

The Acquisition of Domino Printing Sciences PLC

Brother Industries, Ltd.

August 4, 2015

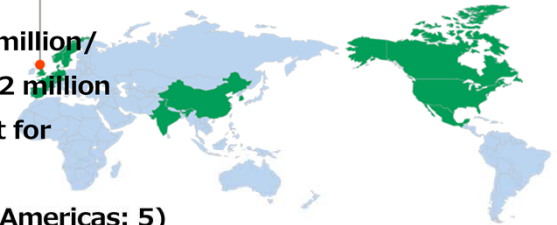
Information on this report, other than historical facts, refers to future prospects and performance, and has been prepared by our Management on the basis of information available at the time of the announcement. This covers various risks, including, but not limited to, economic conditions, customer demand, foreign currency exchange rates, tax rules, regulation and other factors. As a result, actual future performance may differ from any forecasts contained on this report.

- The Outline of the Acquisition
- The Brother Group's History and Vision
- Brother's Strategic Investments
- The Strengths of Domino
- The Synergies Expected from the Acquisition
- The Impacts on Financial Performances
- The Shared Values by Brother and Domino

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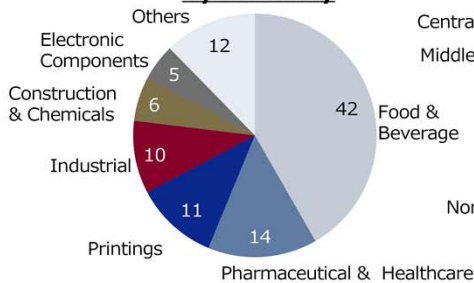
The Corporate Outline of Domino

Corporate Name : Domino Printing Sciences PLC
Head Office : Cambridge, The United Kingdom
Date of Foundation : 1978
Sales (FY2014) : £ 350 million
Number of Employees : 2,263
Financial Composition (FY2014) : Total Assets £ 302 million/
 Equity Capital £ 212 million

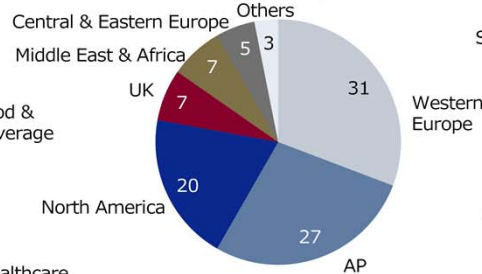


Core Business : Manufacturing and sales of equipment for coding/marketing and digital printing
Main Facilities : 25 locations (Europe: 14/Asia: 6/the Americas: 5)

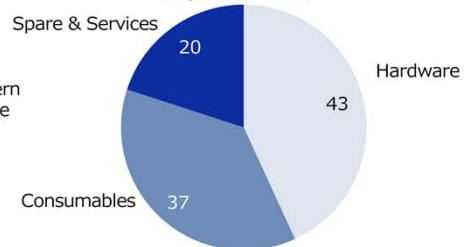
Sales Breakdown by Industry



Sales Breakdown by Region



Sales Breakdown by Product



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- ✓ Domino Printing Science Plc was founded in 1978 and its head office is located in Cambridge, the United Kingdom
- ✓ Its core business is cording and marking for printing expiry dates, etc. on bottles and cans. And sales of consumables and services account for about 60% of its total sales
- ✓ They have also been working on expanding their digital printing business as a news business

The Outline of the Acquisition

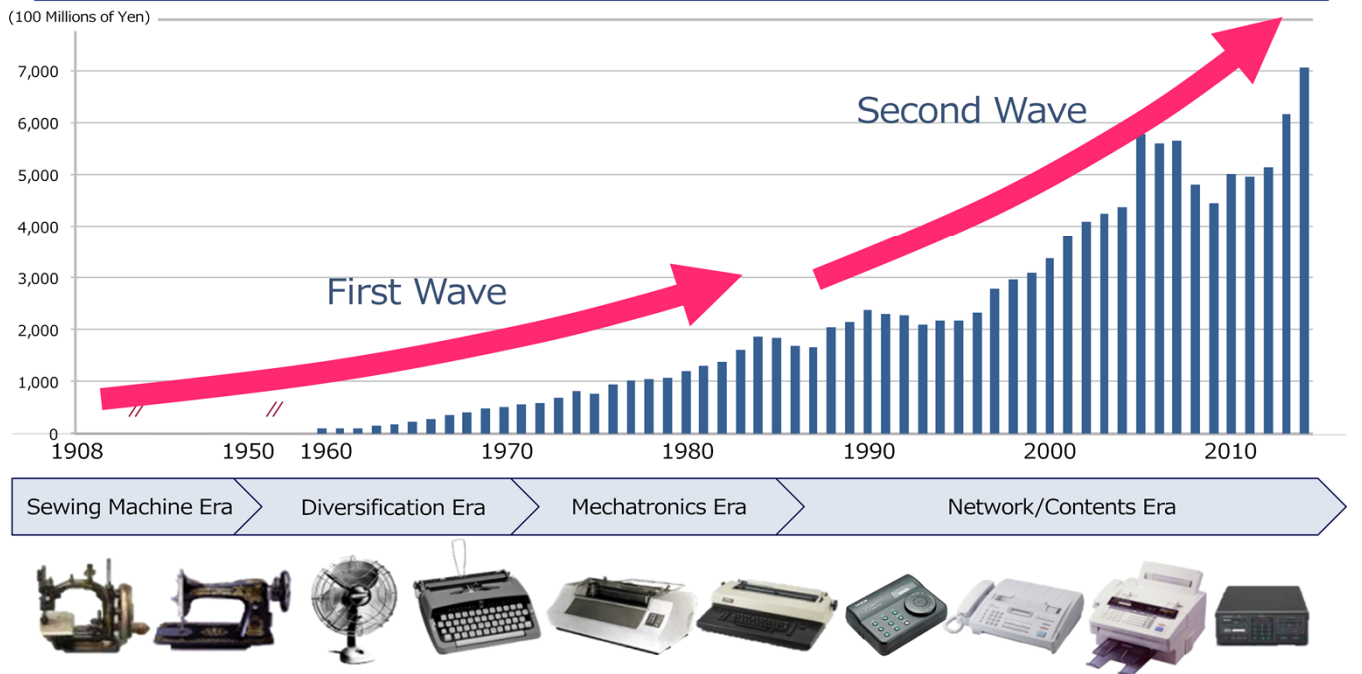
The Target Company	Domino Printing Sciences PLC
Buyout Price	<ul style="list-style-type: none"> • 915 pence per share • The total acquisition price: £ 1.048 billion (approx. ¥193.2 billion)
The Acquisition Premium	26.9% of the closing price on March 10, 2015 (a day before the acquisition agreement date)
Funding	Brother's own funds and debt financing
Debt repayment period	Expected to be approximately eight years according to the estimate based on the group's current FCF

- ✓ We will finance the acquisition using our own funds and debt financing
- ✓ The debt repayment period is expected to be approximately eight years based on our group's current FCF

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The Brother Group's History of Transformation

- ✓ Growth led by the First Wave centering on sewing machines and the Second Wave focusing on communications & printing equipment
- ✓ Pushing forward transformation of the corporate portfolio for 107 years in pursuance of delivering new value



- ✓ The Brother Group has reached the 107th anniversary of its foundation this year
- ✓ Looking back on our history, we have grown led by the First Wave of the sewing machine to mechatronics eras and by the Second Wave of the network and content era

Formulated the mid-term strategy, CS B2015, to promote growth strategies for achievement of GV21

Mid- to Long-Term Vision “Global Vision 21 (GV21)”

Target

Net Sales : **1 Trillion JPY**

- ✓ To become a leading global company with high profitability
- ✓ To become a world-class manufacturer by developing outstanding proprietary technologies
- ✓ To embody Brother's motto, "At your side," throughout our corporate culture



The Mid-Term Business Strategy “CS B2015”

Target in FY2015

Net Sales : **750 Billion JPY**

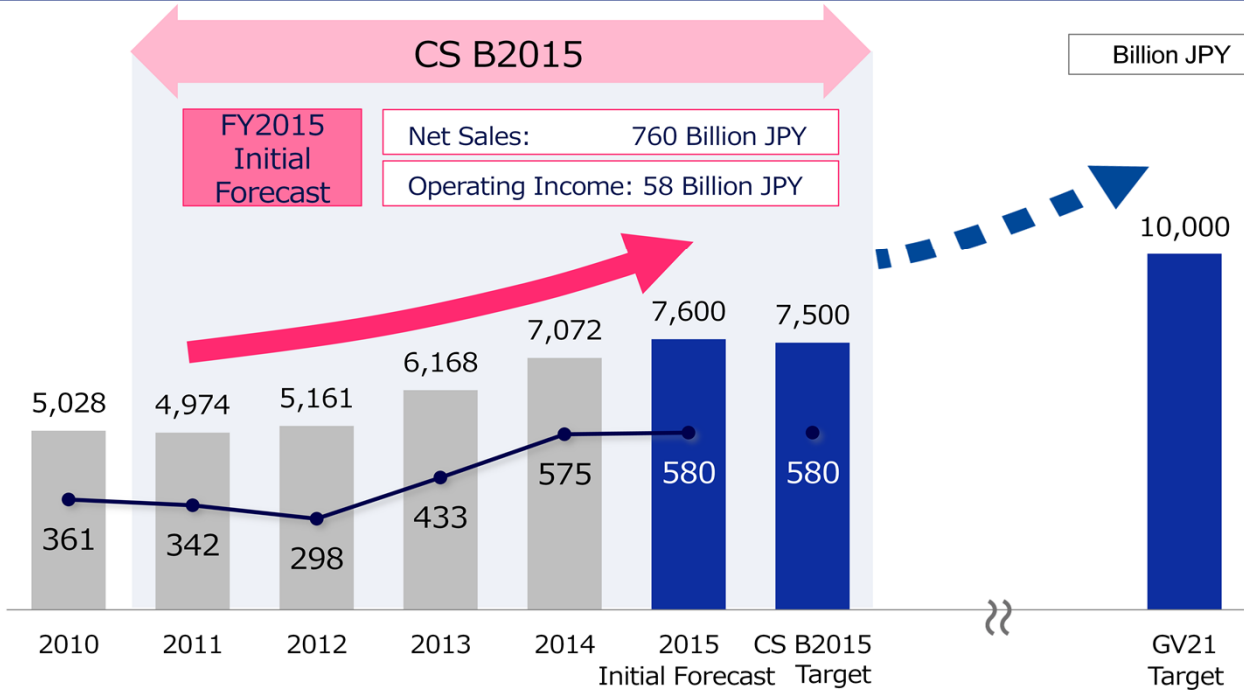
Operating Income : **58 Billion JPY**

“Back to Growth”

- ✓ Developing and expanding new businesses and products
- ✓ Expanding sales in emerging countries
- ✓ Implementing global strategies
- ✓ Pursuing M&A and corporate alliances

- ✓ The Brother Group has a mid-to long-term vision “Global Vision 21”
- ✓ To achieve the vision, we formulated a 5-year strategy “CS B2015” and set targets of ¥750 billion in sales and ¥58 billion in operating income. As a group, we have been working together to accomplish these targets

The targets of the mid-term strategy, CS B2015, have come within our reach due to growth of existing businesses and the positive effect of forex

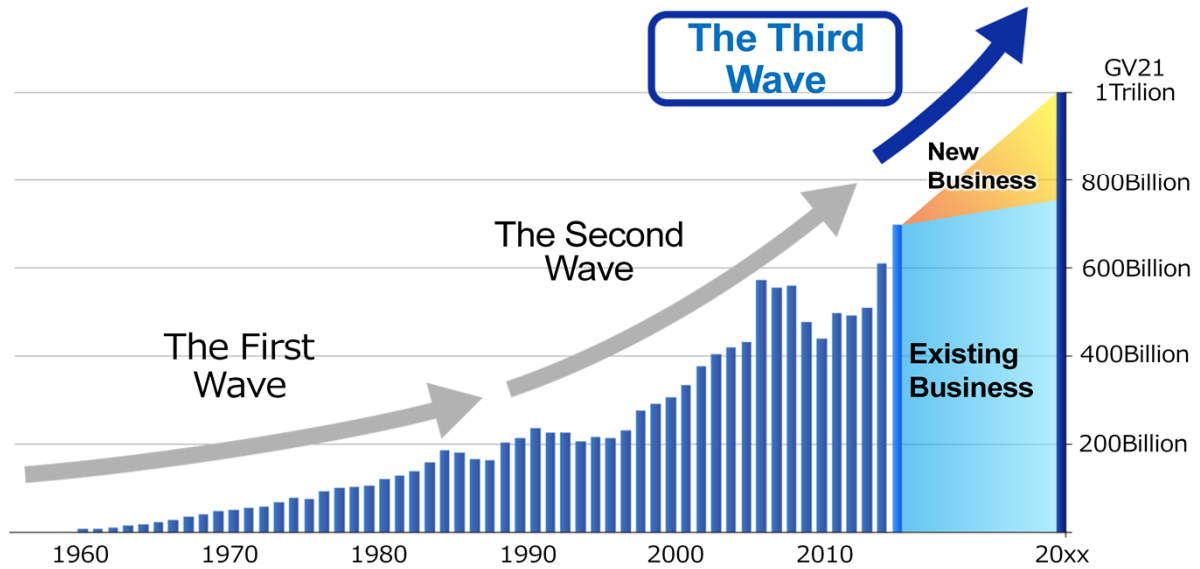


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- ✓ Brother’s sales have been steadily increasing since FY 2011, and the sales target of ¥750 billion has come within our reach.
- ✓ Looking into the future after the achievement of the ¥750 billion target, the Management has been deliberating what business to develop over the last few years

To Achieve Further Growth for Realization of GV21



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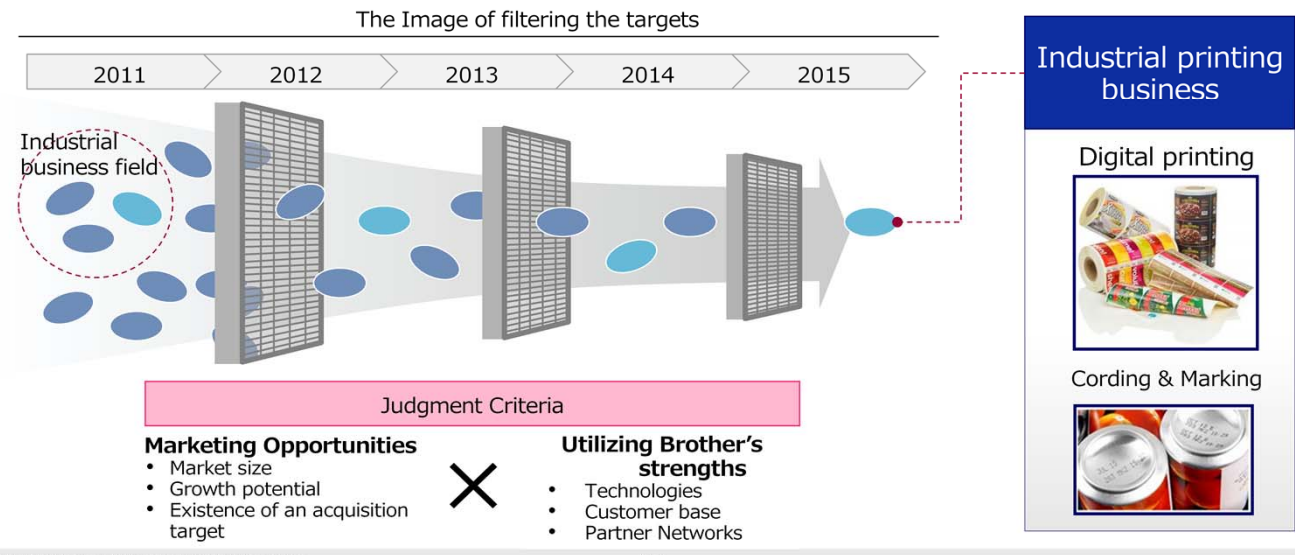
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- ✓ To achieve GV21, we need the Third Wave through transformation of the corporate portfolio by acquiring/creating a new business as well as growth of the existing businesses

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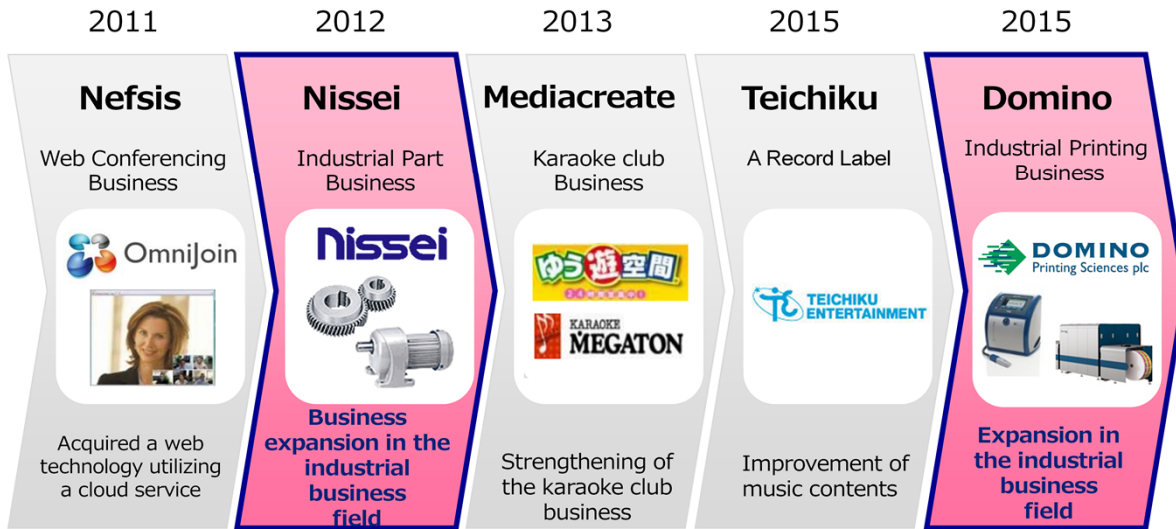
Started to gain interest in the industrial business field as the deliberation of strategic investments progressed.
 Sought opportunities continuously in the industrial printing field as a highly potential field.

- | | |
|---|---|
| CS B2015
Policies on Strategic investment of | <ul style="list-style-type: none"> Actively look for opportunities for M&A and corporate alliances in all business fields and regions, and execute growth strategies Up to approximately 150 billion yen of strategic investment is estimated |
|---|---|



- ✓ We have been exploring a variety of target companies.
- ✓ As the deliberation progressed, we started to gain interest in the industrial business field
- ✓ As we were looking for opportunities for M&A in this business field, we found Domino around mid last year

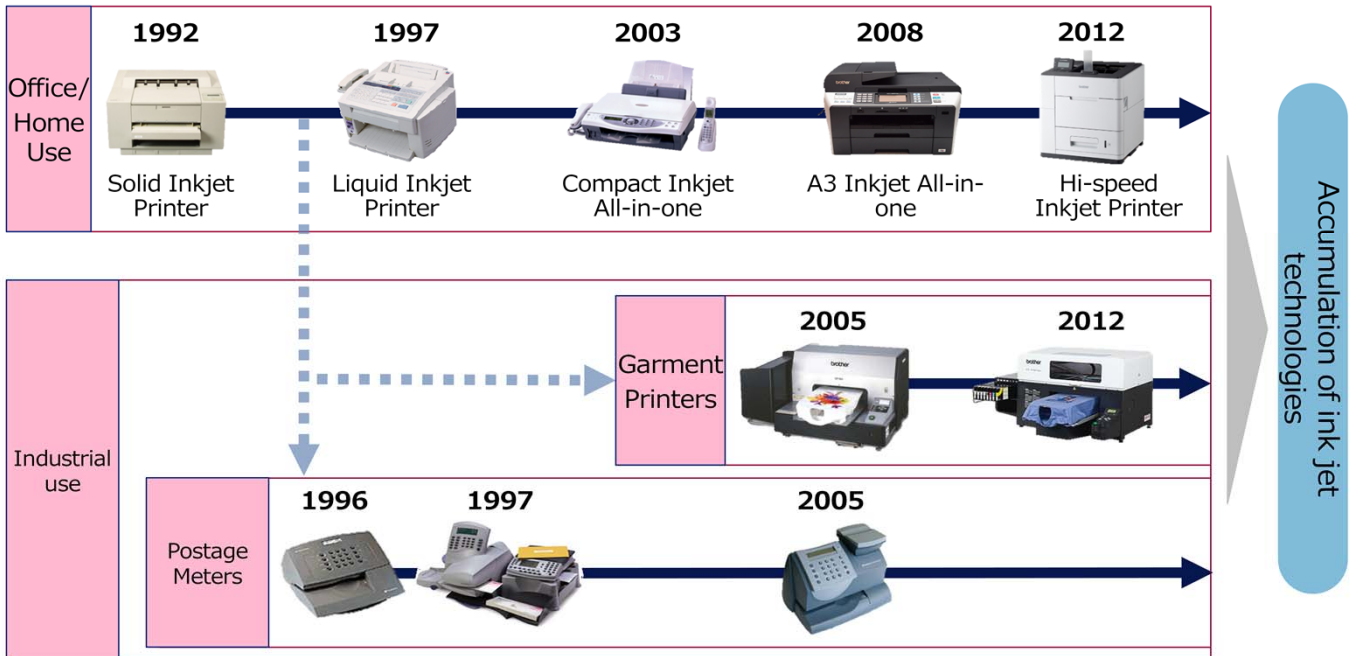
Acquired Domino, an operator of an industrial printing business, as a strategic investment leading to expansion in the industrial business field



- ✓ We have conducted several M&A for the past five years. The purpose of this M&A is to grow in the B2B field

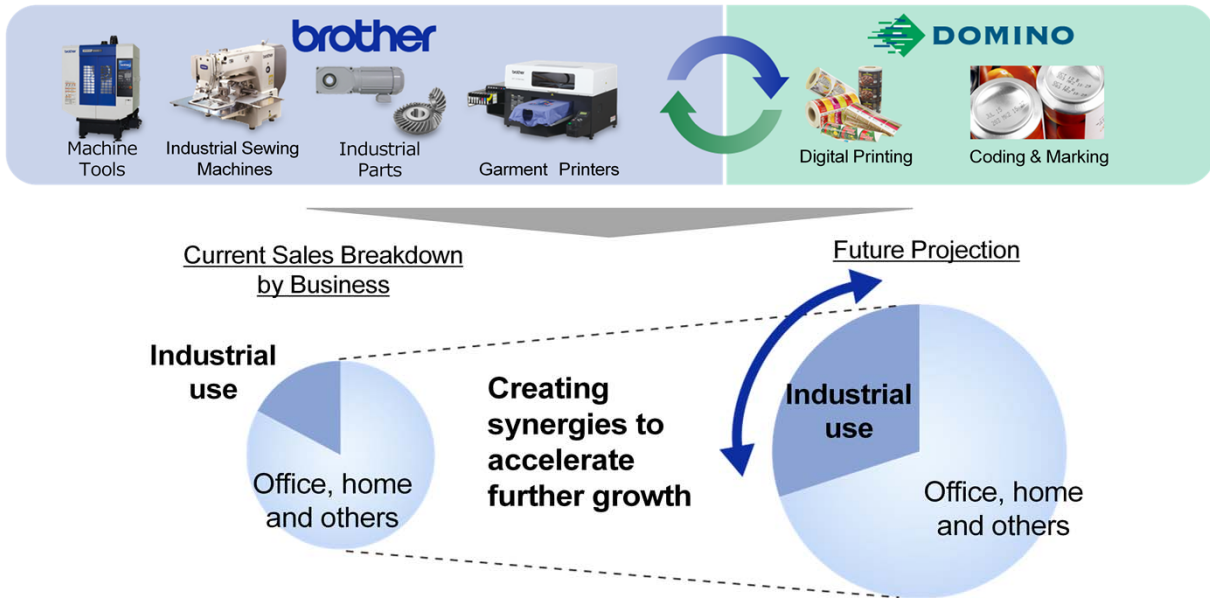
The Development of the Inkjet Product Lineups

Developing businesses in the industrial printing field by utilizing inkjet technology



- ✓ This slide shows the development of Brother's inkjet printer technologies
- ✓ We developed solid inkjet printers in 1992 and postage meters and garment printers for industrial use
- ✓ In the office/home field, we have been also accumulating inkjet technologies, which are used for A3 inkjet all-in-ones and hi-speed inkjet printers
- ✓ We have been considering how to further utilize these technologies in the industrial field in the future

Domino will be part of our foundation to support Brother's future growth in the industrial business field



- ✓ Since the printing and office/home markets have become mature, they are unlikely to grow substantially
- ✓ Domino will be the main driving force to support Brother's growth in the industrial field

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Domino is a global corporation specializing in B2B industrial printing. Its business domain consists of coding & marking, and digital printing



Coding & Marking

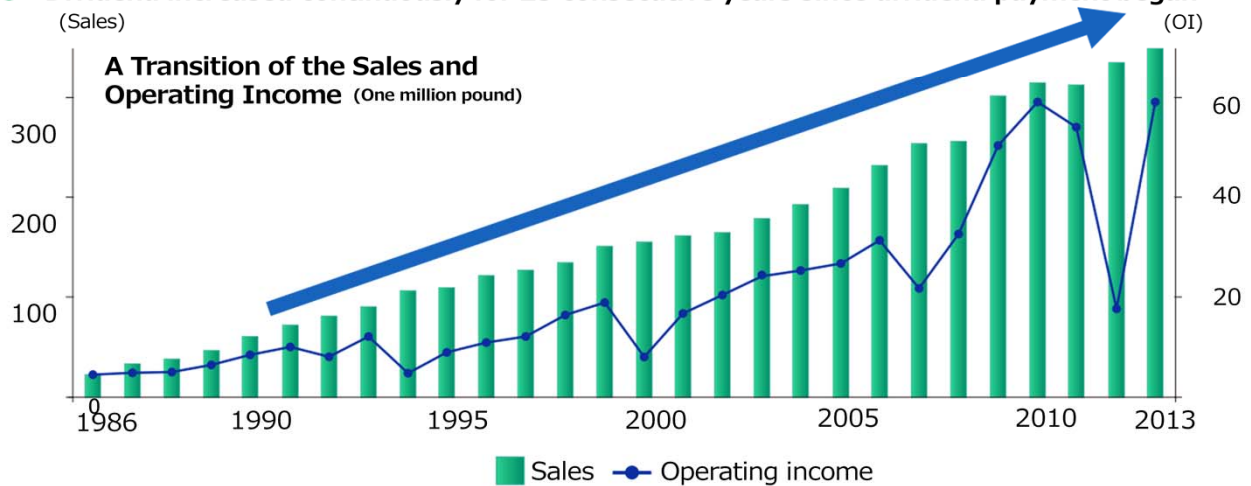


Digital Printing



A blue-chip company that has been generating high financial performance and shareholder returns for the past 30 years

- More than 10% of average annual growth in both sales and operating income for the last 30 years
- Dividend increased continuously for 25 consecutive years since dividend payment began



- ✓ Domino has been increasing sales for the past 30 years
- ✓ Domino has increased dividends continuously since they began a dividend payment, and has been led by the excellent management team

The Coding & Marking Business: Domino's Core Business since Its Foundation

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Development, manufacturing and sales of, and services related to printers that print expiration dates and lot numbers on plastic bottles, cans and packaging materials for food, etc. by using inkjet, laser and thermal transfer technologies, and the consumables for these printers.

- **Market growth rate of approximately 5%** resulting from market expansions in emerging nations, and stricter legislation and traceability
- Main customers are in the food & beverage and pharmaceutical industries, which are less affected by economic fluctuation.
- Long-term established relationships with customers

Printing Samples

Core Products



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- ✓ The coding and marking business is Domino's core business since their foundation
- ✓ They develop, manufacture, sell and service printers that print expiry dates and lot numbers on plastic bottles, cans and packaging materials for food, pharmaceutical, etc. by using a wide range of printing technologies, and consumables for these printers
- ✓ The market growth rate is expected to be about 5% globally, resulting from market expansions in emerging countries, stricter legislation and traceability and owing to main customers in the food, beverage and pharmaceutical industries, which are less affected by economic fluctuations

The Digital Printing Business: A Business That Is Expected to Grow in the Future

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Development, manufacturing and sales of, and services related to digital printers that print on product packages, such as labels, by using inkjet technology, and their consumables

- A double-digit market growth rate is anticipated as demand for packaging diversifies and become smaller in volume, and lead time shortens.
- Printing quality, productivity and capability to handle various materials improved with advanced digital printing technologies.

Core Products



Printing Samples



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- ✓ Domino's digital printing business is expected to grow in the future
- ✓ Domino develops, manufactures, sells and services printers that print labels on product packages by using inkjet technologies, and consumables for these printers
- ✓ In the digital printing, a double-digit market growth is anticipated as demand for packaging diversifies and becomes smaller in volume and lead times shorten. Also, printing quality, productivity and capability to handle various materials have been improving with advanced digital printing technologies

- A steady increase in the number of working printers is expected due to long product life.
- The consumables are used in high volume because they are for industrial purposes.
- The rate of genuine products is high because of the special ink used.
- As a result, sales of consumables and maintenance account for a large percentage of overall sales.

Ink Consumables



Ink Consumables for Coding & Marking

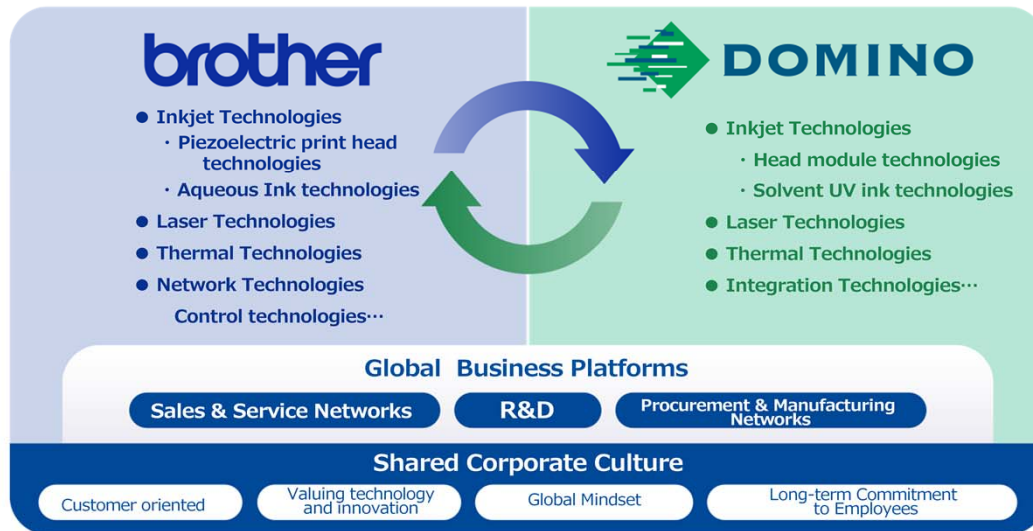


Ink Consumables for Digital Printing

- ✓ In both businesses, we expect steady increases in the number of working printers. In addition, we anticipate that consumables will be used in high volume and that the rate of genuine products will be high because of the special ink used
- ✓ In the coding and marking business, sales of consumables and maintenances have already accounted for a large percentage of overall sales, generating high profitability
- ✓ We also expect similar profitability in the digital printing business down the road

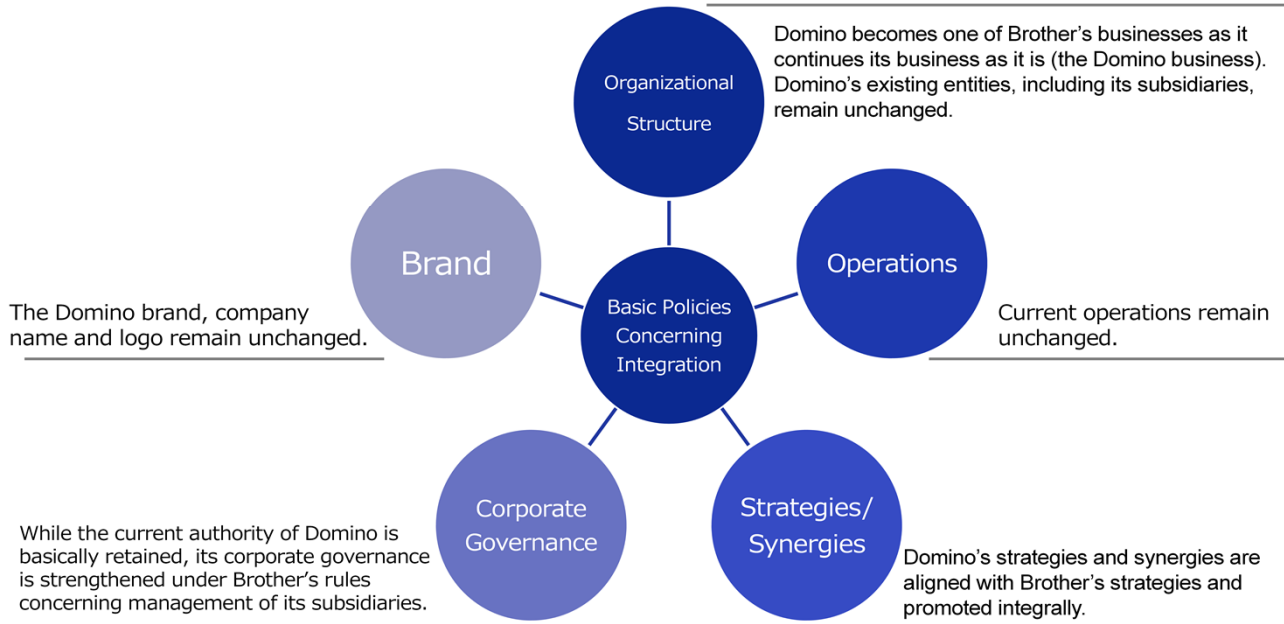
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Generating synergies by utilizing the global business foundations of Brother and Domino

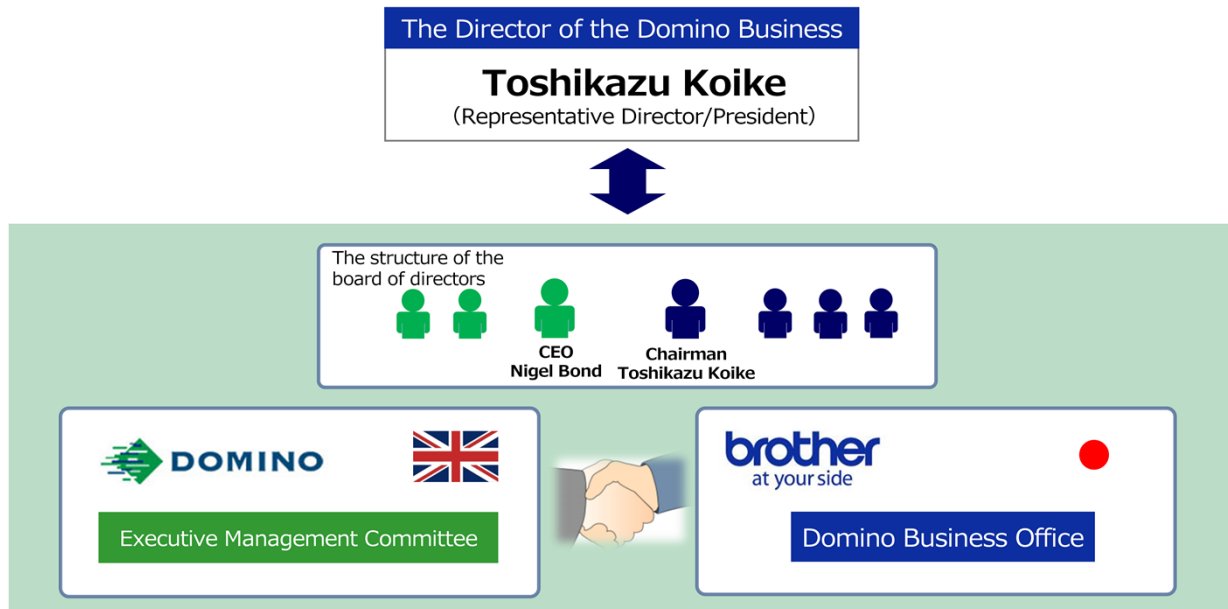


- ✓ Brother has developed inkjet technologies over the past few decades
- ✓ We also own network technologies
- ✓ Domino owns technologies, such as UV ink technologies, that Brother does not have
- ✓ Brother and Domino will be working together for sales, service networks, R&D, procurements, etc. by utilizing the global business foundations of both companies
- ✓ Brother and Domino have a very similar corporate culture and are communicating with each other smoothly

Accelerate development of integrated strategies and creation of synergies, while Domino's brand and operations remain unchanged.



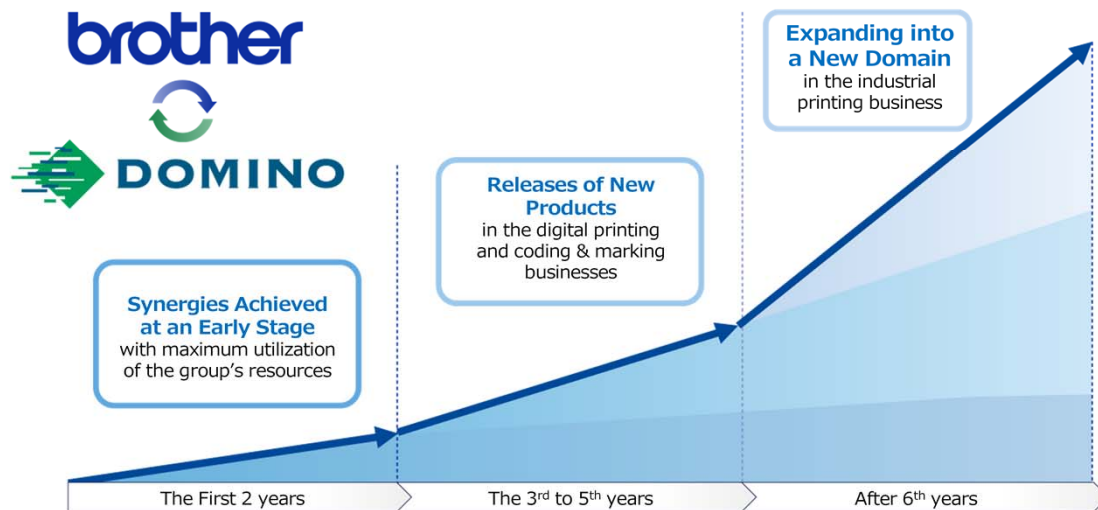
To accelerate growth of the Domino business, and establish a structure to utilize the resources of both companies to the fullest extent.



- ✓ The Domino business is put under the direct control of the president since it is a large scale merger and acquisition deal
- ✓ The board of directors consists of four members from Brother and three members from Domino
- ✓ The Domino Business Office has been established in Brother. Brother and Domino are organizing a structure to work together and accelerate growth

The Synergies Expected from the Acquisition

The projection of sales, profit and cash flow expansion arose from the synergies generated by the acquisition



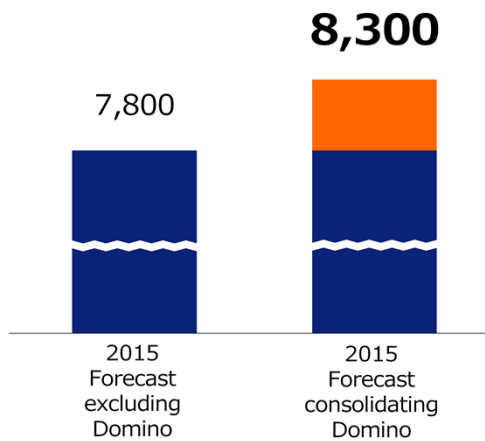
- ✓ There may not be any major synergies for the first two years. However, we will be cutting down on costs for parts procurement
- ✓ After several years, we will be releasing new products and expanding into a new domain

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Despite the amortization of goodwill and acquisition cost incorporated, the forecast for this fiscal year remains unchanged.

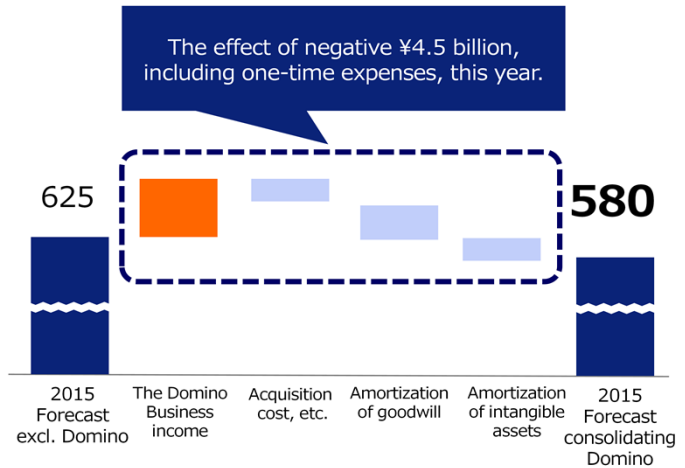
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



*Domino's profit and loss for the 9 months after July 2015 are included.

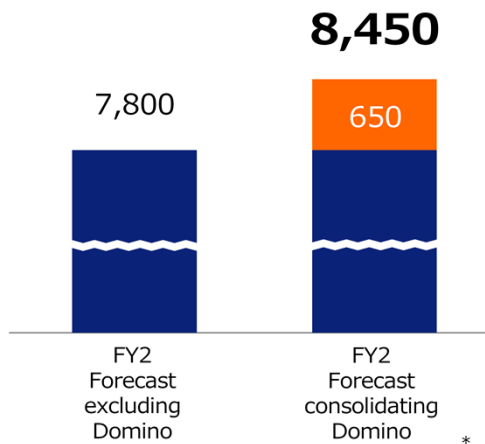
*Amortizations of goodwill and intangible assets are tentative figures based on the present assumption.

- ✓ Domino's profit and loss for the nine months from July 2015 are included in the FY 2015 forecast
- ✓ While the positive effect on sales is projected to be ¥50 billion, the negative effect on operating income is expected to be ¥4.5 billion, including costs associated with the acquisition

With transition to IFRS, Domino's contribution to the group's financial performance is expected from the second year.

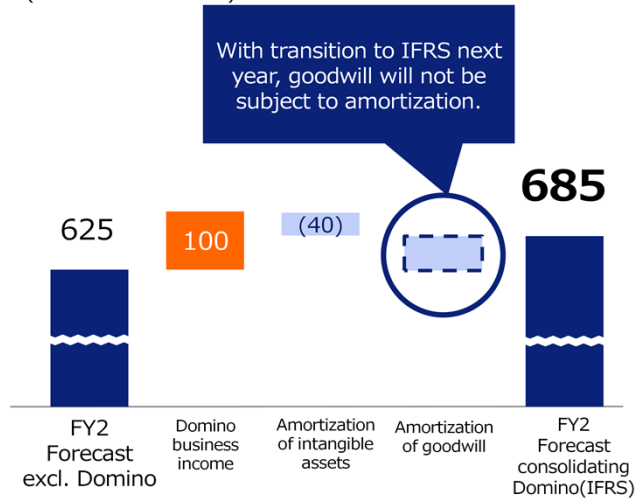
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)

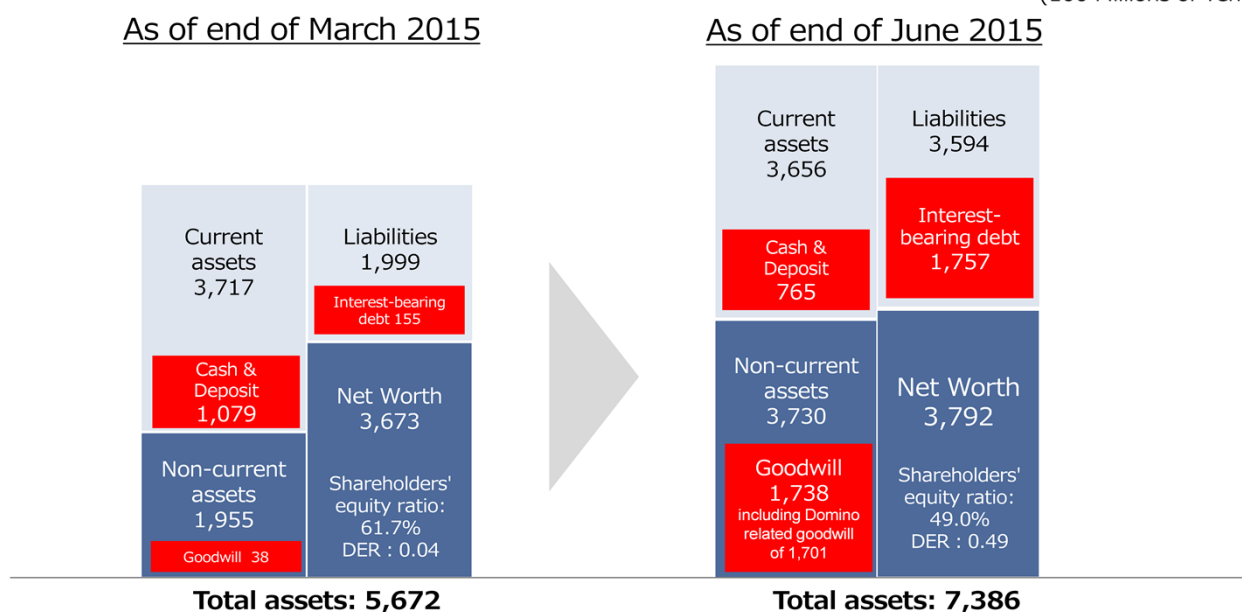


* FY2 indicates the second fiscal year from the start of Domino consolidation.
 * The forecast for the existing businesses for FY 2015 is used for the forecast for FY2.
 * Figures for Domino are indicated based on the conversion of its financial results in the term ending in October 2014 at ¥185 to a pound.

- ✓ Our transition to IFRS next year is scheduled
- ✓ We expect Domino's profit contribution of approximately ¥6 billion yen since goodwill will not be subject to amortization. This figure is simply calculated based on the current assumption using Domino's financial results in the term ending in October 2014

Brother maintains a high shareholders' equity ratio of approximately 50%

(100 Millions of Yen)



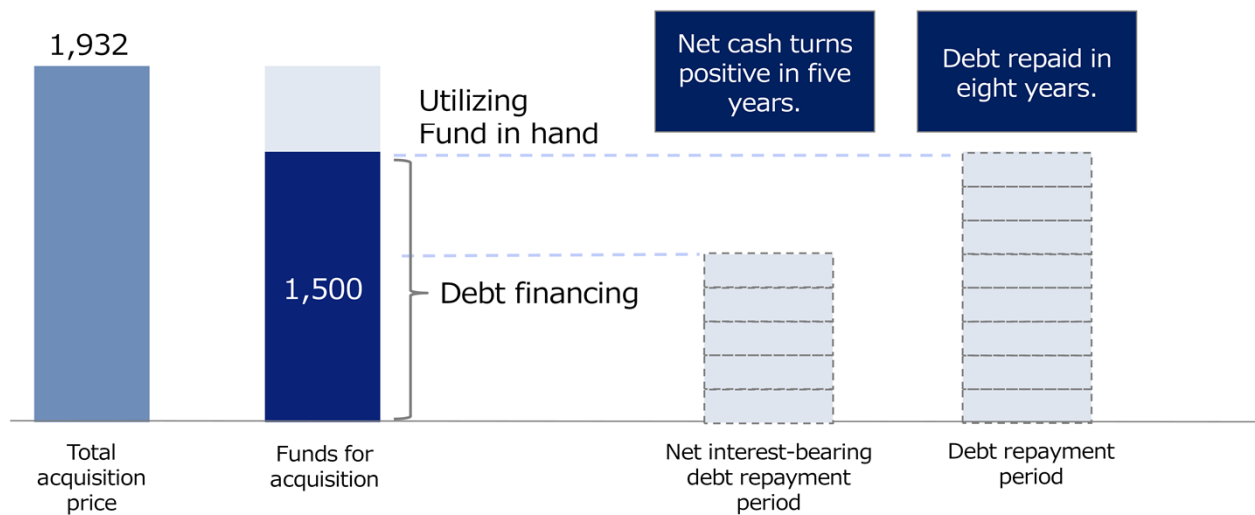
*DER (Debt equity ratio: Interest-bearing debt/shareholders' equity)

*Goodwill balance as of end of June 2015 is an estimated figure calculated before reclassification into intangible assets.

- ✓ We have had an interest-bearing debt of approximately ¥170 billion due to this acquisition
- ✓ However, we don't have any serious concerns about our shareholder's equity ratio and DER as well
- ✓ Considering possibility of demand for funds in the future, we will maintain cash & deposits at a certain level

Debt repayment is expected to be completed within eight years with utilization of the group's overall ability to generate cash flow.

(100 Millions of Yen)



- ✓ We will finance the acquisition utilizing funds in hand and debt financing
- ✓ The debt repayment period is expected to be approximately eight years

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Brother and Domino respect each other's values and aim to generate true synergies through the partnership.



- [Code of Practice]**
1. Trust and Respect
 2. Ethics and Morality
 3. Challenging Spirit and Speed



- [Team Work]**
1. Listening + Honesty
 2. Attitude + Commitment
 3. Energy + Urgency
 4. Clarity + Focus

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