

## Summary of Q&A Session for New Medium-Term Business Strategy (CS B2027) Briefing on March 3, 2025

### ● **Cash Allocation (Investment)**

**Q) What is the progress of investments under the current medium-term business strategy CS B2024? Please explain for regular investments and prior investments for the future separately.**

A) Under CS B2024, we planned a total of 230 billion yen, with 80 billion yen for "regular investments" and 150 billion yen for "prior investments for the future." Regular investments have progressed almost as planned. For the prior investments, except for M&A and the new headquarters construction, we have implemented almost as planned, achieving about half of the 150 billion yen. The total investment amount for the CS B2024 period is expected to be 145 billion yen, as stated on P33.

**Q) What is the breakdown of growth investments under the new medium-term business strategy CS B2027?**

A) The 200 billion yen growth investment is broken down into 150 billion yen for strategic investments, primarily M&A, and 50 billion yen for foundation investments. The details of foundation investments are listed on P34. We aim to steadily execute strategic investments and transform our business portfolio.

**Q) In the current CS B2024, after deducting 80 billion yen for regular investments from the total investment amount of 145 billion yen, approximately 65 billion yen was conducted as prior investments for future. In CS B2027, the 50 billion yen foundation investment seems to correspond to this. Does this mean a decrease from CS B2024?**

A) Please compare the totals of regular investments and foundation investments, for we changed how to categorize regular and foundation investments this time. Even excluding M&A, the total investment amount will increase from CS B2024 to CS B2027.

### ● **Cash Allocation (M&A)**

**Q) Is it right there were no significant M&A achievements in CS B2024?**

A) Yes.

**Q) M&A involves external parties. What measures are in place to increase certainty?**

A) We will establish a dedicated M&A team and strengthen our personnel to enable broader exploration and investigation. While it is challenging to ensure certainty in M&A, we consider it essential to incorporate external resources and foundations for business portfolio transformation and further growth. We will strongly promote this.

**Q) What challenges do you recognize in M&A, and what changes will you make besides organizational strengthening?**

A) We have reviewed past M&As to discuss what worked and what didn't internally. Issues included how management meetings were conducted, setting discussion points during M&A considerations, and challenges in progressing PMI. We will leverage these insights to drive future projects.

- **Cash Allocation (Shareholder Returns)**

**Q) It seems there is a stronger emphasis on stock prices than before. What is the background and the president's perspective?**

A) While we were not unaware of stock prices in the past medium-term business strategies, we acknowledge that we did not explicitly communicate this enough. Given the steady performance, especially in the P&S business, and accumulated cash, we aim to promote management with a greater focus on stock prices so that we can garner more support from our shareholders.

**Q) You have announced a share buyback of 60 billion yen over three years. How do you plan the timeline and volume distribution? What is the background for setting the amount at 60 billion yen?**

A) The timing and scale of the share buyback will be determined by the progress of growth investments, cash flow, and stock prices. We would, however, like to start as soon as possible. Regarding the amount, we first decided on a total of 140 billion yen, considering the balance with growth investments, the status of cash and equity. From this, we allocated 80 billion yen for continuous and stable dividends over three years, with the remainder for share buybacks.

- **Strategy for each business**

**Q) The objectives in business operations have become clearer by setting key indicators for each business segment this time. What is the background for this?**

A) The transformation of the business portfolio has been a goal since CS B2018 (FY2016-FY2018). As I took on the role of president, I wanted to focus on what Brother truly wants to do and needs to do, then reflected them in the objectives.

**Q) The target for the machine tools business looks very challenging. Which areas and regions do you plan to grow?**

A) Over the past three years, we have significantly strengthened our product lineup in the machine tools business, preparing for growth. Further growth requires market expansion. In CS B2024, we strengthened our foundation in China, India, and Japan. In CS B2027, we aim to expand further in Europe and Southeast Asia. The machine tool market in Europe is large, but our market share is still low. Historically, we focused on mass production users in China, but with our enhanced product lineup, we now become able to offer value to job shops in Europe, improving our market share. In Southeast Asia, we already have a certain share, but capital outflow from China presents further business opportunities, and we aim to expand sales further. Industry-wise, we have primarily focused on automotive and general machinery. However, we

are now increasingly able to offer solutions in industries requiring higher processing capabilities, such as medical, aerospace, and die-casting. We aim to expand in these areas as well.

**Q) The target of 100 billion yen in sales revenue for the machine tools business—can it be achieved organically, or does it include M&A? If considering M&A, what targets are you envisioning?**

A) If the market conditions are favorable, we believe achieving 100 billion yen in sales organically is possible. Since FY2011, we have aimed for substantial sales growth. Initially, we focused on the IT business, then shifted our target in non-IT sectors such as automotive and general machinery, achieving steady sales growth. The machine tool industry is highly volatile, and our performance in FY2023-24 was not strong. However, we have been working on strengthening our product lineup and expanding sales bases even in challenging conditions. While we believe we have the capability to achieve our target if market conditions are favorable, we will consider M&A and alliances to ensure we meet our goals. Specifically, we aim to use M&A and alliance to enhance our solution proposal capabilities for automation, labor saving and complex shape processing.

**Q) Many businesses have set a target operating profit margin of 10%. Is there potential to aim higher?**

A) The 10% target is not symbolic one. The P&S business has already achieved this and aims to maintain and improve it. Regarding the Nissei business, although customer capital investment is currently sluggish and the situation is challenging, we aim to achieve a double-digit profit margin in CS B2027 by leveraging the investments we have made so far. We also recognize that a double-digit profit margin is required for the N&C business.

**Q) The Nissei and Domino businesses could not improve their profit margins in the current CS B2024. What were the challenges, and what are the future measures for CS B2027?**

A) In the Nissei business, we have invested in expanding production capacity and improving production efficiency through new factory construction over the past three years. Additionally, we have made steady progress in developing high-rigidity reducers. Currently, we are affected by the slowdown in capital investment demand in China. However, we believe the investments made over the past three years will pay off, enabling profit margin improvement when capital investment recovers. In the Domino business, in addition to the upfront investments in development and sales in CS B2024, the annual amortization of intangible assets recorded at the time of acquisition, amounting to approximately 3 billion yen, is a burden on profitability improvement. In formulating CS B2027, we held in-depth discussions with Domino's management. In C&M (Coding & Marking), we aim for growth by clarifying which technologies to use in each region and product category. In DP (Digital Printing), we

completed our flagship model over the past three years. Moving forward, we aim for growth by leveraging Domino's strengths in sales and solutions, including alliances. We will also optimize functions and bases to enhance profitability.

**Q) The Domino business and garment printer (industrial printer) will be integrated into the Industrial Printing business. Will there be any changes in the relationship with Domino?**

A) Vice President Ishiguro will oversee the new Industrial Printing business. While Brother and Domino have been collaborating, profitability has been affected by prior investments. Moving forward, we will promote the integration of the Domino business and the industrial printer business, leveraging synergies in development and manufacturing to improve profitability.

**Q) Excluding exchange rate effects, the Domino business is expected to have a higher sales growth rate. Can you provide the growth rates for C&M and DP in CS B2024 and CS B2027?**

A) We do not disclose the breakdown for C&M and DP, we however aim for growth in both areas in local currency terms.

**Q) The P&S business targets seem conservative. What assumptions are they based on?**

A) The performance targets for the P&S business in CS B2027 include exchange rate effects. After adjusting for exchange rate assumptions, we have set targets assuming stable profits and sales growth. We expect the printing market to remain challenging, especially for black-and-white lasers. We, however, aim for profitable growth overall by covering this with growth in color lasers, inkjets, and commercial & industrial labeling. We also believe we can ensure a stable business by promoting continuous ties to customers.

● **Governance**

**Q) Regarding the composition of internal directors, what are the roles of the chairman, vice chairman, and president?**

A) Since being appointed president in June last year, I have been working with the support of the chairman and vice chairman. Chairman Koike serves as the chairman of the board, leading the board of directors. Vice Chairman Sasaki participates in the management of Domino as its chairman. He is also dedicated to promoting the development of technical talent within the company as the only member among Koike, Sasaki, and Ikeda with a technical background.