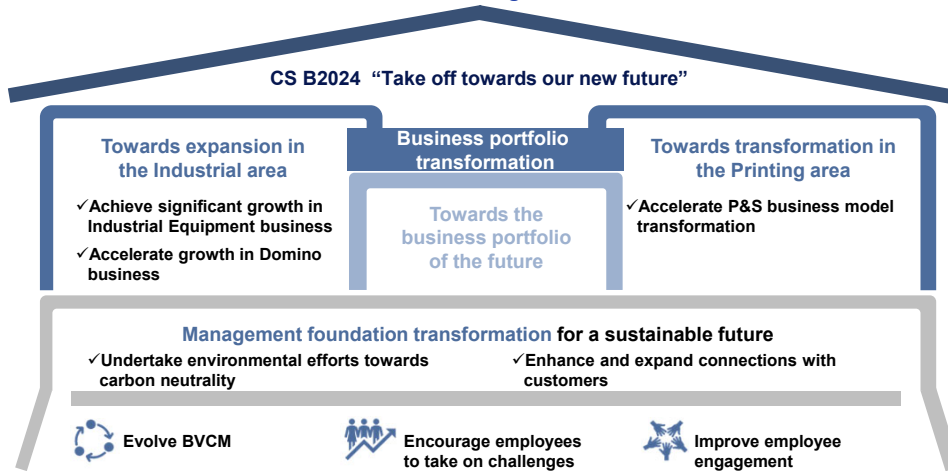
By conducting these activities, we will enhance long-term corporate value and achieve the Brother Group's vision.

Review of CS B2024

Next, let us review our current Medium-Term Business Strategy, CS B2024.

In the medium-term business strategy CS B2024 (FY2022-FY2024), we have aimed for business portfolio transformation and management foundation transformation, where the latter supports the former.

At your side
2030 Achieving the vision



This is the outline of CS B2024.

Under the theme of "Take off towards our new future," we aim for business portfolio transformation and management foundation transformation for a sustainable future.

Regarding the business portfolio transformation, we have advanced initiatives for each business toward "expansion in the Industrial area," "transformation in the Printing area," and "business portfolio of the future."

At the same time, we have promoted the management foundation transformation supporting these initiatives company-wide.

Although we are expected to achieve our sales revenue target partly due to the impact of yen depreciation, the slow progress in the expansion in the industrial area remains an issue.

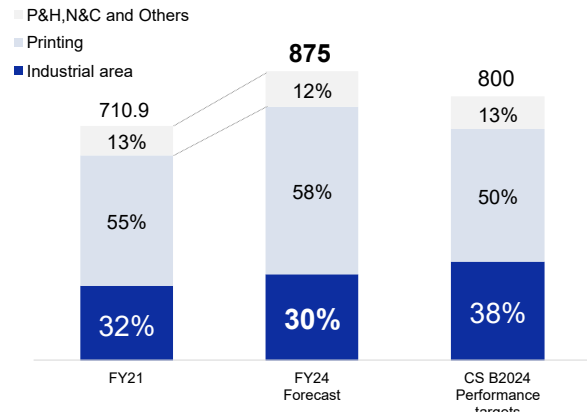
FY2024 forecast and CS B2024 performance targets

	FY2024 forecast	CS B2024 performance targets
Sales revenue	875 billion yen	800 billion yen (954 billion yen) ^{*1}
Operating profit ratio	8.7%	Over 10%
ROE	8.3%	Over 10% * Above capital cost
Assumed exchange rate	USD=152 yen EUR=163 yen	USD=108 yen EUR=125 yen (USD=145 yen EUR=155 yen) ^{*2}

*1: Reference values with exchange rate conversion for CS B2024
*2: Reference exchange rate conversion for CS B2024

Industrial area sales revenue ratio

(Billion yen)



(Reference values with exchange rate conversion are estimates based on the sensitivity of exchange rates to the JPY based on the sales revenue / cost of sales / SG&A denominated in foreign currencies.)

This is a review of the performance targets for CS B2024.

The projected revenue for FY2024 is 875 billion yen, expected to exceed the performance target of 800 billion yen.

However, when the target of 800 billion yen is converted using the current exchange rate (USD = 145 JPY, EUR = 155 JPY), the amount is 954 billion yen, and we have not reached that level.

Operating profit and ROE are also expected to fall short of the performance targets.

This is largely due to delayed growth in the Industrial area. While the consumer Printing & Solutions business (P&S) has remained steady, growth in the Industrial area has not yet reached a level that contributes to increased profitability.

As a result, the Industrial area's share of total revenue is expected to be 30% in FY2024, remaining almost unchanged from the beginning of CS B2024.

	Achievements	Issues
Towards expansion in the industrial area	<ul style="list-style-type: none"> Industrial Equipment: Expansion of product lineup, strengthening of manufacturing, sales, and service facilities. Domino Business: Stable growth in C&M products. Garment printers: Introduction of new products and services. 	<ul style="list-style-type: none"> Strengthening of execution capabilities for initiatives that drive discontinuous growth. Optimal allocation of resources, sharing of technological assets, and acceleration of decision-making to continuously enhance inkjet technology. Strengthening talent acquisition, development, and organizational capabilities.
Towards transformation in the printing area	<ul style="list-style-type: none"> Steady performance in consumables contributing to overall company revenue. Steady increase in subscribers for businesses with continuous ties to customers. Sales revenue and operating profit growth in the commercial & industrial labeling business. 	<ul style="list-style-type: none"> Provision of customer value and revenue contribution in businesses with continuous ties to customers. Creation of winning strategies for further growth in the commercial & industrial labeling business and expansion into new domains.
Towards the business portfolio of the future	<ul style="list-style-type: none"> Use of inkjet technology across businesses and expansion into new products and services. Expansion of the lineup of spot coolers. 	<ul style="list-style-type: none"> Expansion of inkjet technology applications and strengthening of technological capabilities. Acceleration of the growth of air conditioning and air purification businesses.
Management foundation transformation for a sustainable future	<ul style="list-style-type: none"> Achievement of the FY2024 CO₂ reduction target. Increase in RBA-certified facilities. Strengthening of functions and addition of multiple functions at factories. Formulation of the Human Resource Policy and reform of the human resource system*. 	<ul style="list-style-type: none"> Acquisition of environmental technologies for long-term CO₂ reduction. Enhancement of supply chain resilience while maintaining cost competitiveness. Strengthening of the talent foundation to achieve business portfolio transformation.

* Brother Industries

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Let us review the achievements and issues for the key themes in CS B2024.

First, regarding the expansion in the Industrial area.

In Industrial Equipment, we successfully expanded our lineup of new products and strengthened our sales and service facilities as planned. In the Domino business, we introduced in-house developed products in Coding & Marking, achieving stable sales growth. Additionally, for Garment Printers, we launched new products and services, advancing the delivery of new customer value.

However, a highlighted challenge was enhancing our execution capabilities to reap the benefits of these efforts. Specifically, we recognize the need to optimize resource allocation, share technological assets, accelerate decision-making, acquire and develop talent in technical sales and key focus areas, and further strengthen organizational capabilities.

On the other hand, we have made some progress in our efforts towards transformation in the Printing area.

In the Printing area (P&S business), both sales and profits remained solid, contributing to the company's overall revenue. The number of subscribers to our businesses with continuous ties to customers steadily increased, and commercial & industrial labeling achieved profitable growth. Going forward, we will accelerate efforts to deliver customer value and contribute to profitability in the businesses with continuous ties to customers, as well as identify winning strategies and expand into new domains in the commercial & industrial labeling business.

Towards the business portfolio of the future, we leveraged inkjet technology across businesses to create new customer value and expanded our lineup of spot coolers. To further advance, we will focus on expanding the application of inkjet technology and strengthening our technological capabilities through development investments, while advancing our efforts to accelerate growth in the air conditioning and air purification areas.

Lastly, regarding the management foundation transformation for a sustainable future.

We achieved the CO₂ emissions reduction target set for FY2024. We also made steady progress in increasing the number of RBA-certified facilities, strengthening functions, adding multiple functions at factories, formulating the Human Resource Policy to support human capital management, and reforming our human resources system. Moving forward, we will push ahead with acquiring environmental technologies for long-term CO₂ reduction, further enhancing the supply chain and cost competitiveness, and strengthening our talent foundation.

Policy of CS B2027

Now, I will explain the overall policy of the newly formulated CS B2027.

Improvement of profit-generating capabilities by accelerating business portfolio transformation

Clarification of the role of each business and investment policies

- Clarify the role of each business and set key indicators.
- Focus investments on growth business.
- Secure management resources to continue the transformation of the printing business.

Solid execution of growth investments

- Execute growth investments of approx. 200 billion yen.
- In particular, actively promote M&As and alliances, strengthening the foundation and organizational capabilities needed to achieve growth in the industrial area.

Enhancement of the management foundation

- Integrate and strengthen inkjet technology and expand its applications to diverse fields.
- Strengthen talent in key areas.
- Strengthen the foundation that supports the Brother Group's sustainable future.

Financial strategy to support growth and transformation

- Implement management with a focus on capital cost and share prices to enhance TSR and PBR.
- Significantly increase shareholder returns, plan to implement 140 billion yen in returns. (including 60 billion yen for the plan to repurchase of our own shares)

This slide shows the outline of CS B2027.

We will enhance our profit-generating capabilities by accelerating the business portfolio transformation.

There are four key themes to achieve this.

The first is the clarification of the role of each business and investment policies.

To achieve the company-wide target of 100 billion yen in operating profit, we will clearly define the roles of each business and set key indicators.

We will focus our investments on growth businesses while securing management resources to continue transforming the printing business.

The second is the steady execution of growth investments.

We will expand growth investments even more from CS B2024 on a scale of 200 billion yen.

In particular, we will actively promote M&As and alliances, strengthening the foundation and organizational capabilities needed to achieve growth in the Industrial area.

The third is the enhancement of the management foundation that supports these efforts.

We will comprehensively expand inkjet technology and broaden its use in the Industrial area.

We will also strengthen the talent portfolio in key areas and solidify the foundation that supports the Brother Group's sustainable future.

Lastly, we will implement the financial strategy to support growth and transformation.

To enhance corporate value, we will pursue management with a focus on capital cost and share prices, aiming to enhance TSR and PBR. While maintaining a balance with growth investments, we will significantly strengthen shareholder returns, planning a total return of 140 billion yen during the CS B2027 period, including the repurchase of our own shares totally 60 billion yen.

Financial targets

	FY2024 forecast	FY2027
Sales revenue	875 billion yen	1 trillion yen
Top priority indicator Operating profit	76 billion yen	100 billion yen
ROE	8.3%	10%
Industrial area sales revenue ratio	30%	40%
TSR (compared to TOPIX)	-	Over 100% (including dividends)
Assumed exchange rate	USD	152 yen
	EUR	163 yen
		145 yen
		155 yen

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This slide shows the financial targets of CS B2027.

As with the targets for FY2030, operating profit will be our top priority indicator, with 100 billion yen set as a mandatory target. The forecast for FY2024 is 76 billion yen, which we aim to expand to 100 billion yen.

Regarding ROE, we will raise the level to 10% by executing each business's strategy and strengthening shareholder returns.

As a milestone toward realizing our 2030 Brother Group Vision, we are targeting 1 trillion yen in sales revenue and a sales revenue ratio of over 40% for the Industrial area.

To demonstrate our commitment to stock price-conscious management, we will emphasize TSR, which has already been incorporated as one of the performance-linked stock compensation indicators for directors, strengthen shareholder returns, and aim for stock price performance that exceeds TOPIX.

Clarify the role of each business and optimize the allocation of management resources to improve our profit-generating capabilities

	Businesses	Roles		
Growth business	Industrial Equipment	Achieve discontinuous sales revenue growth through growth investments to establish future business pillars.		
	Industrial Printing [Domino / Printing & Automation]			
	New businesses			
Core business	P&S (Printing & Solutions) <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>Communications and Printing Equipment / Home & Office Labeling</td> </tr> <tr> <td>Commercial & Industrial Labeling</td> </tr> </table>	Communications and Printing Equipment / Home & Office Labeling	Commercial & Industrial Labeling	Maximize sales revenue and operating profit while sustaining the company and driving business transformation for future opportunities.
	Communications and Printing Equipment / Home & Office Labeling			
Commercial & Industrial Labeling				
Profit-driven business	P&H(Personal & Home)	Contribute to overall company profit while maintaining a balance between sales revenue and operating profit.		
	Nissei			
Profitability transformation business	Industrial Sewing Machines	Transform revenue structure to ensure steady profit contribution.		
	N&C(Network & Contents)			

The roles of each business in CS B2027.

To accelerate the business portfolio transformation, we will categorize our businesses.

We will then clarify the roles and key indicators for each business and allocate investments and resources according to their roles.

The first category is growth businesses, which we aim to significantly expand as a company.

This includes Industrial Equipment, Industrial Printing which includes the Domino and Printing & Automation businesses, new businesses, and Commercial & Industrial Labeling within the P&S business.

To achieve future profit growth, we have set sales revenue as the key indicator over the next three years. For these businesses, we will actively consider growth investments, including M&A, with a focus on discontinuous growth, while prioritizing the allocation of human resources.

The second category is core businesses, which support and sustain the company's overall revenue foundation.

This includes consumer printers and Home & Office Labeling within the P&S business.

We will invest in strengthening the positioning of our printing business and transforming its business model. To support the revenue foundation, we have set operating profit as the key indicator.

The third category is profit-driven businesses, tasked with boosting overall profitability.

This includes the P&H business and Nissei business. Investments in these two businesses have largely been completed, so over the next three years, we will focus on ensuring a solid return on these investments and enhancing profitability. We have set the operating profit ratio as the key indicator, with a focus on its improvement.

The fourth category is profitability transformation businesses, which require urgent and significant reforms to their profit structure.

This includes Industrial Sewing Machines and the N&C business.

We will thoroughly review their profit structures and push forward the transformation to generate stable profits and cash flow. The operating profit ratio will be the key indicator.

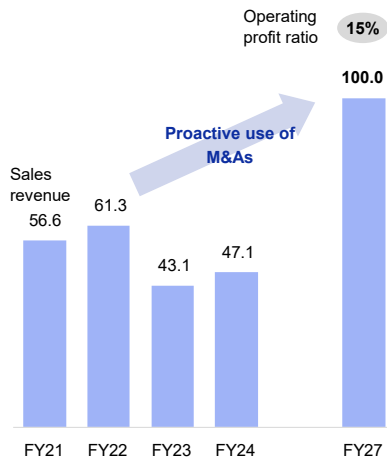
Business strategy of CS B2027

Next, I will explain the strategies for each business in CS B2027.

Achieve significant business growth by contributing to enhancing customers' manufacturing competitiveness through improving the high productivity and environmental performance of the SPEEDIO machine tool series, which is a growth business with a strength in machine/controller integrated development.

Performance trends

(Billion yen)



Direction and targets of CS B2027

Key indicators	FY2024 forecast	FY2027 target
Sales revenue	47.1 billion yen	100.0 billion yen

Role of the business

Growth business

Business Environment

- | External factors |
|---|
| <ul style="list-style-type: none"> There is room for market share expansion in Europe, Southeast Asia, and India. Competition is intensifying due to competitors' price offensives and product functionality improvements. |
| Internal factors |
| <ul style="list-style-type: none"> The launch of new products such as horizontal machining center (MC) and 5-axis MC is expanding the reach market. The sales revenue target for CS B2024 was not achieved due to the delayed recovery of the Chinese market. |

Key initiatives

Strengthen value proposition to customers

- Pursue Brother's unique high productivity and environmental performance.
- Expand our product lineup to offer new value to customers.
- Enhance our ability to propose solutions that meet customer needs.
- Reinforce human resources and the sales facility network in key regions (Japan, China, India, Europe and Southeast Asia).

Let me first explain Industrial Equipment, which is positioned as a growth business and a driving force in the Industrial area.

Until now, we have focused on compact machine tools with the BT30 spindle, pursuing productivity, machining performance, and energy saving performance under the SPEEDIO brand and providing products that contribute to enhancing our customers' manufacturing competitiveness.

Under CS B2027, we will use the current unique market position as a foothold to increase sales from the present 40 to 60 billion yen to 100 billion yen, aiming for significant growth that will nearly double the scale of the business.

Currently, we are experiencing the impact of a slowdown in capital investment in China. However, with a significantly expanded product lineup, including horizontal MCs and simultaneous 5-axis MCs, our accessible market has grown, and we believe we can achieve growth surpassing market recovery when conditions improve.

Under current CS B2024, we have invested our resources intensively in China, India, and Japan as our key regions for purposes such as strengthening production and sales facilities. However, on a global scale, there are other regions with large market potential where we can expand. To achieve substantial growth under CS B2027, we will designate Europe and Southeast Asia as additional key regions, alongside China, India, and Japan, and strengthen human resources and sales networks.

Furthermore, we will continue to focus on developing our unique products that offer new value to our customers, and enhance our ability to propose solutions that meet automation and labor-saving needs by combining peripheral equipment.

The key indicator for Industrial Equipment is sales revenue. Simply expanding into new regions and product categories will not be enough to double our sales. To achieve this discontinuous growth, we will actively utilize M&A and partnerships with other companies.

Aim for significant business growth by strengthening our value proposition to customers through proactive use of M&As and partnerships.

Further improvement of Brother's strengths

Offer a unique lineup of BT30 MC with features competitors cannot match, supporting **large workpieces, complex shape machining, multi-tasking functions, and automation.**

Eliminate various waste and deliver **high productivity and environmental performance** through optimal control enabled by **machine/controller integrated development** and compact design.

Strengthen the factory(China & India) functions of local production for local consumption to **meet customers' demands for short lead times and secure sufficient production capacity** to support growth.

Brother's unique product lineup

High productivity and environmental performance

Global production system

Automation and labor-saving solutions

Diverse solution-oriented talent

Creation of customer touchpoints

Points to further strengthen by actively utilizing external resources

Strengthen the ability to **propose solutions for automation and labor-saving needs** that make use of processing technology, as well as the expansion of high-value-added models and peripheral equipment combinations, and promote product and solution sales.

Accelerate the recruitment and development of talent, focusing on application engineers to enhance the ability to **support increasingly diverse processing needs and propose complex shape machining** using CAD/CAM.

Expand digital marketing efforts and enhance facilities in key regions to strengthen customer outreach.

Toward achieving 100 billion yen in sales revenue in FY2027

Let me explain about M&A and partnerships with other companies.

Our company has three strengths.

First, Brother's unique product lineup, which supports machining of large workpieces and complex shapes—capabilities that were not previously available with BT30 MCs.

Second, in addition to the cost benefits and space efficiency of compact machines, we achieve high productivity and energy saving performance by eliminating various waste to bare minimum through optimal control enabled by in-house machine/controller integrated development, including NC units. Furthermore, following Japan and China, we began production in India in 2024, solidifying our local production for local consumption system. This allows us to secure the capacity to respond to demands for short lead times and sufficient production capacity to support significant growth.

Building on these strengths, we will accelerate our growth by actively utilizing external resources from the following three perspectives.

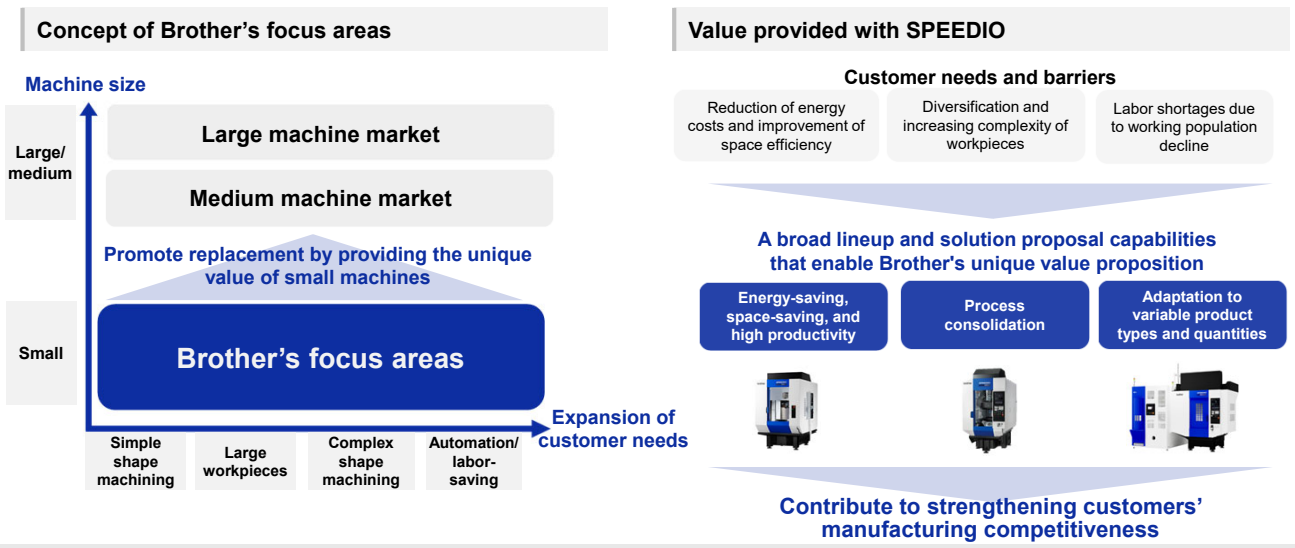
The first is responding to the demands for automation and labor-saving, which have been increasing at the production sites of our customers. We will continue to strengthen our product lineup, expanding high-value-added models that meet both latent and explicit customer needs. Additionally, we will enhance our solution proposal capabilities by combining not only our own products but also peripheral devices from partner companies.

The second is to accelerate the recruitment and development of talent, primarily application engineers, to enhance our ability to make proposals tailored to customer needs, such as responding to the diversification and increasing complexity of workpieces.

The third is creating more touchpoints with customers. In addition to strengthening digital marketing, we will expand our sales and service facilities in key regions, which are China, Japan, India, Europe, and Southeast Asia.

To realize these efforts—strengthening our solution proposal capabilities, developing talent, and creating customer touchpoints—we will also utilize M&A and partnerships.

Address customers' unmet needs with the unique value offered with SPEEDIO, contributing to strengthening their manufacturing competitiveness



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By strengthening these capabilities through measures such as M&A and partnerships, we aim to resolve our customers' unmet needs and contribute to enhancing their competitiveness.

In the past, our company's strength primarily lay in simple shape machining of small workpieces. However, we have now evolved to meet expanding customer needs, such as for large workpieces, complex shape machining, and automation and labor-saving solutions.

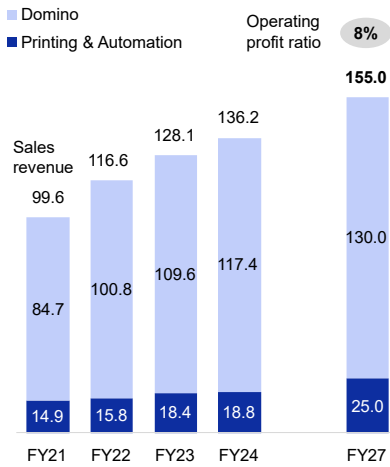
Going forward, while further emphasizing the unique value of small machines, such as high cost performance and space-saving, we will encourage the replacement of machines in the medium machine market with our small machines.

By addressing our customers' diversifying needs and barriers, we will leverage the unique value offered with SPEEDIO such as energy-saving, space-saving, high productivity, process consolidation, and the capability to adapt to variable product types and quantities to contribute to enhancing our customers' manufacturing competitiveness.

Become the growth engine of the Brother Group while contributing to a sustainable society by utilizing digital printing technology to eliminate barriers for manufacturers worldwide and create a future of mutual growth.

Performance trends

(Billion yen)



Direction and targets of CS B2027

Role of the business	Key indicators	FY2024 forecast	FY2027 target
Growth business	Sales revenue	136.2 billion yen	155.0 billion yen

Business Environment

- | Factor | Details |
|------------------|--|
| External factors | <ul style="list-style-type: none"> The shift from analog printing to digital printing continues, driving market growth. Competition is intensifying due to the rise of manufacturers from emerging countries. |
| Internal factors | <ul style="list-style-type: none"> Our core products maintain a high market share and demonstrate a certain level of competitiveness. The growth of digital printing and wide-format printing has fallen below expectations. |

Key initiatives

- | Initiative | Details |
|--|---|
| Expand product and business areas | <ul style="list-style-type: none"> Accelerate growth and increase market share by strengthening development capabilities to speed up new product launches. Accelerate strategies specific to regions or segments, using optimal approaches for customers to capture each market and expand our reach. |
| Strengthen service and solution businesses | <ul style="list-style-type: none"> Enhance lifecycle value by ensuring stable operation and improved efficiency of customers' production lines. Strengthen proposal-based solution business. |
| Strengthen the business foundation | <ul style="list-style-type: none"> Optimize global development and manufacturing functions and collaborate with company-wide functions to strengthen a foundation for competitiveness and sustainable growth. Pursue proactive investments through M&As and alliances. |

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Let me explain our Industrial Printing business, which is also positioned as a growth business and serves as the second pillar in our efforts to expand in the Industrial area.

This business consists of two segments: the Domino business and the Printing & Automation business, which was previously part of the Machinery business's Industrial Sewing Machines.

The key indicator is sales revenue. While we have achieved steady growth so far, under CS B2027, we aim to further expand our sales revenue to over 150 billion yen while also improving profitability.

Regarding the business environment, demand for traceability is increasing, and the coding & marking (C&M) market, which is at the pillar of the Domino business, is expected to continue stable growth. At the same time, further expansion of the digital printing (DP) market is anticipated due to the shift from analog to digital printing. However, both the Domino business and the Printing & Automation business are facing intensifying competition in certain categories due to the rise of manufacturers from emerging markets.

Amid these circumstances, we will implement three key initiatives.

The first is expanding our product and business areas. We will accelerate the launch of new products, focusing on digital printing machines, to increase our market share. In addition, we will adopt optimal approaches and strategies tailored to customers in each region and segment to strengthen our presence.

The second is strengthening our service and solution business. In the Domino business, ensuring the stable operation of our customers' production lines is a top priority. Furthermore, we will strengthen our ability to propose high-value-added services and solutions, such as automation and data analysis linked with systems, in an effort to shift from simply selling products to offering solutions.

The third is strengthening our business foundation. We will optimize the development and manufacturing functions of Domino and Brother, while leveraging resources through collaboration with other businesses and various functions across the Group.

In the highly segmented industrial printing market, strengthen further our competitiveness in areas where Brother and Domino excel. At the same time, to serve as a long-term growth engine, accelerate product development and enhance our service and solution business.

Domino

Support customer success as the preferred multi-technology and comprehensive service partner.

Printers and consumables

- Provide the optimal printing technology (with a broad product lineup) tailored to customer needs.

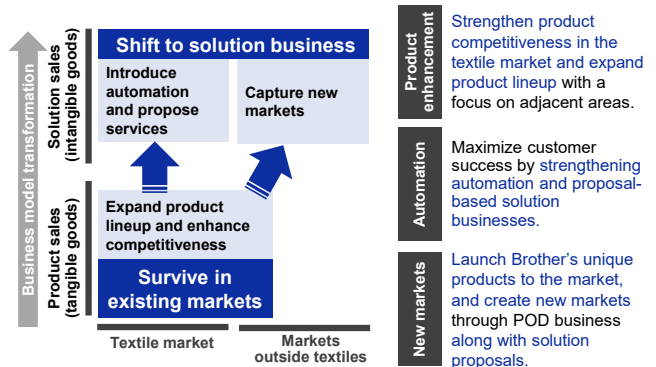
Automation and integration / services

- Maximize customer productivity and lifecycle value through products, automation, integrated systems, data utilization, and services.

Sales revenue growth and profitability improvement

- Accelerate strategies specific to regions or segments.
- Optimize global company-wide functions and facilities.

Printing & Automation



Simultaneously achieve sales revenue growth and profitability improvement

Strengthen talents and structure to support strategy execution

Maximize the use of Inkjet Technology

Enter new markets and acquire organizational capabilities through M&As and alliances

Enhance development speed and efficiency through module-based development

The industrial printing market is segmented according to printing media and applications. In this highly segmented market, not only will we further strengthen our competitiveness in areas where we excel, but we will also accelerate product development and enhance our service and solution business to ensure that the Industrial Printing business fulfills its role as a long-term growth engine for the Brother Group.

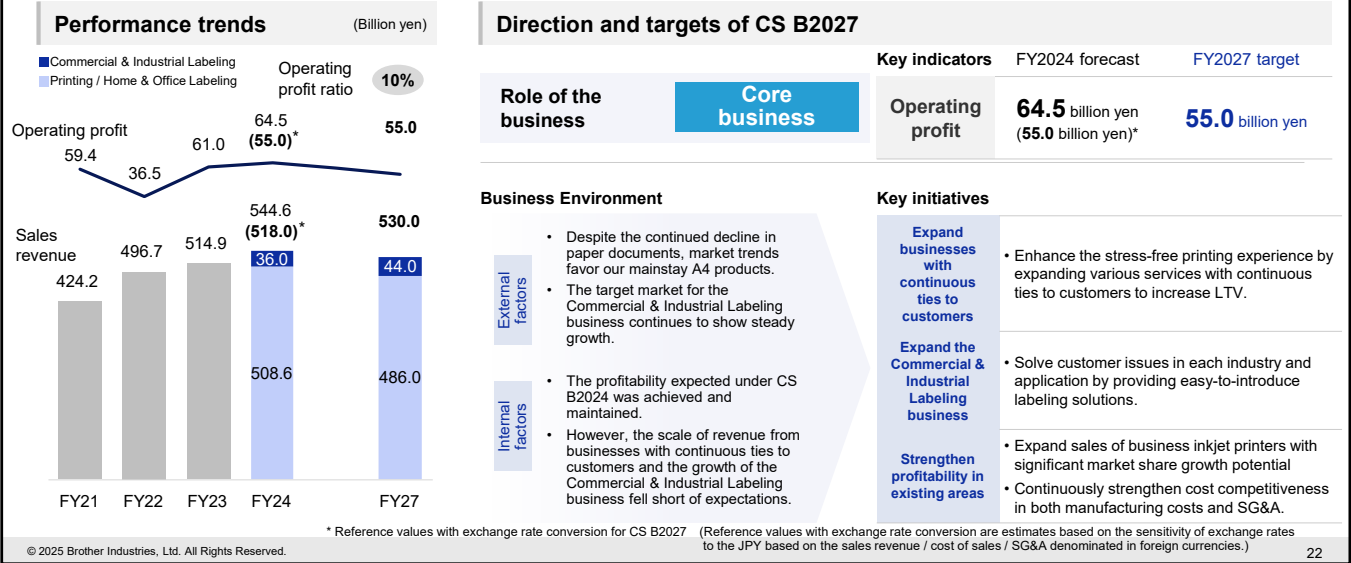
Let's first look at the Domino business. We will provide optimal printing technologies and products tailored to customer needs, as well as offer solutions such as automation, in order to maximize customer productivity and lifecycle value. We will also accelerate strategies for each region and segment, optimizing functions and facilities globally. Through these efforts, we will support customers' business success as a multi-technology and comprehensive service provider that customers prioritize.

Next, for the Printing & Automation business, we aim to win in existing markets by expanding our product lineup and enhancing competitiveness. We will not only strengthen our product competitiveness in the textile market but also expand our lineup to explore adjacent areas. Furthermore, we will drive growth by shifting from "selling products" to a solution business model. Specifically, we will reinforce our automation and proposal-based solution business while launching Brother's unique products and creating new markets that address latent needs for on-demand printing.

Achieving both sales revenue growth and improved profitability requires strengthening our organizational capabilities.

To do so, we will focus on key initiatives shared by the Domino and Industrial Printing businesses, such as strengthening talents and structure to support strategy execution, maximizing the use of Inkjet Technology across the company, entering new markets and acquiring organizational capabilities through M&As and alliances, and enhancing development speed and efficiency through module-based development. We will steadily push forward with these efforts.

Accelerate business transformation by reforming the business model through the expansion of businesses with continuous ties to customers and the Commercial & Industrial Labeling business, while continuing to support the entire company by contributing to the generation of sales revenue and operating profits as a core business.



Let me explain the Printing & Solutions (P&S) business, which will support our revenue base as a core business.

The printer industry faces a challenging business environment, with headwinds such as the shift away from paper documents. Despite this, we have built a unique position, particularly in the SOHO market for laser products, centered around A4 devices, and the commercial labeling market is experiencing strong growth.

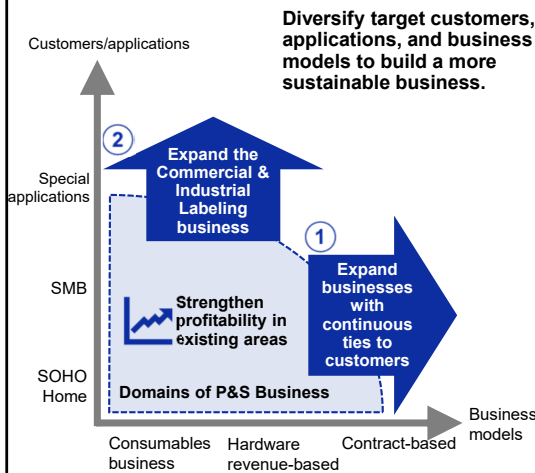
The P&S business will maintain its current revenue scale under CS B2027, which has set operating profit as the key indicator. The operating profit for FY2024 forecast is 64.5 billion yen, and our target for FY2027 is 55 billion yen. Over 90% of our P&S business revenue comes from outside Japan. While the 2027 target appears lower in yen terms, when adjusted for exchange rates, the actual profit level will remain the same, and the sales revenue is expected to exceed the FY2024 forecast.

To maintain the current level of profit, we must not only strengthen profitability in existing areas but also drive a business transformation through two initiatives: expanding businesses with continuous ties to customers and expanding the Commercial & Industrial Labeling business. These two initiatives were also part of CS B2024, and we will accelerate them even further under CS B2027.

To strengthen profitability in existing areas, we will expand sales, focusing on business inkjet printers for customers with high print volumes. While the market for laser products, mainly black-and-white products, is shrinking, inkjet products market size is expected to show a steady growth, giving us significant room to grow our market share. Additionally, we will continuously strengthen our cost competitiveness, which is one of our core strengths, by enhancing both manufacturing costs and SG&A.

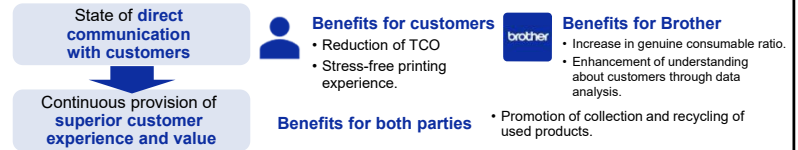
Accelerate business transformation by expanding businesses with continuous ties to customers which maximize LTV based on direct communication with customers, and by growing the Commercial & Industrial Labeling business which offers easy-to-introduce solutions for specific applications.

Concept of P&S Business transformation



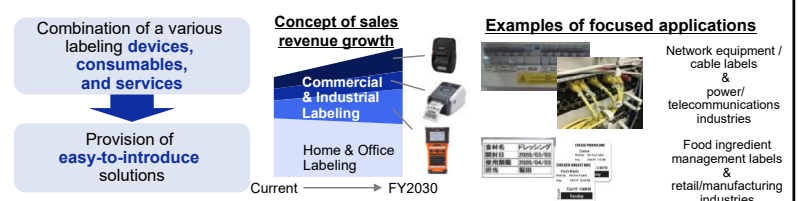
① Expand businesses with continuous ties to customers

Provide services with continuous ties to customers which benefit both customers and Brother, maximizing LTV.



② Growth of the Commercial & Industrial Labeling business

Provide label solutions tailored to specific applications.



By diversifying business models in businesses with continuous ties to customers and diversifying customers and applications in Commercial & Industrial Labeling, we will transform it into a more sustainable business.

First, in businesses with continuous ties to customers, we aim to create direct communication channels with customers through MPS in B2B and subscription services or membership programs in B2C, generating mutual benefits for both customers and Brother while maximizing customer lifetime value (LTV).

Customers will enjoy a stress-free printing experience with reduced total cost of ownership (TCO) and less hassle when purchasing consumables, along with benefits such as extended warranties.

Meanwhile, Brother will enhance LTV by increasing the use of genuine consumables and improving the value we offer through data analysis of customer usage.

Additionally, promoting the collection and recycling of used products will contribute to sustainability. To realize these benefits, we will continue investing in IT infrastructure and human resources.

Next, regarding the Commercial & Industrial Labeling business, we will pursue business expansion in the growing Commercial & Industrial Labeling market, as the Home & Office Labeling market matures.

We will combine our diverse range of labeling devices with consumables and services to provide easy-to-introduce solutions for customers and channel partners.

Specifically, we will expand sales by targeting certain industries and applications such as network equipment and cable labels for the power and telecommunications industries, where demand for servers is rapidly increasing due to digitalization, and food ingredient management labels for the retail and manufacturing industries, where demand for the traceability of food ingredients is growing.

By further pursuing these two initiatives, we will drive business transformation.

Maximize operating profit ratio based on the role of each business.

Profit-driven business					Profitability transformation business				
P&H (Personal & Home)	Key indicators	Operating profit ratio	FY2024 forecast	FY2027 target	Industrial Sewing Machines	Key indicators	Operating profit ratio	FY2024 forecast	FY2027 target
	Key initiatives		10%	10%		Key initiatives		2%	7%
Nissei	Key indicators	Operating profit ratio	FY2024 forecast	FY2027 target	N&C (Network & Contents)	Key indicators	Operating profit ratio	FY2024 forecast	FY2027 target
	Key initiatives		1%	10%		Key initiatives		5%	10%

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Positioned as profit-driven businesses are the Personal & Home (P&H) business and the Nissei business.

In the P&H business, we aim to maintain and improve the projected operating profit ratio of 10% for FY2024. This will be achieved by expanding sales of mid- to high-end models, maximizing LTV through the added value provided through the creative support app Artspira, which has been introduced in Europe and the United States and has been well received, and reducing fixed costs by streamlining development investments.

For the Nissei business, with the investment cycle now complete, we aim to raise the operating profit ratio from a projected 1% in FY2024 to 10% by FY2027.

In the reducer area, we will enhance existing product functions and expand sales in markets outside Japan, while in the gear area, we aim to expand sales by acquiring new customers. We will also promote the streamlining and labor-saving of manufacturing functions.

Positioned as profitability transformation businesses are the Industrial Sewing Machine business and the Network & Contents (N&C) business.

In the Industrial Sewing Machine business, we aim to raise the operating profit ratio from 2% to 7%. Within the non-apparel area, which includes applications outside of clothing such as automotive interiors, shoes, and bags, the airbag market shows strong growth potential.

Although its sales scale is still modest, our unique high-value-added products and automation solutions have received high praise from customers. We will further strengthen our product capabilities in this non-apparel area and work to expand business. Meanwhile, in the apparel area, where competition is intensifying, we will optimize our product lineup to maintain our presence.

The N&C business has moved past the losses experienced during the COVID-19 pandemic and aims to further strengthen profitability by raising the projected operating profit ratio from 5% in FY2024 to 10%. While limiting additional investments, we will consolidate all functions into XING to promote comprehensive business management and improve business operations efficiency.

We will also strengthen profitability by increasing the ratio of high-end karaoke systems.

Create business themes related to materiality resolution and foster them as new businesses.

Air conditioning and air purification

- Strengthen the product lineup of spot coolers using the proprietary cooling technology "TwinAqua," which achieves exhaust heat-free and fluorocarbon-free operation.
- Leverage strengths such as low power consumption and develop this area into the next pillar of our business while utilizing strategic investments.



Pure Drive

Fuel cells

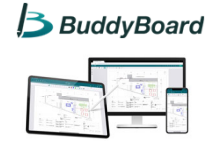
- Provide emergency power supplies using fuel cell systems to support business continuity for our customers.
- Help create a carbon-neutral society by providing hydrogen supply systems and green hydrogen.
- Strengthen research and development for future business growth.



ACUPS Series
PureEne

BuddyBoard

- Provide a real-time shareable handwritten note app, focusing on the construction industry, to support operational DX.
- Promote the establishment of our SaaS business foundation through business development.



Open innovation and industry-academia collaboration

- Strengthen open innovation and industry-academia collaboration to accelerate technology development and new business creation.



Next, I will explain our new businesses aimed at shaping our future business portfolio. We plan to create business themes related to materiality resolution and foster them as new businesses.

First, let me explain the air conditioning and air purification area. This business has already grown to the commercialization stage. In particular, we are expanding our product lineup, focusing on spot coolers, to meet market needs. Moving forward, we will implement a more aggressive growth strategy, including M&A and alliances.

In addition to this, there are two other businesses that are beginning to take root.

In the fuel cell business, we are making progress in customer adoption. While steadily increasing the number of product installation cases, we will strengthen R&D to drive business growth, positioning this as a business that contributes to achieving a carbon-neutral society. Furthermore, the handwritten note app BuddyBoard, which allows real-time sharing, is beginning to gain traction, primarily in construction sites. Going forward, we will develop this business, including external collaborations, and work to build our own SaaS business platform.

At the same time, to accelerate the creation of new businesses, we are strengthening open innovation and industry-academia collaboration. We have established the "Brother Open Innovation Bridge" platform to broaden our technological reach through partnerships with external entities while leveraging our proprietary technologies. This platform is a system that accelerates new value creation through collaboration with a wide range of external resources, including tie-ups with venture capital firms, startups, and innovation hubs, strategic partnerships with major corporations, and joint research with research funds, universities, and research institutions.

In the air conditioning and air purification area, fuel cell area, and other emerging areas, we will actively promote collaboration with external partners to swiftly launch new businesses contributing to solving materialities and to accelerate growth.

Direction of CS B2027

Strengthen the foundation and organizational capabilities necessary to achieve growth in the industrial area through proactive M&As and alliances.

Target areas

Machinery and FA	Industrial Printing	Commercial & Industrial Labeling	New businesses
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Priority investments targets

Solution provision capabilities in the industrial area.

Organizational capabilities to accelerate the shift from product sales to **product and solution sales**.

Foundations to grow new businesses into **new business pillars**.

Toward strengthening strategic investments

- **Secure funds for M&As and alliances from the 200 billion yen of growth investments budget.**
- **Significantly strengthen organizational capabilities and structures to drive M&As.**
- **Strike a balance between agile investments execution and governance.**
- **Active involvement and support of headquarters in PMI.**

I will now explain our strategic investments, centered on M&As, to achieve the discontinuous growth of our growth businesses.

Under CS B2027, we will actively pursue M&As and alliances to strengthen the foundations and organizational capabilities needed for growth in the Industrial area.

We have identified Machinery and Factory Automation (FA), Industrial Printing, Commercial & Industrial Labeling, and new businesses as our target areas, where we will proactively seek opportunities.

Among these, we will focus our investments on enhancing solution provision capabilities in the Industrial area, strengthening organizational capabilities to accelerate product and solution sales, and establishing the foundations to grow new businesses into new pillars.

To ensure the successful execution of strategic investments, we will secure the funds for M&As and alliances through growth investments.

Regarding growth investments, including foundational investments outside of M&As, we assume a total of around 200 billion yen. However, this figure is just a guideline, and we will flexibly carry out larger-scale investments depending on the opportunities.

We will also establish a specialized M&A team to continuously strengthen our organizational capabilities.

Furthermore, we will balance reinforcing governance with making agile investment decisions following the thorough evaluation of strategic alignment, profitability, and risk. In addition, we will drive PMI under the strong leadership of the headquarters.

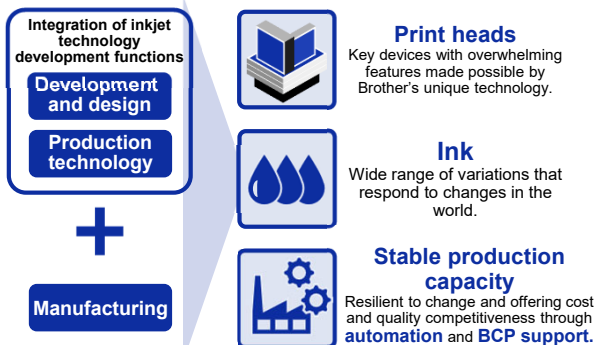
Through these initiatives, we will push forward with more proactive strategic investments under CS B2027.

Management foundation strategy of CS B2027

The following is about the management foundation strategy of CS B2027.

Aim to diversify applications and expand the scope of applications in the industrial area by integrating the technology development functions in the technology foundation of development, production technology, and manufacturing related to inkjet and by strengthening device development and gaining further competitiveness.

Strengthen inkjet devices



Diversify applications and expand the scope of applications in the industrial area

Provide new value and solve customer issues

Actively leverage global sales capabilities

- Cross-sell beyond business boundaries, focusing on inkjet-related products.
- Offer products, services, and solutions.



First, regarding our inkjet technology platform.

Over the past several decades, we have acquired and advanced inkjet technology as we grew our consumer printing business.

By further strengthening this inkjet technology platform and expanding the technology into industrial applications, we aim to increase sales in the Industrial area.

Let me start with the enhancement of inkjet devices. Specifically, by integrating inkjet development and design functions and production technology function, we will strengthen the three key elements of print heads, ink, and production capacity.

Printheads are key devices and an area where we can best showcase our uniqueness. We will refine this technology and enhance its distinctive features.

Ink needs are becoming more diverse, with growing demand for environmentally friendly solutions and on-demand printing. We will expand our ink variations to thoroughly accommodate these market demands.

In addition, by promoting automation and strengthening our BCP measures, we will build a system resilient to change, sharpen our cost and quality competitiveness, and improve stable production capacity.

Next, let's discuss the diversification of applications and expansion of the scope of applications in the Industrial area. We have honed our inkjet technology primarily through consumer printing and have steadily expanded its business areas, from office printers to commercial and large-format printers, cloth/dye sublimation printers for craft use, and further into coding & marking equipment and digital printing machines.

Under CS B2027, we will make the most of our global sales network, going beyond conventional business boundaries to provide products, services, and solutions.

Accelerate business portfolio transformation by strengthening the talent portfolio in key areas, and strengthen the talent base by actively investing in the development of leadership talent and measures to enable all employees to play an active role.

Environmental awareness

External environment

- Increasing and accelerating changes in the business environment (VUCA) .
- Rising personnel and talent acquisition costs.

Brother Group's strengths

- DNA of valuing people since the company was founded and an egalitarian, open organizational culture.
- High degree of autonomy at each Group site.

Review of CS B2024

- Shortage of talent needed to accelerate growth in the industrial area and the transformation of the printing business.
- Revamped the personnel system at Brother Industries, the Group Headquarters, to promote employee autonomy and encourage them to take on challenges.

Key initiatives

Strengthen the talent portfolio in key areas

- Visualize gap between ideal form and current situation.
- Significantly increase number of hires.^{*1}
 - Increase number of hires by approx. 40%, centered on software, inkjet technology, and production technology/technology sales.
- Extend the retirement age to 65^{*2} to further promote the active participation of senior employees.
- Flexibly allocate talent and utilize external talent

Actively invest in talent development

- Actively promote investment in the development of leadership talent.
- Strengthen reskilling and recurrent education measures.
- Support talent development at Group sites to realize Global Team Brother.

Ongoing initiatives for diversity and engagement

- Promote various activities that utilize the autonomy of each Group site.
- Foster an organizational culture that encourages taking on challenges.

*1 Compared to the total for the period of the CS B2024 at Brother Industries *2 The human resource system at Brother Industries

Next, I will explain the enhancement of our talent base.

We will accelerate business portfolio transformation by strengthening the talent portfolio in key areas, and strengthen the talent base by actively investing in the development of leadership talent and measures to enable all employees to play an active role.

First, regarding the awareness of our current environment, we are in an era of accelerated changes in the business environment, commonly referred to as the VUCA era, and are also facing rising personnel costs and the increasing expense of securing talent.

Brother's strengths lie in our long-standing DNA of valuing people since our founding, an egalitarian, open organizational culture, and the high degree of autonomy at each Group site. Under the current CS B2024, we have taken steps to further solidify these strengths by overhauling our personnel system at Brother Industries to promote employee autonomy and encourage them to take on challenges, and we have already begun implementing this system. On the other hand, we have also faced the challenge of a shortage of talent necessary for growth in the Industrial area and the transformation of the printing business.

Based on these factors, we will focus on three key initiatives under CS B2027.

The first is strengthening the talent portfolio in key areas.

We will increase hiring by approximately 40% compared to the CS B2024 period, focusing on software, inkjet technology, production technology, and technical sales. At the same time, we will promote the active participation of senior employees, facilitate flexible personnel assignments, and utilize external talent.

The second initiative is active investment in talent development.

In particular, we will significantly expand investments in developing leadership talent to accelerate the development of next-generation leaders.

The third initiative is an ongoing initiative for improvement in diversity and engagement.

We will foster an organizational culture that encourages taking on challenges while leveraging the autonomy of each Group site.

Through these initiatives, we will strengthen the talent base for both the entire company and our key areas.

Promote company-wide procurement management and quality assurance, as well as improve business process efficiency to strengthen the management foundation.

	Direction of CS B2027	Key initiatives
Strengthen company-wide procurement functions (establishment of Centralized Procurement Dept.)	<ul style="list-style-type: none"> Formulate and implement a procurement strategy optimized across all businesses, including the industrial area. Establish Centralized Procurement Dept. to centrally manage procurement operations and carry them out efficiently in collaboration with related departments. 	<ul style="list-style-type: none"> Supervise procurement for all businesses from the upstream process and achieve cost reductions through centralized purchasing. Improve stable procurement capabilities through the visualization of risk components in all businesses and the establishment of BCPs. Strengthen supplier governance through the centralization of management, human rights, and environmental information.
Strengthen quality assurance capabilities	<ul style="list-style-type: none"> Strengthen quality assurance capabilities across all company and business operations, particularly for industrial products. 	<ul style="list-style-type: none"> Thoroughly ensure compliance with standards and the prevention of quality irregularities. Strengthen product safety governance to prevent serious accidents. Establish and implement a process for strengthening quality control at the initial stage of production for industrial products.
Promote company-wide business process efficiency	<ul style="list-style-type: none"> Promote streamlining and standardization of business processes using AI technology. Maximize operational efficiency and productivity to improve organizational performance. 	<ul style="list-style-type: none"> Reduce unnecessary work and improve operational efficiency by introducing automation tools that use AI and reviewing operational flows. Develop talent with leadership to drive transformation by utilizing digital technology.

Next, I will explain the strengthening of quality and manufacturing capabilities and improvement of company-wide business process efficiency.

Under CS B2027, our goal is to conduct company-wide procurement management and quality assurance, as well as improve business process efficiency to strengthen the management foundation.

Specifically, we have established three strategic policies to guide these efforts.

The first is strengthening company-wide procurement functions.

We will establish a Centralized Procurement Department to formulate and implement a procurement strategy optimized across all businesses, including the Industrial area.

Key initiatives include strengthening the governance of suppliers by centralizing management, human rights, and environmental information; visualizing risk components across all businesses and building a BCP system to enhance stable procurement capabilities; and supervising procurement processes from the upstream stages across all businesses to reduce costs through centralized purchasing.

The second is strengthening quality assurance capabilities.

We will strengthen quality assurance capabilities across all company and business operations, particularly for industrial products.

Key initiatives include ensuring compliance with standards, preventing quality irregularities, strengthening product safety governance, and establishing and implementing a process for strengthening quality control at the initial stage of production for industrial products.

The third is the promotion of company-wide business process efficiency.

We will streamline and standardize business processes using AI technology, and maximize operational efficiency and productivity to improve organizational performance.

Specifically, we will reduce unnecessary work and improve operational efficiency by introducing automation tools that use AI and reviewing operational flows, and develop talent with leadership to drive transformation by utilizing digital technology.

Through these initiatives, we will strengthen our procurement function and quality assurance, both of which are fundamental to manufacturing, and improve business process efficiency to strengthen the management foundation further.

Actively pursue CO₂ emissions reduction and the sustainable use of resources as environmental materialities.

CS B2027	Reducing CO ₂ emissions		Promoting sustainable use of resources
	Scope 1, 2	Scope 3	
	56% reduction (compared to the FY2015 level)	CO ₂ emissions per unit of sales 25.2% reduction (compared to the FY2022 level)	Reduction of virgin material usage per unit of sales 16.9% reduction (compared to the FY2022 level)

- Key initiatives**
- Product initiatives**
 - Aim for sustainable business growth by reducing CO₂ emissions and virgin material usage per unit of sales revenue.
 - Enhance energy conservation performance and downsize products.
 - Increase the use of recycled materials and expand product reuse.
 - Collaborate on CO₂ emission reductions within the supply chain.
 - Business site initiatives**
 - Promote continuous energy conservation and introduction of renewable energy.
 - Install high-efficiency equipment and improve facility operations.
 - Introduce solar power generation equipment.
 - Procure renewable energy.

Creating environmentally friendly technology

Developed cushioning materials using pulp molds instead of Styrofoam.



Expanding the installation of solar panels

Installed solar panels on the roof. Brother Industries (Philippines)



Now, let's take a look at our environmental targets.

As of today (March 3, 2025), we have announced a revision of our environmental targets. In light of the urgent need for accelerated climate action in the international community, we have revised our medium-term targets for FY2030 concerning CO₂ emissions reduction and resource circulation, as part of our environmental targets leading up to FY2050. (News release: <https://global.brother/en/news/2025/250303evision2050>)

This slide outlines the environmental targets of CS B2027. Under CS B2027, we have set quantitative targets for reducing CO₂ emissions and virgin material usage. We will actively implement initiatives to reduce CO₂ emissions across Scope 1, Scope 2, and Scope 3, as well as efforts to decrease virgin material usage.

Next, let's look at the key initiatives to achieve these goals. Regarding products, we will work to improve energy conservation, further downsize products, use recycled materials, increase product reuse, and collaborate within our supply chain to reduce CO₂ emissions. Through these efforts, we aim for sustainable business growth by reducing CO₂ emissions and virgin material usage per unit of sales revenue.

In 2024, we received the Technical Packaging Award at the 2024 Japan Packaging Contest for our use of a newly designed pulp mold in printer packaging, which maintained cushioning performance while reducing size and weight, thereby cutting CO₂ emissions during production.

Regarding business sites, we will pursue continuous energy conservation by introducing high-efficiency equipment, improving facility operations, adding solar panels. Additionally, we will work on procuring renewable energy.

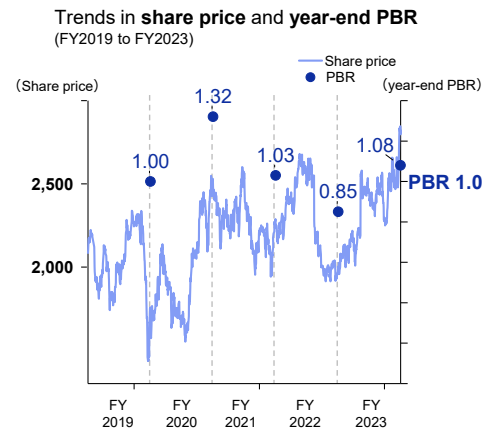
Moving forward, we remain committed to actively carrying out activities that consider the global environment.

Financial strategy and management targets of CS B2027

Lastly, I will explain the financial and management strategies of CS B2027.

We have not been able to secure sufficient equity spread, and there are also delays in the progress of our growth strategy; the share price is underperforming TOPIX, and the current PBR is hovering around 1x .

Item	Current situation
Capital cost	Cost of equity: 8-10%
Capital profitability	ROE 5-year average (FY2019 to FY2023): 8.1% Forecast for FY2024: 8.3%
Market valuation	PBR 5-year average (FY2019 to FY2023): 1.05x TSR Past 5 years (FY2019 to FY2023) Including dividends: 154.2% (TOPIX is 196.2%)
investment progress	Total investment amount for the CS B2024 period (FY2022 to FY2024) is 145 billion yen (planned) Normal investments and prior investments for the future are progressing almost as planned. (Excluding strategic investments (M&A) and reconstruction costs for the new company building)



First, let me explain the current situation and our awareness of issues regarding capital costs and share prices.

At present, we have not been able to secure sufficient equity spread, and there are also delays in the progress of our growth strategy. Share price performance is underperforming TOPIX, and the PBR is around 1x.

The cost of equity is in a range of 8-10% (based on the CAPM model).

As an indicator of capital profitability, ROE has averaged 8.1% over the past five years, with a forecast of 8.3% for FY2024, highlighting the challenge of generating returns that exceed the cost of equity.

Regarding market valuation, the price-to-book ratio (PBR) has averaged 1.05x over the past five years and is currently hovering around 1x. Total shareholder return (TSR), including dividends, was 154.2% over the past five years, falling short of TOPIX's 196.2%.

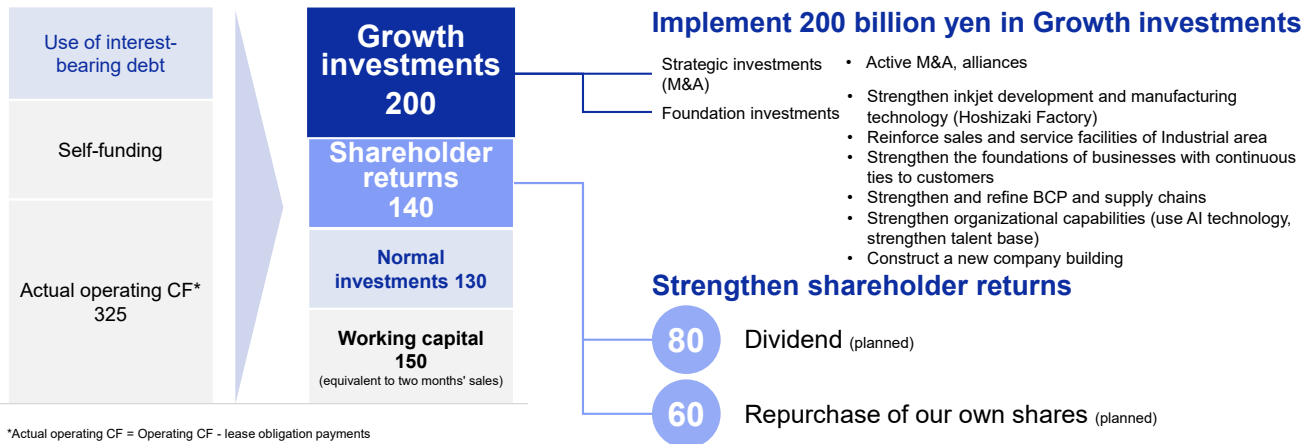
In terms of investment performance and progress, during the CS B2024 period (FY2022–2024), we plan a total investment of 145 billion yen. Normal investments and prior investments for the future, excluding M&A investments and costs for rebuilding the new company building, have been progressing mostly as planned.

We expect to see the effects of these investments going forward.

Use operating cash flow generated by business growth as well as interest-bearing debt to implement growth investments (200 billion yen), including M&A and alliances, and strengthen shareholder returns.

Cash allocation (total for FY2025 to FY2027) (Billion yen)

Breakdown of growth investments and shareholder returns



Based on these circumstances, we have newly formulated our financial strategy. Under CS B2027, we aim to enhance corporate value by expanding the equity spread through improved capital profitability and accelerated growth strategies.

First, I'll talk about cash allocation.

In CS B2027, we will implement large-scale growth investments to accelerate the business portfolio transformation while also strengthening shareholder returns.

We expect to generate 325 billion yen in actual operating cash flow over the three years from business growth. In addition, we plan to utilize internal funds and interest-bearing debt.

Regarding the main uses of funds, we plan to significantly increase growth investments to a total of 200 billion yen. These investments will be divided into strategic investments related to M&A and foundation investments to support growth, with strategic investments accounting for the majority.

Foundation investments will include strengthening inkjet development and manufacturing technologies, reinforcing sales and service bases in the Industrial area, strengthening the foundations of businesses with continuous ties to customers, strengthening BCP and supply chain resilience, enhancing organizational capabilities through increasing AI utilization and strengthening the talent base, and proceeding with the delayed construction of the new company building.

We will also significantly strengthen shareholder returns, planning a total of 140 billion yen over the three years.

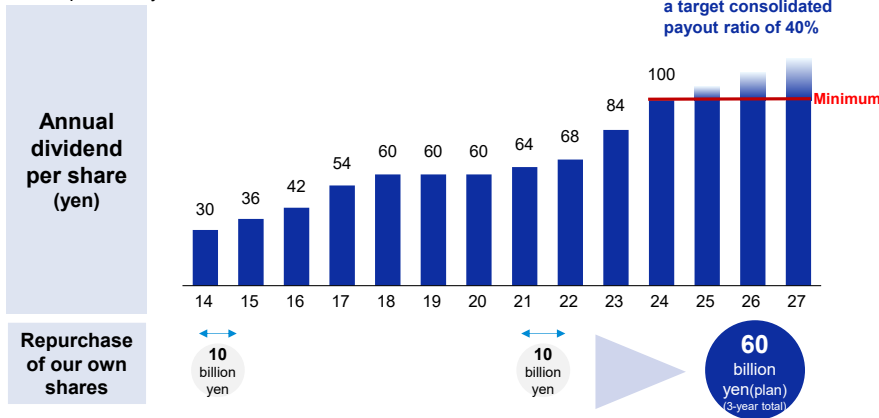
This will comprise 80 billion yen for dividends and 60 billion yen for the repurchase of our own shares.

By balancing growth investments and shareholder returns, we will accelerate our business portfolio transformation.

Implement stable shareholder returns with a minimum annual dividend of 100 yen per share (target payout ratio of 40%) during period of CS B2027 and to repurchase a total of 60 billion yen our own shares.

Trends in shareholder returns

Dividends have been either increased or maintained for the past 10+ years.



Shareholder return policy



Implement stable and continuous shareholder returns.

Dividend

- Minimum annual dividend of **100 yen** per share.
- Target **dividend payout ratio of 40%**.

Repurchase of our own shares

- Plan to repurchase a **total of 60 billion yen (3-year total)** of our own shares during the CS B2027 period.

Additional shareholder returns

- Consider **additional shareholder returns depending on factors such as business performance.**
(Increase in dividend level and flexible repurchase of our own shares additionally.)

Let's move on to our shareholder return policy.

Looking back on our shareholder returns so far, we have continuously increased or maintained dividends for more than a decade.

Our annual dividend per share has steadily risen from 30 yen in FY2014 to a planned 100 yen in FY2024.

Our basic policy on shareholder returns remains unchanged: to implement stable and continuous shareholder returns.

Building on this, during the CS B2027 period, we will further strengthen shareholder returns alongside growth investments.

The first pillar of our shareholder return measures is dividends.

We will set the annual dividend per share at a minimum of 100 yen, with a target payout ratio of around 40%.

While continuing the trend of increasing or maintaining dividends, we plan to further enhance our approach.

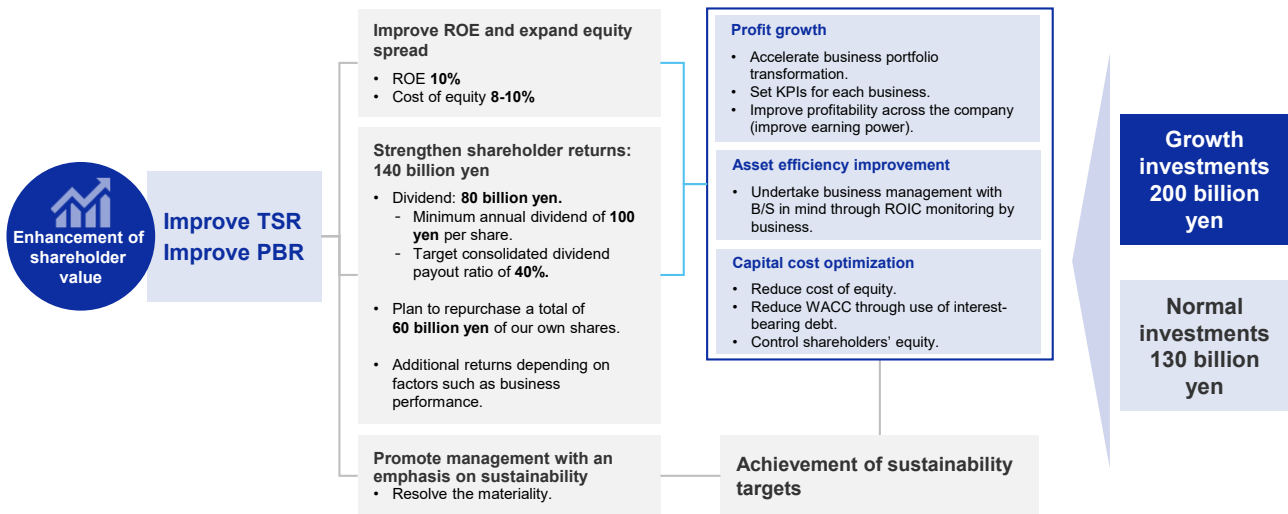
The second pillar is the repurchase of our own shares.

We plan to repurchase a total of 60 billion yen worth of our own shares over the three years of CS B2027.

In the past decade, the total value of repurchase was 20 billion yen, but we will significantly increase this, tripling the amount to 60 billion yen during the three-year CS B2027 period.

Additionally, we will consider additional shareholder returns based on business performance and other factors.

Aim to enhance shareholder value by implementing management with a focus on cost of capital and share prices.



This is the overall picture of our financial strategy to enhance shareholder value.

We will conduct management with an awareness of capital costs and share prices, continuously enhancing shareholder value and maximizing corporate value by improving TSR and PBR.

In terms of investment, to accelerate the business portfolio transformation, we will actively pursue growth investments, including strategic investments such as M&A, in addition to the regular investments necessary for business continuity.

Furthermore, in addition to profit growth, we aim to improve ROE and expand the equity spread by enhancing capital profitability and optimizing capital costs.

For profit growth, we believe accelerating the business portfolio transformation is crucial. We will set key performance indicators for each business and strive to improve profitability across the company.

We will also enhance asset efficiency through business-specific ROIC monitoring and work to reduce WACC by lowering the cost of equity and utilizing interest-bearing debt.

With regard to shareholder returns, we will significantly strengthen them through both dividends and the repurchase of our own shares.

At the same time, in terms of sustainability efforts, we will implement initiatives to address our materiality and aim for continuous improvement in shareholder value, driving both financial and non-financial initiatives forward.

Financial targets			Future-financial targets		
	FY2024 forecast	FY2027	Materiality	FY2027	
Sales revenue	875 billion yen	1 trillion yen	Supporting people's value creation Growth business Core business	Industrial Equipment	Expand customer adoption of the SPEEDIO machining center series
<small>Top priority indicator</small> Operating profit	76 billion yen	100 billion yen		Industrial Printing	Expand businesses for providing lifecycle value
ROE	8.3%	10%		P&S (Printing & Solutions)	Maximize businesses with continuous ties to customers to enhance customer LTV
Industrial area sales revenue ratio	30%	40%	Empowering diverse people	Strengthen the talent portfolio in key areas	
TSR (compared to TOPIX)	-	Over 100% (including dividends)	Reducing CO₂ Emissions	Scope 1, 2	Reduce CO ₂ emissions by 56% (compared to the FY2015 level)
				Scope 3	Reduce CO ₂ emissions per unit of sales by 25.2% (compared to the FY2022 level)
Assumed exchange rate	USD 152 yen	145 yen			
	EUR 163 yen	155 yen			

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Lastly, let me explain our management targets. Here are our financial and non-financial targets.

The financial targets shown here are reproduced from a previous slide. We are firmly committed to achieving an operating profit of 100 billion yen by 2027, with targets of 1 trillion yen in sales revenue, an ROE of 10%, an industrial area sales revenue ratio of 40%, and a TSR that exceeds TOPIX.

The term “non-financial” carries the meaning of initiatives that will lead to future financial results. As non-financial targets, we have listed key materiality issues here that need to be addressed.

To support people’s value creation, we will work on expanding our customer base for machine tools, businesses for providing lifecycle value in Industrial Printing, and businesses aimed at enhancing customer lifetime value (LTV) in the P&S business. We will also strengthen the talent portfolio in key areas to empower diverse people.

Our policies and targets related to materiality and sustainability are presented in the Appendix. Starting with CS B2027, we have newly added “supporting value creation through governance” to our materiality.

We will continuously review and implement governance practices that secure management transparency and fairness while encouraging appropriate risk-taking for transformation to ensure the Brother Group’s sustainable growth and value creation.

Again, as previously mentioned, we have set new CO₂ emissions reduction targets for Scopes 1, 2, and 3, and will continue our efforts in this area. Moving forward, we will actively engage in activities with consideration for the global environment. These include improving the energy conservation performance of our products and utilizing reused and recycled materials, as well as creating an environment enabling customers to use our products for longer through efforts such as extending product life cycles and promoting subscription-based business models.

CS B2027

The Brother Group
Medium-Term Business Strategy

Creating our Future. Boldly.

We will accelerate business portfolio transformation for the enhancement of our corporate value over the long term, improving profit-generating capabilities.

- Aim to achieve an operating profit of 100 billion yen by clarifying the role of each business and executing strategies based on key indicators.
- We will steadily execute growth investments of approximately 200 billion yen over the next three years, driving growth in the industrial area.
- Strengthen the technological and talent foundations that support transformation.
- Enhance shareholder value by implementing management with a focus on cost of capital and share prices.

This is the same slide as shown earlier on CS B2027.

Over the next three years, we aim to accelerate the business portfolio transformation and enhance our profit-generating capabilities by strengthening our capability to execute strategy.

We will prioritize operating profit as the company's most important indicator, and each business will implement its strategies with a focus on the key performance indicators set according to their respective roles.

We will also execute growth investments centered on M&As and alliances, expand the Industrial area, and strengthen the management foundation that supports transformation.


At the same time, we will conduct management with a strong awareness of capital costs and stock prices, and also strengthen shareholder returns significantly while striking a balance with investments.

CS B2027 represents three years of bold challenges, where all employees proactively push forward and take decisive actions to shape the future. With the aim of continuing to be chosen and supported by all our stakeholders, we will accelerate our efforts to take on challenges and drive transformation, ensuring that we achieve the goals we have set.

Appendix

Reference: Materiality and Sustainability policies and targets

Materiality	CS B2027 policies and Sustainability targets
Supporting people's value creation	<p>Support value creation by our customers and contribute to enriched and comfortable lifestyles of people around the world through the provision of Brother's products and services.</p> <ul style="list-style-type: none"> Maximize the value provided to customers based on the social raison d'être of each business and its position within the business portfolio.
Empowering diverse people	<p>Create an environment where diverse employees can thrive within the Brother Group and diverse perspectives, knowledge, and values, regardless of attributes, are leveraged to foster innovation and make organizational decisions.</p> <ul style="list-style-type: none"> Improve employee engagement on a global basis. Promote the active roles of diverse talent tailored to the conditions and challenges of each facility and region. Strengthen the talent portfolio in key areas.
Pursuing a responsible value chain	<p>Respect the human rights of all individuals involved in Brother's business value chain and ensure the safety and security of workers.</p> <ul style="list-style-type: none"> Enhance the effectiveness of human rights risk assessments across the entire value chain. Continuously obtain RBA certification at key factories.
Reducing CO2 emissions	<p>Aim to achieve carbon neutrality in business activities and minimize CO₂ emissions across the entire value chain, contributing to the formation of a decarbonized society.</p> <ul style="list-style-type: none"> [Scopes 1 and 2] Reduce CO₂ emissions by 56% compared to the FY2015 level. [Scope 3] Reduce CO₂ emission intensity* by 25.2% compared to the FY2022 level. <p>* CO₂ emissions per unit of sales revenue</p>
Promoting sustainable use of resources	<p>Maximize resource circulation, promote the sustainable use of resources, and minimize the environmental impact of waste.</p> <ul style="list-style-type: none"> Reduce resource intensity* by 16.9% compared to the FY2022 level. <p>* Virgin material usage per unit of sales revenue</p>
Supporting value creation through governance	<p>Continuously review and implement governance practices that secure management transparency and fairness while encouraging appropriate risk-taking for transformation to ensure the Brother Group's sustainable growth and value creation.</p> <ul style="list-style-type: none"> Reform governance to support business portfolio transformation.

Business areas		Product / Service portfolio	
Business Name	Sub-segments		
Industrial area	Machinery	<div style="border: 1px solid black; padding: 5px;"> <p>Industrial area</p>  </div>	
			Industrial Equipment
			Industrial Sewing Machines
	Nissei		
	Industrial Printing		Domino Printing & Automation
Consumer area	P&S (Printing & Solutions)	<div style="border: 1px solid black; padding: 5px;"> <p>Consumer area</p>  </div>	
			Commercial & Industrial Labeling
			Home & Office Labeling
			Communications & Printing Equipment
	P&H (Personal & Home)		
	N&C (Network & Contents)		
New businesses		<div style="border: 1px solid black; padding: 5px;"> <p>New businesses</p>  </div>	

Term	Full form	Explanation
BCP	Business Continuity Plan	A plan that outlines methods and measures to continue critical business operations in the event of emergencies such as disasters.
C&M	Coding & Marking	Coding & marking business for the development, manufacturing, sales, and servicing of equipment and their consumables for printing and marking of expiration dates, lot numbers, and so forth on plastic bottles, cans, food packaging, and other materials.
DP	Digital Printing	A printing method to print directly from digital-based typesetting data generated on a computer onto a substrate.
FA	Factory Automation	Automation of various factory works and processes using machines and information systems.
LTV	Life Time Value	Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services.
MC	Machining Center	A machine tool capable of performing multiple cutting processes with a single unit.
PBR	Price Book-value Ratio	An indicator showing the multiple at which a company's share price is trading relative to its net assets.
PMI	Post Merger Integration	The management integration process following mergers and acquisitions.
POD	Print on Demand	An on-demand method of printing quickly upon request.
RBA	Responsible Business Alliance	A non-profit organization that supports the rights and welfare of workers and communities affected by global supply chains.
ROIC	Return on Invested Capital	A management indicator showing how much profits a company generates from the capital it has invested Formula: $ROIC = \text{Net operating profit after tax} / \text{Invested capital}$.

Term	Full form	Explanation
TCO	Total Cost of Ownership	Total cost of ownership related to the introduction, use, and management of products.
TSR	Total Shareholder Return	An indicator that measures the overall return to investors (capital gains + dividends).
VUCA	-	An acronym referring to rapidly changing and unpredictable situations.
WACC	Weighted Average Cost of Capital	An indicator showing the average cost of financing for a company; it is calculated by taking a weighted average of the cost of a company's equity and debt, and is used in investment decisions and corporate value evaluation.
Equity spread	-	A measure of the difference between a company's return on equity (ROE) and its cost of equity. Used to evaluate whether a company is earning more than the expected return to shareholders.
Capital cost	-	The cost a company pays to raise funds. It includes the cost of interest-bearing debt (interest rate on debt) and the cost of equity (return expected by shareholders). The cost of equity is calculated using the Capital Asset Pricing Model (CAPM), a model used to explain the relationship between investment risk and return; the CAPM is used to calculate the expected return on a particular asset or investment. We consider the cost of capital to be a range due to the variability in the timing of the calculations and the assumptions used in the calculations.
Scope 1, 2, 3	-	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 Scopes 1 and 2 (emissions from other entities related to the business operator's activities).
Materiality	-	A social issue to be undertaken by a company, which has been given priority and expressed in an easy-to-understand manner; it is a key issue for an organization.
Recurrent education	-	A term referring to lifelong learning for adults as needed; it includes acquiring new skills and knowledge, training in specialized fields, or obtaining qualifications.
Machine/controller integrated development		The in-house development of both the machine body and the control unit.
CO₂ emissions/Reduction of virgin material usage per unit of sales		An indicator showing CO ₂ emissions or virgin material usage relative to sales revenue. Formula: CO ₂ emissions or virgin material usage per unit of sales = CO ₂ emissions or virgin material usage / Sales revenue

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