Fiscal Year 2022 (ended March 31, 2023) Financial Results, Updates on the Medium-term Business Strategy “CS B2024”

Brother Industries, Ltd.

May 8, 2023

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.

Agenda

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◆ **Updates on the Medium-term Business Strategy "CS B2024"**

Highlights

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Highlights (Results for FY2022)

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Results for FY2022

- **Sales revenue** **815.3 billion yen/ +14.7% (year-on-year)**
  - ✓ Revenue increased due to positive FX effects, an increase of hardware sales in the P&S business compared to the previous fiscal year when there were supply constraints, and other factors
- **Business segment profit** **60.4 billion yen/ -28.6% (year-on-year)**
  - ✓ In the P&S business, gross profit decreased due to the change in the sales ratio of hardware and consumables as well as decreased sales of consumables, despite effects from price adjustments
  - ✓ Profit decreased substantially due to an increase in SG&A, soaring parts and materials costs, and other factors
- **Operating profit** **55.4 billion yen/ -35.2% (year-on-year)**
  - ✓ Impairment losses on a part of goodwill in the Domino business were recorded, despite gain on sales of fixed assets
- **Net income*** **39.1 billion yen/ -36.0% (year-on-year)**

*: Net income attributable to owners of the parent company

Results for FY2022

Sales revenue
Sales revenue increased by 14.7% year-on-year to **815.3 billion yen**.
Revenue increased due to positive FX effects, increased sales of hardware in the P&S business compared to the previous fiscal year when there were supply constraints, and other factors.

Business segment profit
Business segment profit decreased by 28.6% year-on-year to **60.4 billion yen**.
In the P&S business, gross profit decreased due to the change in the sales ratio of hardware and consumables as well as decreased sales of consumables, despite effects from price adjustments. Profit also decreased substantially due to an increase in SG&A, soaring parts and materials costs, and other factors.

Operating profit
Operating profit decreased by 35.2% year-on-year to **55.4 billion yen**.
Impairment losses on a part of goodwill in the Domino business were recorded due to an increase in the discount rate applicable to the future cash flow reflecting a rise in interest rates, despite gain on sales of fixed assets.

Net income attributable to owners of the parent company
Net income attributable to owners of the parent company decreased by 36.0% year-on-year to **39.1 billion yen**.

Highlights (Forecast for FY2023/Shareholder returns)

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Forecast for FY2023

- **Sales revenue** **840.0 billion yen/ +3.0% (year-on-year)**
- **Business segment profit** **70.0 billion yen/ +15.9% (year-on-year)**

✓ Incorporating high parts and materials costs as well as increased SG&A, including personnel expenses, into the forecast, the Company will continue to make prior investments for the future as stated in the medium-term business strategy “CS B2024”

✓ Revenue and profit are expected to increase due to growth in the industrial area and recovery in profitability of the P&S business

Shareholder returns

✓ Annual dividend for FY2022 of 68 yen per share (planned)
(4 yen increase from the previous fiscal year)

✓ Annual dividend for FY2023 of 68 yen per share (planned)

Forecast for FY2023

Incorporating high parts and materials costs as well as increased SG&A, including personnel expenses, into the forecast, the Company will continue to make prior investments for the future as stated in the medium-term business strategy “CS B2024” (FY2022 to FY2024).

In FY2023, revenue and profit are expected to increase due to growth in the industrial area and recovery in profitability of the P&S business.

Shareholder returns

The annual dividend per share for FY2022 is planned to be **68** yen, up 4 yen from the previous fiscal year.

The annual dividend per share for FY2023 is planned to be **68** yen.

Results for FY2022

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Consolidated Results for FY2022

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Revenue increased, due mainly to higher hardware sales in the P&S business, in addition to positive FX effects. Business segment profit decreased substantially due to an increase in SG&A, soaring parts and materials costs, and other factors. As for operating profit, impairment losses on a part of goodwill in the Domino business were recorded

(100 Millions of Yen)

	FY21 Annual	**FY22 Annual**	Change (w/o FX)	Rate of Change (w/o FX)	Previous Forecast	Change (w/o FX)	Rate of Change (w/o FX)
Sales revenue	7,109	**8,153**	1,043 (228)	14.7% (3.2%)	8,250	-97 (-125)	-1.2% (-1.5%)
Business Segment Profit	846	**604**	-241 (-294)	-28.6% (-34.8%)	650	-46 (-64)	-7.1% (-9.9%)
Business Segment Profit Ratio	11.9%	**7.4%**			7.9%		
Other income/expense	9	**-50**	-60		80	-130	
Operating Profit	855	**554**	-301	-35.2%	730	-176	-24.1%
Operating Profit Ratio	12.0%	**6.8%**			8.8%		
Income before Tax	864	**570**	-295	-34.1%	730	-160	-22.0%
Net Income attribute to parent company	610	**391**	-219	-36.0%	510	-119	-23.4%
USD	112.86	**134.95**	22.09		135.13	-0.18	
EUR	131.01	**141.24**	10.23		139.67	1.57	

<Ref.> FX sensitivity* (FY22 Results)

(billions of yen)	Sales	Business Segment Profit
USD	1.6	-0.6
EUR	1.1	1.0

*Annual impact of JPY 1 change

- Gain and loss on sale of fixed assets: +5.3 billion yen
- Impairment losses on a part of goodwill in the Domino business: -10.6 billion yen

In FY2022, revenue increased by 104.3 billion yen from the previous fiscal year to **815.3** billion yen, due mainly to positive FX effects and an increase in sales of hardware in the P&S business.

Business segment profit decreased by 24.1 billion yen from the previous fiscal year to **60.4** billion yen, mainly due to an increase in SG&A and soaring parts and materials costs, despite effects from price adjustments.

Operating profit decreased by 30.1 billion yen from the previous fiscal year to **55.4** billion yen as impairment losses on a part of goodwill were recorded in the Domino business due to an increase in the discount rate applicable to the future cash flow reflecting a rise in interest rates, despite gains on sales of fixed assets.

Net income attributable to owners of the parent company was **39.1** billion yen, down 21.9 billion yen from the previous fiscal year.

Results for FY2022

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(100 Millions of Yen)

	Sales revenue			Business segment profit			Operating profit		
	FY21	FY22	Change	FY21	FY22	Change	FY21	FY22	Change
P&S	4,242	4,967	725	598	371	-227	594	365	-230
Machinery	905	964	59	126	95	-30	126	98	-27
Domino	847	1,008	161	52	56	4	43	-58	-101
Nissei	207	235	27	14	19	5	13	18	5
P&H	500	510	10	81	58	-23	82	59	-24
N&C	296	353	57	-27	5	32	-6	8	14
Other	111	116	4	3	1	-2	2	64	62
Total	**7,109**	**8,153**	**1,043**	**846**	**604**	**-241**	**855**	**554**	**-301**

* "Other" includes elimination amounts from inter-segment transactions.

This slide shows results in each business segment.

Effective FY2022 business segmentation has been changed as per the medium-term business strategy "CS B2024" and the figures for FY2021 have been revised as well for comparison.
The same applies to the figures on the following pages.

Review of FY2022

Business	Review of FY2022 (on a results basis excluding FX effects)
P&S	• [Communications & Printing Equipment] Revenue increased due to higher hardware sales accompanying recovery from supply constraints as well as price adjustments, despite decreases mainly in sales of consumables due to the continued impact of inventory control in the U.S. and European channels and others • [Labeling] Revenue decreased due to supply constraints resulting from a shortage of parts and materials • Profit decreased due to higher parts and materials costs, SG&A, and promotion, in addition to the decrease in gross profit accompanying the change in the sales ratio of hardware and consumables in Communications & Printing equipment, and lower sales of consumables
Machinery	• [Machine Tools] Revenue increased due to firm demand in the automotive and general machinery markets, despite supply constraints caused by shortages of parts and materials • [Industrial Sewing Machines] Revenue decreased due to lower demand for capital investment in the Industrial Sewing Machines and downturn after a surge in demand brought about by COVID-19 in the Garment Printers. • Profit decreased due to soaring parts and materials costs, higher SG&A, and investments for growth
Domino	• Revenue increased due to firm performance of consumables and solid demand for C&M hardware • As for operating profit, impairment losses on a part of goodwill were recorded due to a rise in the discount rate in response to soaring interest rates
Nissei	• Both revenue and profit increased due to the firm performance of reducers accompanying expanding needs for automation in factories
P&H	• Both revenue and profit decreased due to the worsening of the product mix caused by a decrease in sales of middle- and high-end models as stay-at-home demand has run its course
N&C	• With the recovery of market conditions from COVID-19, sales at karaoke clubs increased and sales of karaoke systems were strong, resulting in a turnaround to profitability

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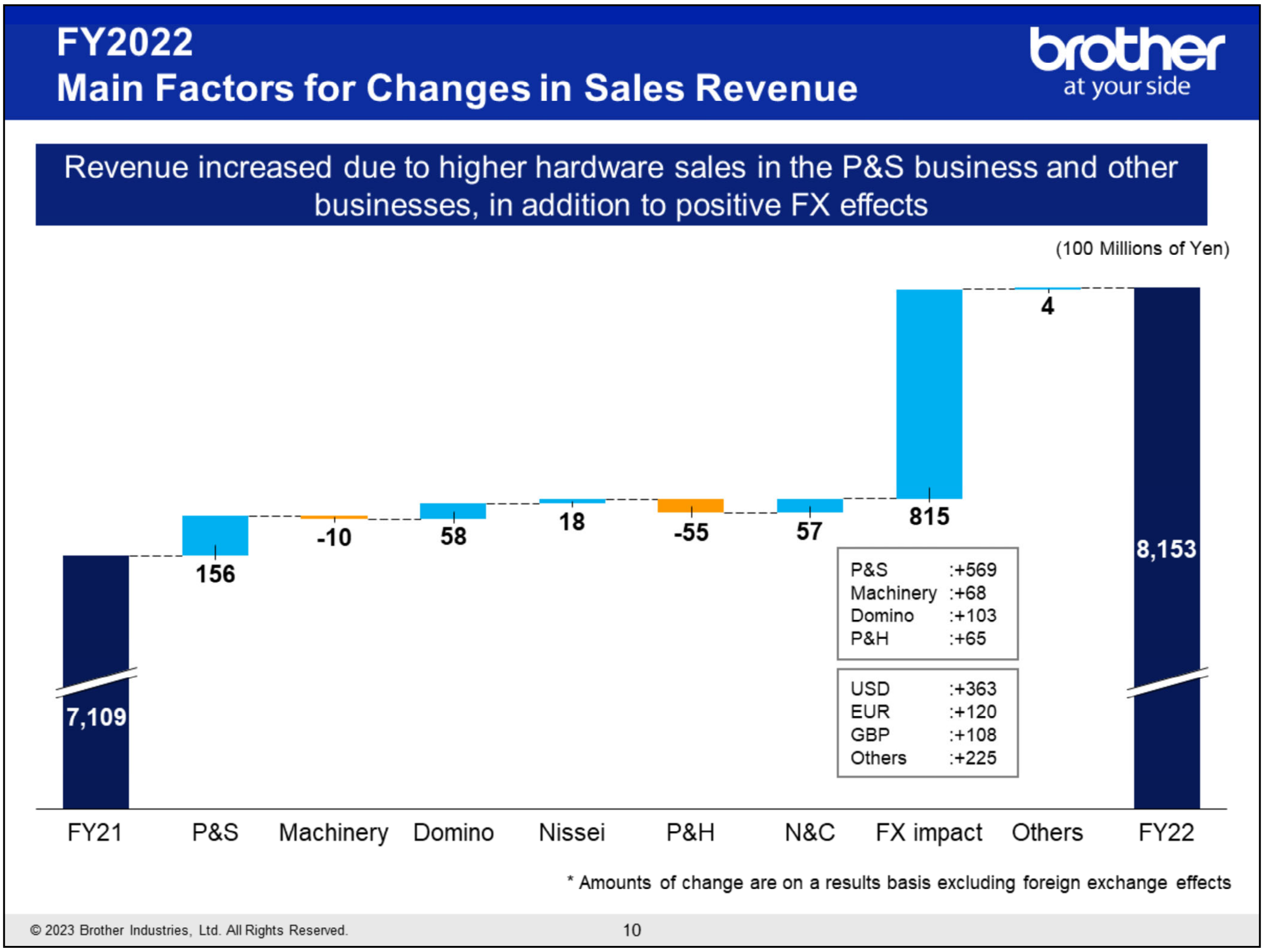
This is a review of FY2022 by business.



These are the main factors behind the changes in sales revenue for FY2022. The amount of change for each business is on a results basis excluding FX effects.

・P&S
Although sales of consumables decreased, sales of hardware were strong as supply constraints caused by parts and materials shortages eased, resulting in an increase in revenue in the business as a whole.

・Machinery
As for machine tools, demand from the automobile and general machinery markets remained firm, despite the impact of supply constraints due to parts and materials shortages. Sales of industrial sewing machines decreased due to concerns over an economic slowdown. Revenue decreased in the business as a whole.

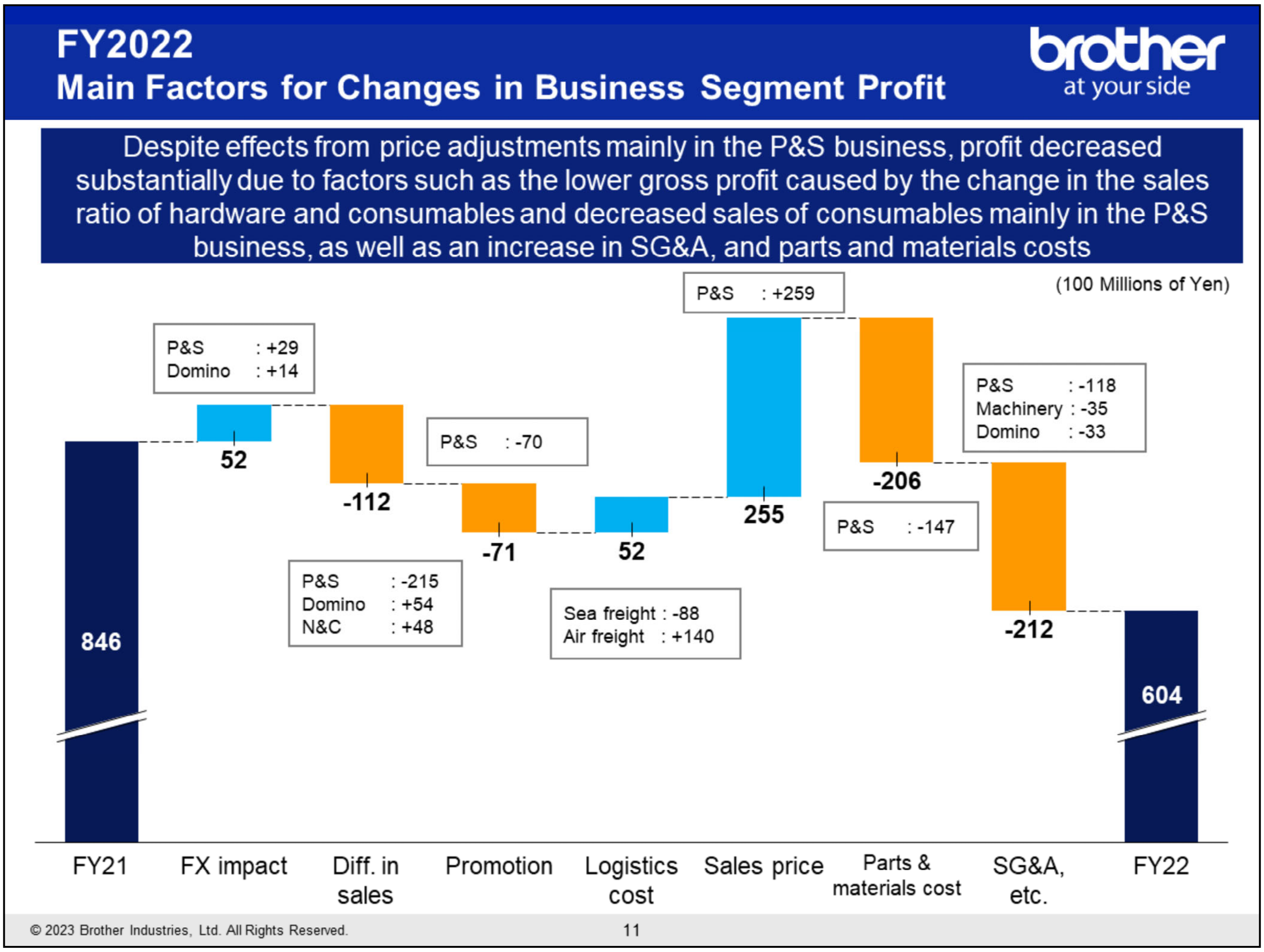
・Domino
Revenue increased as consumables remained firm for both C&M and DP.

・Nissei
Revenue increased due mainly to the strong performance of reducers resulting from increased demand for capital investment.

・P&H
Revenue decreased as stay-at-home demand has run its course.

・N&C
Sales at karaoke clubs increased with the recovery of the number of karaoke customers following the easing of activity restrictions to prevent the spread of COVID-19, and sales of karaoke systems remained firm, resulting in an increase in revenue.

Due to these factors, in addition to the positive FX effects of 81.5 billion yen resulting from the weaker yen, company-wide sales revenue increased by 104.3 billion yen to **815.3** billion yen.



These are the main factors for changes in business segment profit.

・**FX impact**
There was a positive impact in the Machinery and other businesses, despite negative impacts, mainly in the P&S business, due to the decline in the value of the yen against the U.S. dollar.

・**Differences in sales**
A decrease in gross profit in the P&S business caused by a change in the sales ratio of hardware and consumables, and lower sales of consumables had a large impact.

・**Promotion**
In the P&S business, promotion increased according to the recovery of our supply capacity as well as competitors.

・**Logistics cost**
Logistics costs decreased due to the absence of air transportation of consumables in the P&S business, which occurred in FY2021.

・**Sales price**
The impact was mainly in the P&S business. Average unit prices increased as a result of price adjustments.

・**Parts and materials costs**
Every business was affected by cost increases.

・**SG&A and other expenses**
Logistics-related costs and personnel expenses increased, mainly in the U.S.

As a result of these factors, business segment profit was **60.4** billion yen, down 24.1 billion yen from previous fiscal year.

Forecast for FY2023

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Preconditions for Forecast for FY2023

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■ Preconditions for forecast for FY2023 (Recognition of business environment)

(Blue indicates positive change from the previous year; red indicates negative change.)

Exchange rate precondition		**1USD=135 yen, 1EUR=140 yen**
Demand	**P&S**	Work-from-home demand has run its course and print volume is slowly declining. The Commercial & Industrial Labeling market is expanding
	Machine Tools	Despite the economic cycle entering a downward phase, demand for small machine tools is increasing due to the growth of the Chinese and Indian markets, the conversion to electric vehicles, and the growing awareness of carbon neutrality
	Domino	C&M demand remains firm due to growing awareness of traceability
Supply	**P&S(Labeling) /Machine tools**	Supply constraints caused by parts and materials shortages has settled
Costs	**Promotion**	In the P&S business, promotion is increasing as competitors' production capacity recovers
	Logistics	Subsiding of sea freight hikes
	Parts & materials	Parts and materials costs remain high due to the impact of inflation and other factors
	SG&A	Personnel expenses and other costs are increasing on a global basis

The preconditions used in the forecast and our perception of the business environment are as follows.

The exchange rates used for the forecast are 135 yen to the USD and 140 yen to the EUR.

・Demand

As for the P&S business, work-from-home demand has run its course and print volume is slowly declining.

On the other hand, we expect the Commercial & Industrial Labeling market to expand.

As for machine tools, we expect the Chinese and Indian markets to grow, although the economic cycle is entering a downward phase.

In addition, with the conversion to electric vehicles and growing awareness of carbon neutrality, we expect demand for small, energy-efficient machine tools to increase.

As for the Domino business, we expect firm demand, especially in C&M, due to the growing awareness of traceability.

・Supply

In FY2022, there were supply constraints mainly in the P&S business (labeling) and machine tools due to parts and materials shortages, but these have now settled, and we do not expect any impact in FY2023.

・Costs

We expect the impact of inflation to continue, parts and materials costs to remain high, and SG&A is expected to increase in general. In addition, we expect promotion to increase in the P&S business according to the recovery of our supply capacity as well as competitors.

On the other hand, we expect logistics costs to decrease as the sea freight hikes have subsided due to the settling down of disruptions in sea transportation.

Forecast for FY2023

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Revenue and profit are expected to increase due to growth in the industrial area and recovery in profitability of the P&S business

(100 Millions of Yen)

	FY22 Actual	FY23 Forecast	Change (w/o FX)	Rate of Change (w/o FX)
Sales revenue	8,153	**8,400**	247 (310)	3.0% (3.8%)
Business Segment Profit	604	**700**	96 (111)	15.9% (18.4%)
Business Segment Profit Ratio	7.4%	**8.3%**		
Other income/expense	-50	**0**	50	
Operating Profit	554	**700**	146	26.4%
Operating Profit Ratio	6.8%	**8.3%**		
Income before Tax	570	**700**	130	22.9%
Net Income attribute to parent company	391	**500**	109	27.9%
USD	134.95	**135.00**	0.05	
EUR	141.24	**140.00**	-1.24	

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For FY2023, we expect both revenue and profit to increase due to growth in the industrial area and a recovery in profitability of the P&S business.

Sales revenue is expected to increase by 24.7 billion yen to **840** billion yen.

As for profit, we expect business segment profit to increase by 9.6 billion yen to **70** billion yen, operating profit to increase by 14.6 billion yen to **70** billion yen, and net income attributable to owners of the parent company to increase by 10.9 billion yen to **50** billion yen.

Forecast for FY2023 by Business Segment

(100 Millions of Yen)

	Sales revenue			Business Segment Profit			Operating Profit		
	FY22 Actual	FY23 Forecast	Change	FY22 Actual	FY23 Forecast	Change	FY22 Actual	FY23 Forecast	Change
P&S	4,967	4,970	3	371	415	44	365	415	50
Machinery	964	1,156	192	95	148	53	98	148	50
Domino	1,008	1,058	50	56	45	-11	-58	45	103
Nissei	235	242	7	19	21	2	18	21	3
P&H	510	511	1	58	44	-14	59	44	-15
N&C	353	375	22	5	9	4	8	9	1
Other	116	88	-28	1	18	17	64	18	-46
Total	**8,153**	**8,400**	**247**	**604**	**700**	**96**	**554**	**700**	**146**

* "Other" includes elimination amounts from inter-segment transactions.

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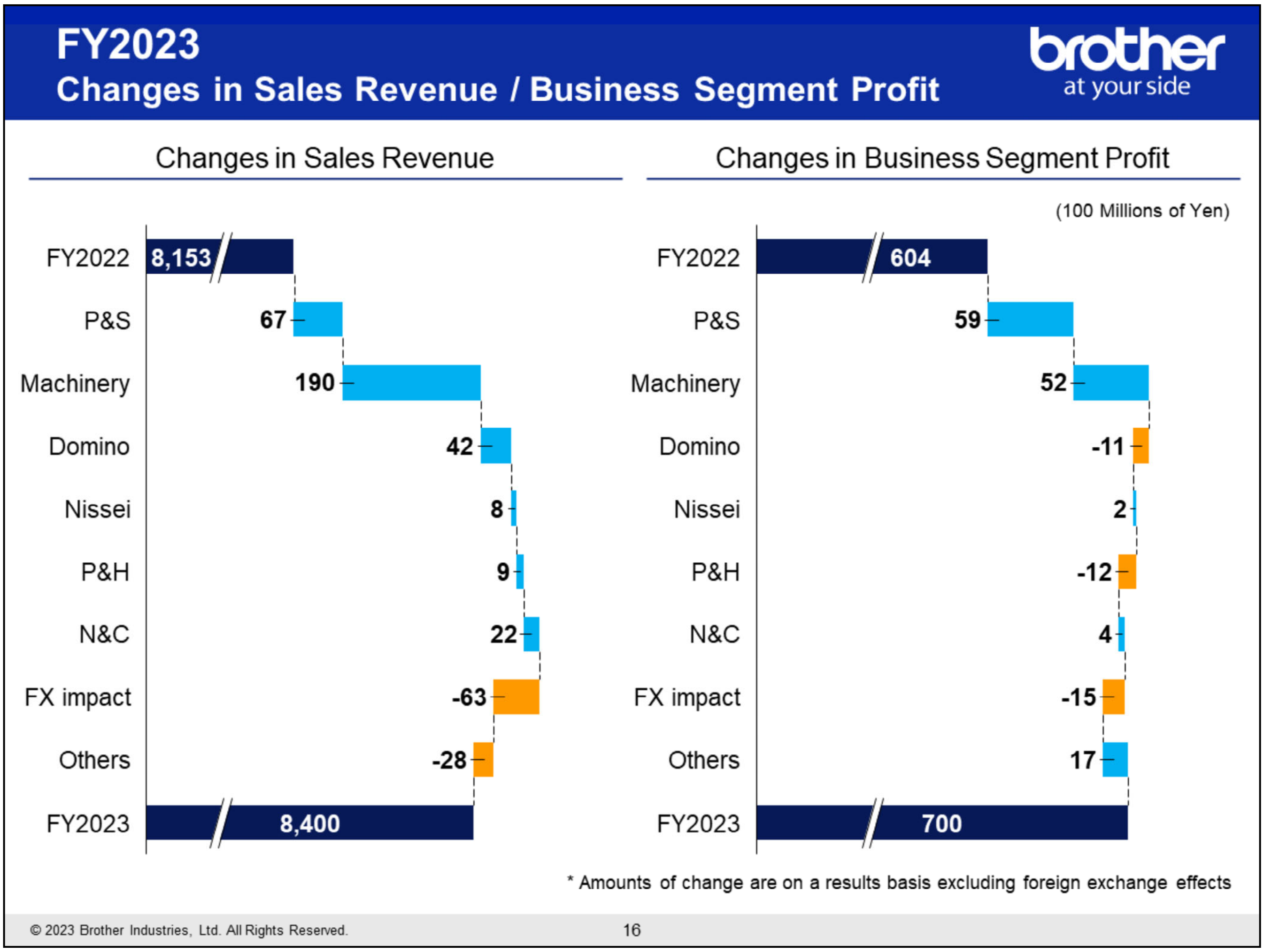
This slide shows the forecast for the full year by business segment.



These are the main factors behind the changes in sales revenue and business segment profit for FY2023. Our forecast is as follows.

・P&S

Revenue will increase due to continuous focus on hardware sales in communications & printing equipment as well as easing of supply constraints caused by parts and materials shortages in labeling. Profit will increase due to a significant improvement in sea freight and lower logistics-related expenses in the U.S., despite an increase in promotion according to recovery in our supply capacity as well as competitors.

・Machinery

Both revenue and profit will increase, mainly in machine tools, due to firm sales in the automobile and general machinery markets.

・Domino

Revenue will increase due to firm demand, especially in C&M. Profit will decrease due to the cost of renewing ERP systems on a global basis, an increase in SG&A resulting from strengthened sales activities, etc.

・Nissei

Both revenue and profit will increase due to continued demand for capital investment brought about by the growing need for automation in factories.

・P&H

Sales will be on a par with the previous year as stay-at-home demand has run its course. Profit will decrease due to factors such as a change in the sales ratio resulting from a decrease in sales of middle- and high-end models, and others.

・N&C

Both revenue and profit will increase due to the expected recovery in demand for karaoke.

As a result of the above, both revenue and profit are expected to increase as a whole.

Financial Position/ Cash Flows/ Capital Expenditure, Depreciation & Amortization/ R&D Expense

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Financial Position

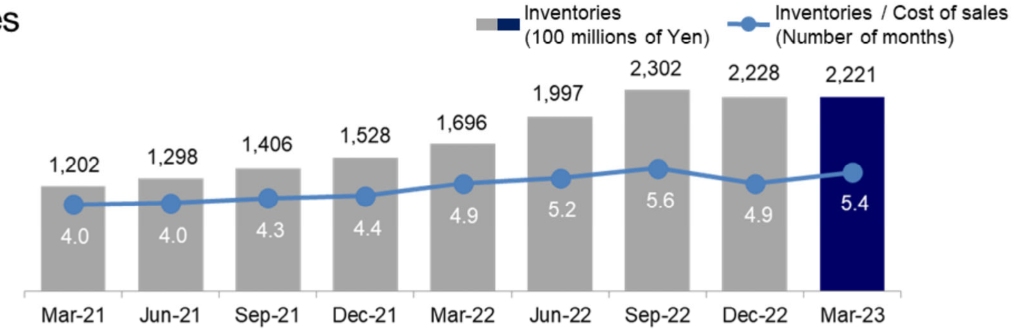
(100 Millions of Yen)

	End of Mar. 22	End of Mar. 23	Change
Current assets	4,767	**5,117**	350
Cash&Cash equivalents	1,679	**1,190**	-489
Inventories	1,696	**2,221**	526
Non-current assets	3,344	**3,387**	43
Total liabilities	2,499	**2,538**	39
Interest-bearing debt	408	**374**	-34
Shareholders' equity*	5,611	**5,966**	355
Total assets	8,111	**8,505**	393

*Equity attributable to owners of the parent company

	End of Mar. 22	End of Mar. 23	Change
Net cash	1,271	**816**	-455
Shareholders' equity ratio	69.2%	**70.2%**	1.0
ROE	11.7%	**6.8%**	-4.9

Inventories



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Net cash stood at 81.6 billion yen.

ROE was 6.8% as net income decreased substantially due to the recording of impairment losses (10.6 billion yen) on a part of goodwill in the Domino business, among other factors.

Inventories remain high, especially in the P&S business, although they have decreased from the level as of September 30, 2022, through production adjustments to meet demand. We will continue to seek the appropriate inventory level.

FY2022 Cash Flow Analysis

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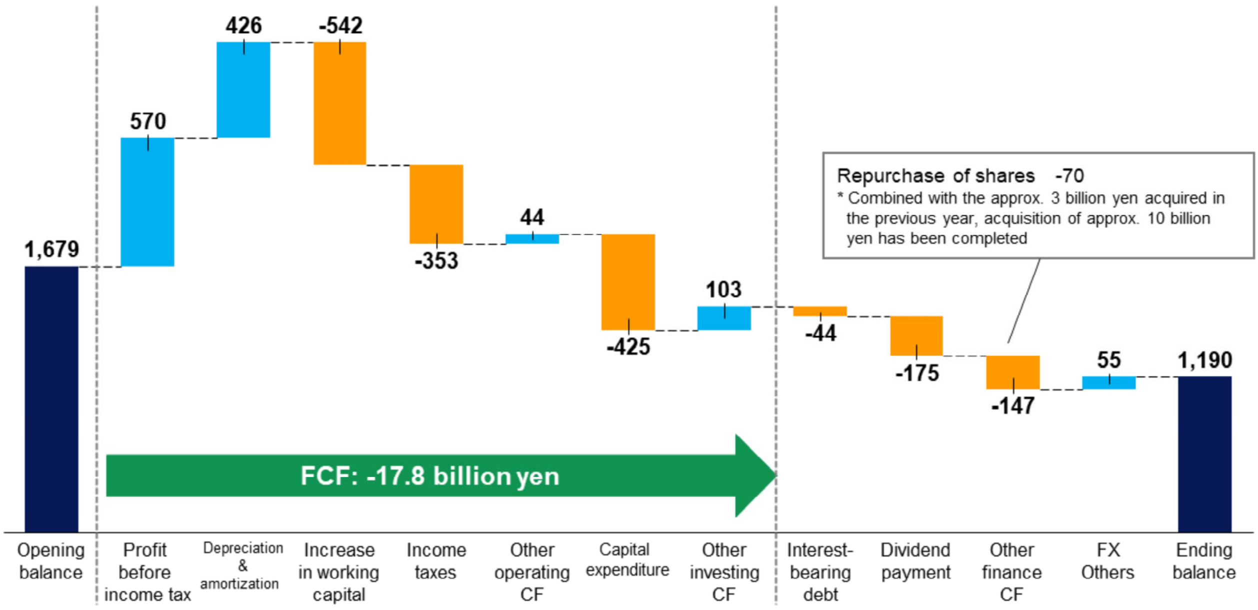
(100 Millions of Yen)



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Cash and deposits decreased to **119** billion yen, down by 48.9 billion yen from 167.9 billion yen at the beginning of the period.

Operating cash flow was affected by an increase in inventories.

Free cash flow was -17.8 billion yen.

Capital Expenditure, Depreciation and Amortization/ R&D Expenses

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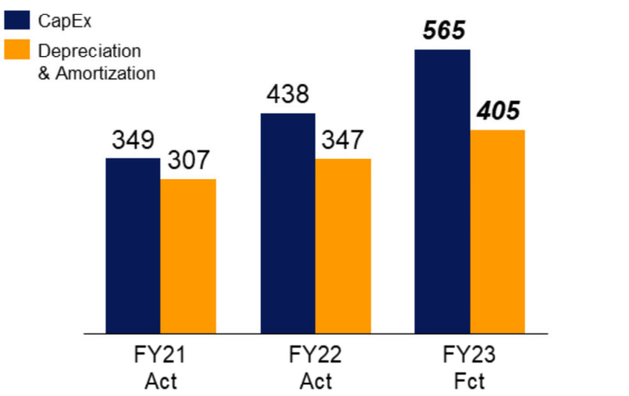
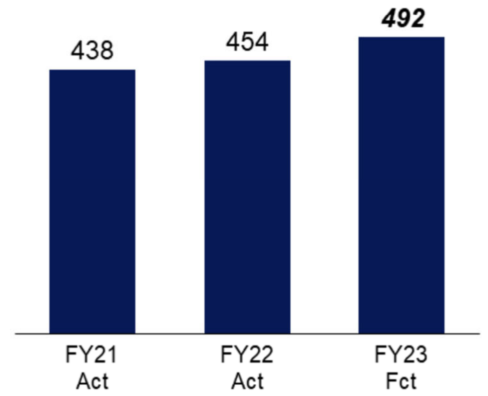
(100 Millions of Yen)

Capital Expenditure/Depreciation & Amortization



R&D Expenses



Breakdown by business (CapEx)

	FY21	FY22	FY23
Industrial area	68	82	122
Consumer area & Others	281	356	443
Total	349	438	565

Breakdown by business (R&D)

	FY21	FY22	FY23
Industrial area	103	123	134
Consumer area & Others	335	331	358
Total	438	454	492

* The industrial area combines the Machinery, Domino, and Nissei businesses

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・FY2022 Results

Capital investment in the industrial and consumer areas combined totaled **43.8** billion yen, and R&D expenses amounted to **45.4** billion yen.

・Forecast for FY2023

We will continue to make prior investments for the future as stated in the medium-term business strategy “CS B2024” and expect capital expenditures of **56.5** billion yen and R&D expenses of **49.2** billion yen.

Shareholder Returns

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Shareholder Returns

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Annual dividend for FY2022 of 68 yen per share.
(4 yen increase from the previous fiscal year)
Annual dividend for FY2023 of 68 yen per share.

[Basic policy] Implement stable and continuous shareholder returns

- Minimum annual dividend of **68 yen** per share
- Consider additional shareholder returns, including an increase in the dividend level, depending on factors such as business performance. In addition, flexibly carry out repurchase of our own shares

	Interim dividend	Year-end dividend	Annual dividend
FY2021	30 yen	34 yen	64 yen
FY2022	34 yen	34 yen (planned)	68 yen (planned)
FY2023	34 yen (planned)	34 yen (planned)	68 yen (planned)

During the period of CS B2024, while making prior investments for the future, we will implement stable and continuous shareholder returns with a minimum annual dividend level of 68 yen per share. We will also consider additional shareholder returns, including an increase in the dividend level, depending on performance and other factors. In addition, we will flexibly carry out repurchase of our own share.

The annual dividend per share for FY2022 is planned to be 68 yen, a 4 yen increase from the previous fiscal year.

The annual dividend per share for FY2023 is planned to be 68 yen.

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Results for FY2022 Q4 (Jan.-Mar.)

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Consolidated Results for FY2022 Q4

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Revenue increased, due mainly to higher hardware sales in the P&S business, in addition to positive FX effects. Business segment profit decreased substantially due to increases in SG&A, parts and materials costs, and promotion as well as other factors. Operating profit turned negative due to impairment losses on a part of goodwill in the Domino business.

(100 Millions of Yen)

	21Q4	22Q4	Change (w/o FX)	Rate of Change (w/o FX)
Sales revenue	1,760	**2,018**	258 (104)	14.7% (5.9%)
Business Segment Profit	116	**84**	-32 (-35)	-27.5% (-30.3%)
Business Segment Profit Ratio	6.6%	**4.2%**		
Other income/expense	-22	**-121**	-99	
Operating Profit	95	**-36**	-131	-
Operating Profit Ratio	5.4%	**-1.8%**		
Income before Tax	97	**-32**	-128	-
Net Income	68	**-39**	-107	-
USD	117.10	**133.26**	16.16	
EUR	131.30	**143.34**	12.04	

- Impairment losses on a part of goodwill in the Domino business: -10.6 billion yen

Sales revenue for the fourth quarter of FY2022 increased by 25.8 billion yen from the same period of the previous fiscal year to **201.8** billion yen mainly due to increased hardware sales in the P&S business, in addition to positive FX effects.

As for profit, business segment profit decreased by 3.2 billion yen to **8.4** billion yen, mainly due to increases in SG&A, parts and materials costs, and promotion as well as other factors.

Operating profit decreased by 13.1 billion yen to a loss of 3.6 billion yen, mainly due to the recording of impairment losses on a part of goodwill in the Domino business. Net income attributable to owners of the parent company decreased by 10.7 billion yen to a loss of 3.9 billion yen.

Results for FY2022 Q4 by Business Segment

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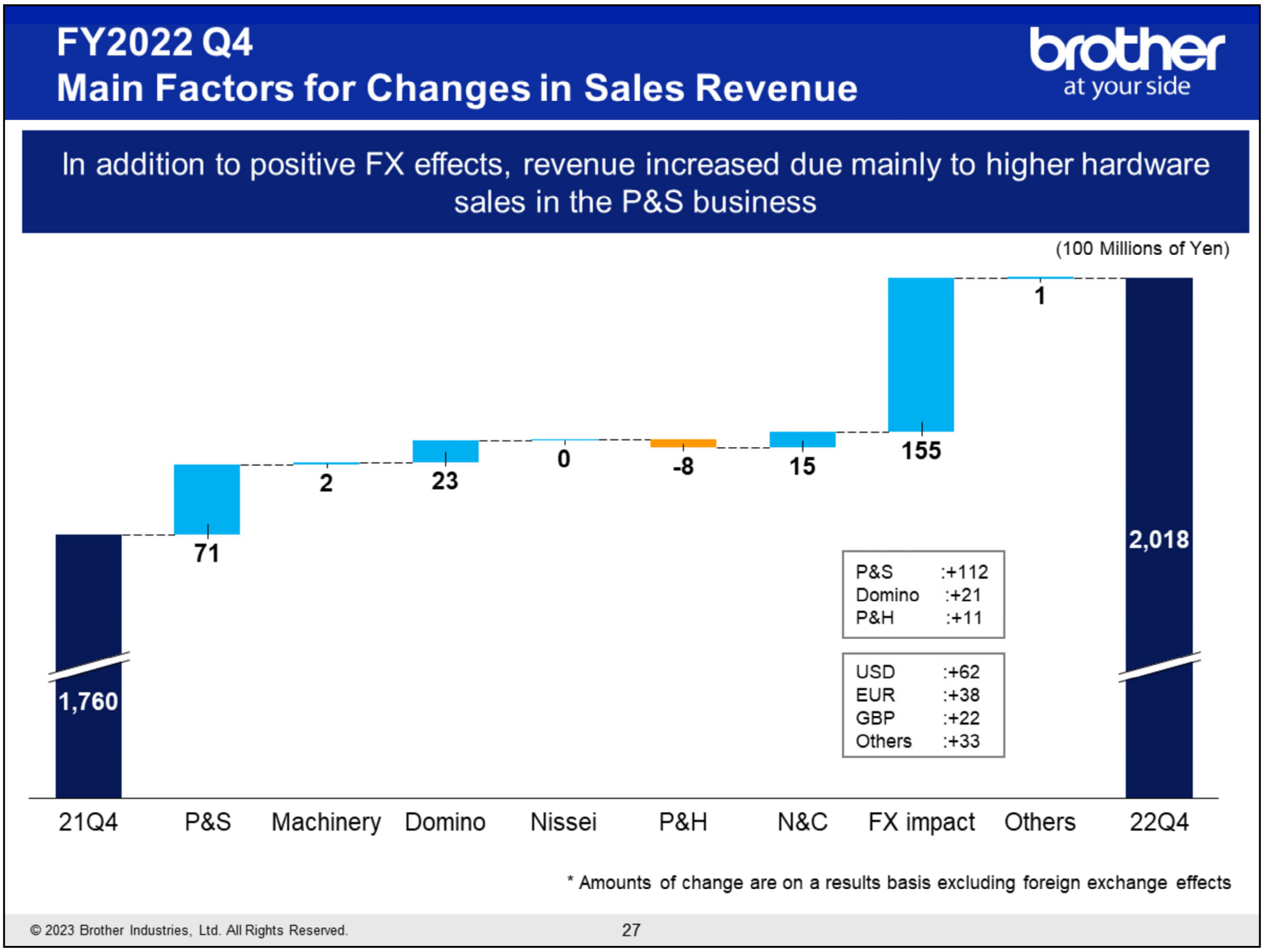
(100 Millions of Yen)

	Sales revenue			Business segment profit			Operating profit		
	21Q4	22Q4	Change	21Q4	22Q4	Change	21Q4	22Q4	Change
P&S	1,042	1,225	183	96	50	-46	88	38	-49
Machinery	223	233	10	20	15	-5	20	14	-6
Domino	222	265	44	0	15	15	-7	-98	-91
Nissei	53	55	2	0	0	1	-1	-1	0
P&H	111	115	4	8	10	2	8	10	1
N&C	77	92	15	-8	-1	7	-9	-2	7
Other	32	33	1	-1	-6	-5	-4	3	7
Total	**1,760**	**2,018**	**258**	**116**	**84**	**-32**	**95**	**-36**	**-131**

* "Other" includes elimination amounts from inter-segment transactions.

This slide shows results in each business segment.



These are the main factors behind the changes in sales revenue for the fourth quarter of FY2022. The amount of change for each business is on a results basis excluding FX effects.

・P&S
Sales of hardware increased as supply constraints eased, resulting in an increase in revenue for the entire business.

・Machinery
Although sales of industrial sewing machines decreased due to concerns over the economic slowdown, the Machinery business as a whole was on a par with the same period of the previous fiscal year as supply constraints caused by parts and materials shortages have almost settled in machine tools.

・Domino
Revenue increased as consumables remained firm for both C&M and DP.

・Nissei
The Nissei business was on a par with the same period of the previous fiscal year due to firm sales of reducers resulting from increased demand for capital investment.

・P&H
Revenue decreased as stay-at-home demand has run its course in each region and sales of middle- and high-end models have decreased.

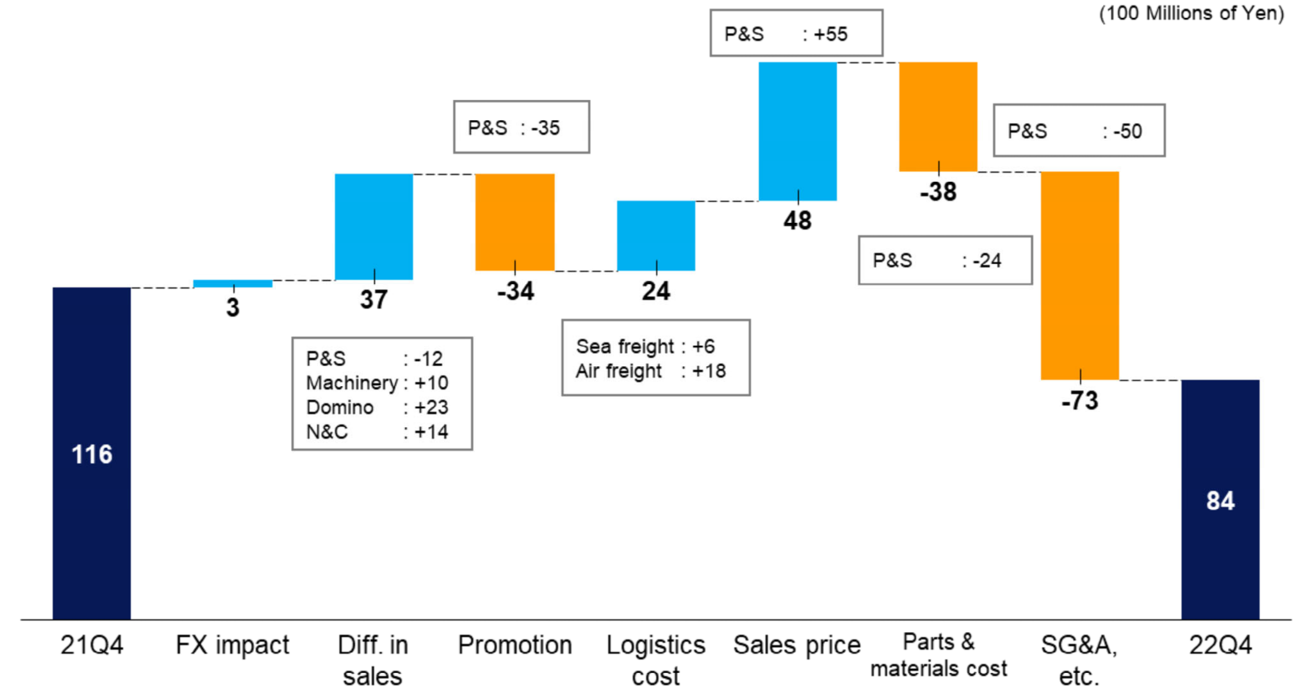
・N&C
Revenue increased due to increased sales at karaoke clubs as customers returned following the easing of activity restrictions to prevent the spread of COVID-19.

Due to these factors, in addition to the positive FX effects of 15.5 billion yen resulting from the weaker yen, company-wide sales revenue increased by 25.8 billion yen to **201.8** billion yen.

FY2022 Q4
Main Factors for Changes in Business Segment Profit

brother at your side

Despite the price adjustments and positive effect of increased revenue mainly in the Domino business, profit decreased substantially due to increases in SG&A, parts and materials costs, and promotion as well as other factors



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These are the main factors for changes in business segment profit.

・Differences in sales
Sales in the Domino business, N&C business, and other businesses contributed to the increase in revenue.

・Promotion
In the P&S business, promotion increased according to the recovery of our supply capacity as well as competitors.

・Sales price
The impact was mainly in the P&S business. Average unit prices increased as a result of price adjustments.

・Parts & materials cost
Inflation and other factors increased costs in all businesses.

・SG&A, etc.
Expenses, including logistics-related costs, mainly in the U.S., increased.

As a result of these factors, business segment profit was **8.4** billion yen, a year-on-year decrease of 3.2 billion yen.

Business Segment Information
(Results for FY2022)

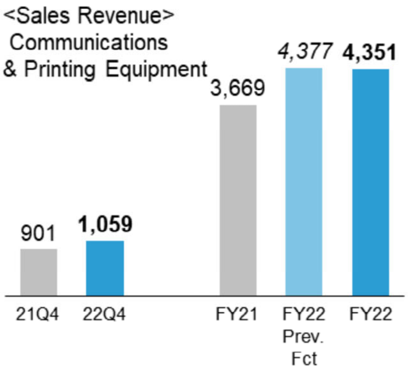
Back to Agenda

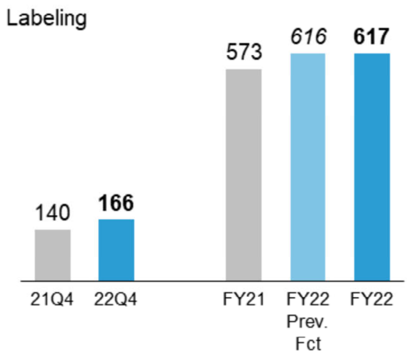
Printing & Solutions
Sales Revenue & Profit

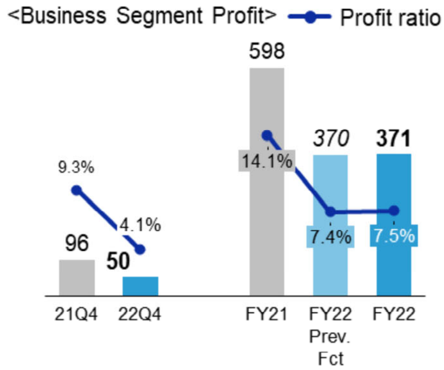
brother at your side

(100 Millions of Yen)

	21Q4	22Q4	Change	Change w/o FX	FY21	Previous Forecast	FY22	Change vs LY	Change w/o FX
Sales Revenue	**1,042**	**1,225**	**17.6%**	**6.8%**	**4,242**	**4,993**	**4,967**	**17.1%**	**3.7%**
Communications & Printing Equipment	**901**	**1,059**	**17.5%**	**6.7%**	**3,669**	**4,377**	**4,351**	**18.6%**	**5.0%**
Americas	328	421	28.2%	13.0%	1,307	1,741	1,688	29.1%	8.6%
Europe	319	363	13.8%	3.6%	1,210	1,332	1,351	11.7%	2.7%
Asia & Others	151	181	19.7%	11.5%	698	839	847	21.5%	7.9%
Japan (includes OEM)	104	95	-8.4%	-10.8%	455	465	464	2.1%	-3.8%
Labeling	**140**	**166**	**18.3%**	**7.6%**	**573**	**616**	**617**	**7.5%**	**-4.8%**
Americas	61	74	20.2%	6.2%	260	289	286	10.1%	-7.3%
Europe	45	56	24.1%	13.3%	173	182	186	7.6%	-0.8%
Asia & Others	20	22	7.7%	0.3%	91	99	98	7.6%	-4.3%
Japan	14	14	5.6%	5.6%	49	46	46	-6.7%	-6.7%
Business Segment Profit	**96**	**50**	**-47.6%**	**-**	**598**	**370**	**371**	**-37.9%**	**-**
Operating Profit	**88**	**38**	**-56.3%**	**-**	**594**	**376**	**365**	**-38.7%**	**-**







Sales revenue in the P&S business was **122.5** billion yen in the fourth quarter, up 6.8% on a local currency basis.

・Communications & Printing Equipment

Sales revenue was **105.9** billion yen. The growth rate on a local currency basis was +6.7%.

Please refer to the next page for the details.

・Labeling

Sales revenue was **16.6** billion yen. The growth rate on a local currency basis was +7.6%.

Sales of hardware recovered mainly due to the easing of supply constraints caused by parts and materials shortages.

Business segment profit was **5.0** billion yen.

Despite effects from price adjustments, profit decreased substantially due to factors such as the lower gross profit caused by a change in the sales ratio of hardware and consumables, increases in SG&A and promotion, as well as a surge in parts and materials costs.

Sales Revenue Growth Rate / Consumable Ratio / Growth Rate of Hardware

brother at your side

	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	FY20	FY21	FY22
LBP															
Sales revenue growth rate (JPY/YoY)															
Hardware	6%	19%	18%	18%	-10%	-4%	-9%	-8%	41%	45%	42%	36%	15%	-8%	41%
Consumable	-18%	1%	0%	-1%	21%	15%	14%	16%	18%	-8%	0%	4%	-5%	16%	3%
Sales revenue growth rate (LC/YoY)															
Hardware	11%	22%	21%	18%	-16%	-9%	-15%	-13%	25%	23%	21%	23%	18%	-13%	23%
Consumable	-15%	2%	2%	-3%	12%	9%	6%	9%	7%	-20%	-13%	-6%	-4%	9%	-8%
IJP															
Sales revenue growth rate (JPY/YoY)															
Hardware	-37%	-49%	-12%	-3%	90%	95%	17%	15%	18%	32%	46%	39%	-25%	45%	33%
Consumable	-23%	-1%	9%	-6%	11%	-6%	-3%	2%	19%	-2%	8%	13%	-5%	0%	9%
Sales revenue growth rate (LC/YoY)															
Hardware	-33%	-48%	-9%	-3%	79%	87%	11%	10%	8%	16%	30%	27%	-23%	38%	20%
Consumable	-20%	-1%	10%	-8%	5%	-10%	-7%	-2%	11%	-12%	-2%	4%	-5%	-4%	0%
Consumable Ratio	55%	57%	55%	56%	56%	57%	58%	59%	53%	47%	49%	53%	55%	57%	51%
Growth rate of Hardware (Units/YoY)															
LBP	12%	10%	6%	0%	-28%	-16%	-20%	-16%	14%	9%	3%	8%	7%	-20%	8%
IJP	-39%	-57%	-24%	-25%	65%	101%	1%	7%	8%	16%	42%	43%	-36%	34%	26%

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This slide shows the sales revenue growth rate and consumable ratio of major printing products in the fourth quarter.

・Sales revenue growth rate (local currency basis)

The sales revenue growth rates for laser printers (LBP) were +23% for hardware and -6% for consumables. The sales revenue growth rates for inkjet printers (IJP) were +27% for hardware and +4% for consumables.

Sales of hardware substantially exceeded the level of the same period of the previous fiscal year due to effects from price adjustments, in addition to the increase in sales volume partly in conjunction with the easing of supply constraints.

With regard to consumables, sales of laser consumables fell as the level of stocks at channels controlled low mainly in Europe and the U.S., although the impact of logistics disruptions in the U.S. has been subsiding.

・Growth rate of hardware in units

Hardware sales were firm for laser All-in-Ones and printers compared to the same period of the previous year, in which there were supply constraints caused by shortages of parts and materials.

Sales for inkjet All-in-Ones were strong globally.

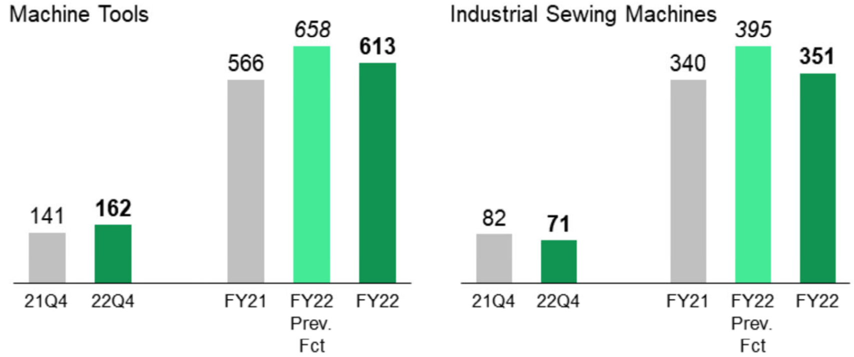
Machinery
Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	21Q4	22Q4	Change	Change w/o FX	FY21	Previous Forecast	FY22	Change vs LY	Change w/o FX
Sales Revenue	**223**	**233**	**4.7%**	**0.7%**	**905**	**1,053**	**964**	**6.5%**	**-1.1%**
Machine Tools	**141**	**162**	**14.8%**	**13.2%**	**566**	**658**	**613**	**8.4%**	**4.3%**
Americas	7	13	74.2%	-	33	35	41	24.2%	-
Europe	9	8	-7.5%	-	34	35	38	9.1%	-
Asia & Others	100	113	12.9%	-	408	444	432	5.8%	-
Japan	25	28	13.2%	-	90	143	103	14.2%	-
Industrial Sewing Machines	**82**	**71**	**-12.8%**	**-20.9%**	**340**	**395**	**351**	**3.3%**	**-10.1%**
Americas	21	23	10.6%	-3.1%	94	115	105	12.3%	-6.4%
Europe	18	17	-7.2%	-15.5%	72	80	74	1.7%	-5.7%
Asia & Others	40	27	-32.7%	-38.5%	159	182	155	-2.5%	-16.7%
Japan	3	5	54.3%	54.3%	15	18	17	16.2%	16.2%
Business Segment Profit	**20**	**15**	**-25.7%**	**-**	**126**	**135**	**95**	**-24.2%**	**-**
Operating Profit	**20**	**14**	**-30.5%**	**-**	**126**	**136**	**98**	**-21.7%**	**-**

<Sales Revenue>



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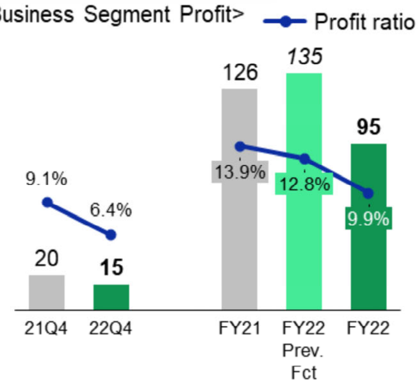

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Sales revenue in the Machinery business was **23.3** billion yen in the fourth quarter. On a local currency basis, it was on a par with the level of the same period of the previous fiscal year.

・Machine tool

Sales revenue was **16.2** billion yen. The growth rate on a local currency basis was +13.2%.

Supply constraints caused by parts and materials shortages have almost settled, resulting in an increase in revenue.

・Industrial sewing machines

Sales revenue was **7.1** billion yen. The growth rate on a local currency basis was -20.9%.

With regard to industrial sewing machines, demand for capital investment among apparel manufacturers in Asia decreased due to concerns over an economic slowdown.

Sales of garment printers were on a par with the level of the same period of the previous fiscal year, but revenue for the entire business decreased.

Business segment profit was **1.5** billion yen.

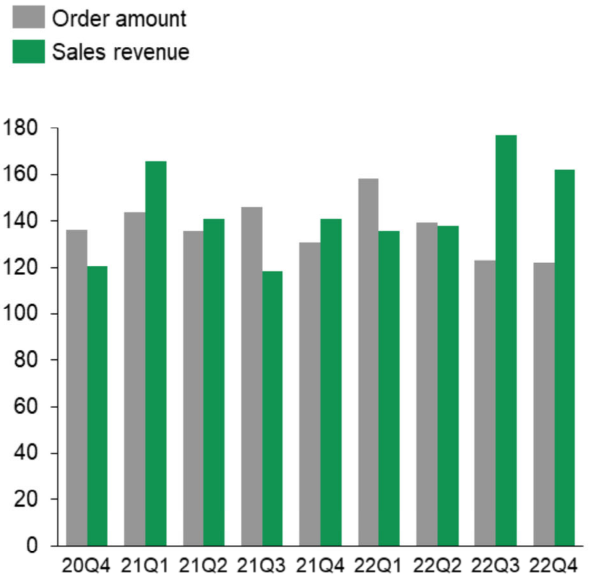
Profit decreased due to an increase in SG&A and a surge in parts and materials costs.

Machinery (Machine Tools) Order Trends

brother at your side

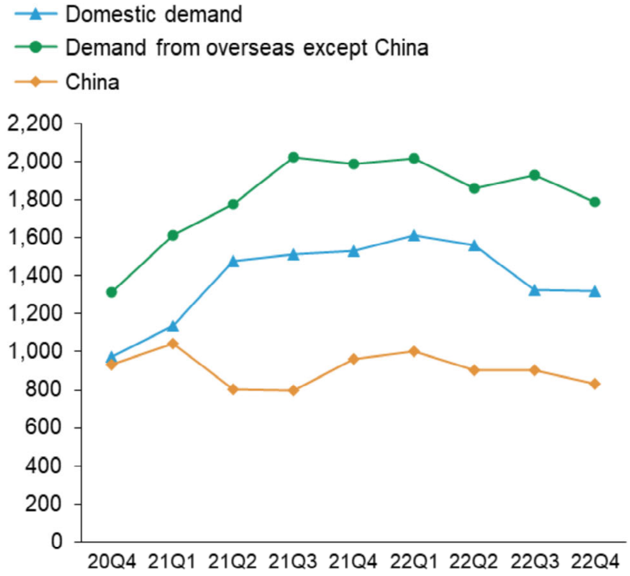
(100 Millions of Yen)

Trends in order amount and sales revenue



* Total amount of domestic and overseas orders for hardware products Overseas orders are converted into yen using the exchange rate for each quarter

(Reference) Machine tool statistics of the Japan Machine Tool Builders' Association



* Source: Major machine tool statistics of the Japan Machine Tool Builders' Association

This slide shows trends in sales revenue and order amounts by quarter.

The order amounts are the aggregate amounts of orders for hardware products from both Japan and overseas.

The order amounts decreased in the fourth quarter of FY2022 compared to the quarterly amounts in the first half of the year partly due to the confusion caused by a change in the COVID-19 policy in China.

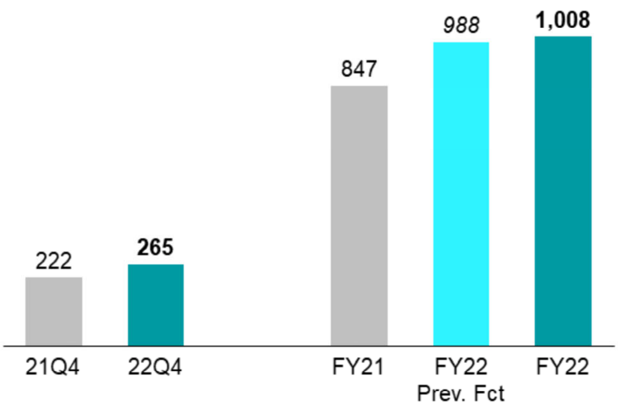
Domino
Sales Revenue & Profit

brother at your side

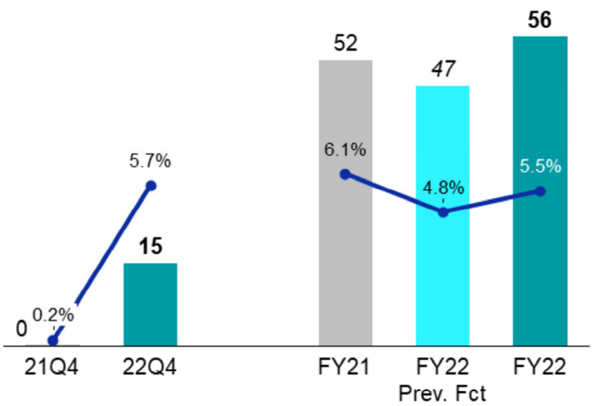
(100 Millions of Yen)

	21Q4	22Q4	Change	Change w/o FX	FY21	Previous Forecast	FY22	Change vs LY	Change w/o FX
Sales Revenue	**222**	**265**	**19.8%**	**10.4%**	**847**	**988**	**1,008**	**19.0%**	**6.9%**
Americas	57	65	14.0%	-2.5%	202	238	243	20.2%	5.7%
Europe	104	120	15.2%	11.5%	379	428	437	15.3%	5.4%
Asia & Others	52	70	32.8%	18.4%	237	282	288	21.4%	6.3%
Japan	8	10	36.1%	36.1%	30	41	41	37.8%	37.8%
Business Segment Profit	**0**	**15**	**-**	**-**	**52**	**47**	**56**	**7.5%**	**-**
Operating Profit	**-7**	**-98**	**-**	**-**	**43**	**47**	**-58**	**-**	**-**

<Sales Revenue>



<Business Segment Profit>



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Sales revenue in the Domino business was **26.5** billion yen in the fourth quarter. The growth rate on a local currency basis was +10.4 %.

With regard to hardware, C&M performed well. As for consumables, both C&M and DP remained firm.

Business segment profit was **1.5** billion yen.

Profit increased due to positive FX effects as well as the effect of increased revenue.

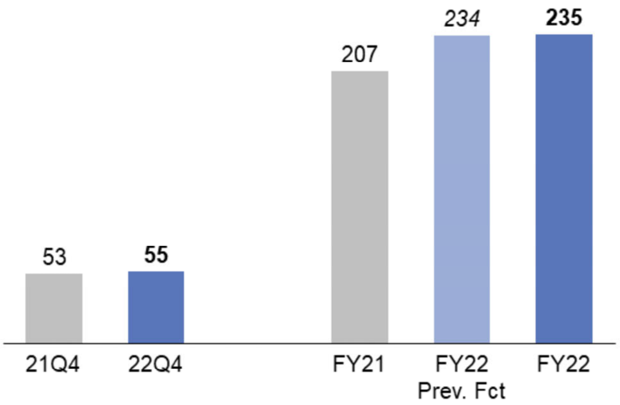
Operating loss of **9.8** billion yen was recorded as impairment losses (10.6 billion yen) on a part of goodwill were recorded due to an increase in the discount rate applicable to the future cash flow reflecting a rise in interest rates.

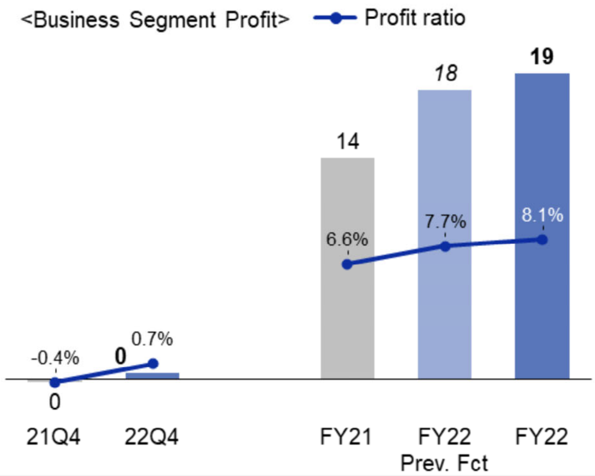
Nissei
Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	21Q4	22Q4	Change	Change w/o FX	FY21	Previous Forecast	FY22	Change vs LY	Change w/o FX
Sales Revenue	**53**	**55**	**3.7%**	**0.7%**	**207**	**234**	**235**	**13.2%**	**8.5%**
Americas	8	9	13.8%	-0.3%	30	38	38	25.4%	4.3%
Europe	-	-	-	-	-	-	-	-	-
Asia & Others	7	7	5.0%	-1.2%	28	36	37	31.2%	19.3%
Japan	38	39	1.3%	1.3%	149	160	160	7.3%	7.3%
Business Segment Profit	**0**	**0**	**-**	**-**	**14**	**18**	**19**	**38.2%**	**-**
Operating Profit	**-1**	**-1**	**-**	**-**	**13**	**17**	**18**	**34.7%**	**-**





Sales revenue in the Nissei business was **5.5** billion yen in the fourth quarter. On a local currency basis, it was on a par with level of the same period of the previous fiscal year.

Business remained firm, especially for reducers, due to growing capital investment demand, such as increasing needs for automation in factories.

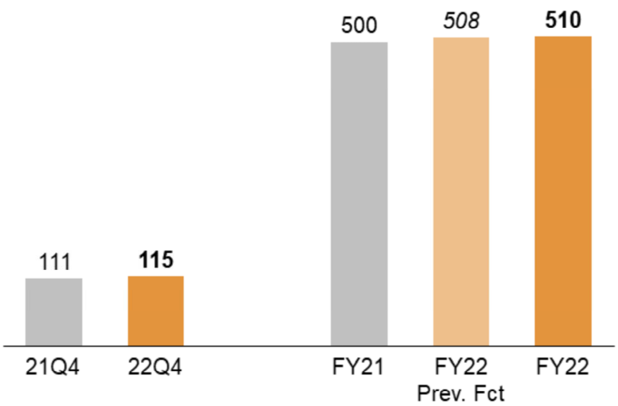
Business segment profit was on a par with the level of the same period of the previous fiscal year.

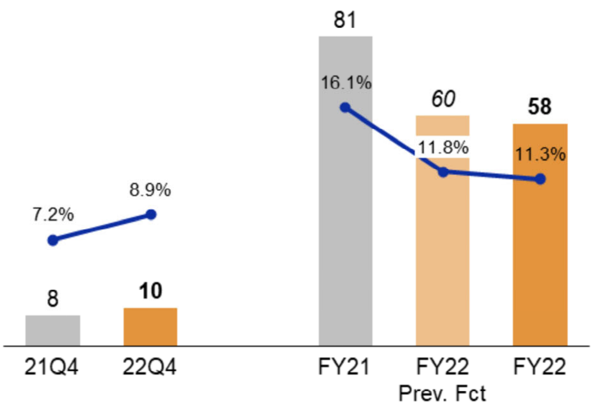
Personal & Home
Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	21Q4	22Q4	Change	Change w/o FX	FY21	Previous Forecast	FY22	Change vs LY	Change w/o FX
Sales Revenue	**111**	**115**	**3.2%**	**-6.9%**	**500**	**508**	**510**	**2.0%**	**-10.9%**
Americas	63	71	11.7%	-1.5%	277	317	316	14.2%	-4.4%
Europe	26	25	-3.0%	-11.6%	140	108	112	-19.9%	-25.7%
Asia & Others	12	10	-18.3%	-24.0%	52	53	52	1.4%	-8.7%
Japan	10	9	-9.1%	-9.1%	31	29	29	-6.7%	-6.7%
Business Segment Profit	**8**	**10**	**27.6%**	**-**	**81**	**60**	**58**	**-28.4%**	**-**
Operating Profit	**8**	**10**	**16.9%**	**-**	**82**	**61**	**59**	**-28.7%**	**-**





Sales revenue in the P&H business in the fourth quarter was **11.5** billion yen, down 6.9% on a local currency basis.

Stay-at-home demand has run its course in all regions and sales of middle- to high-end models decreased.

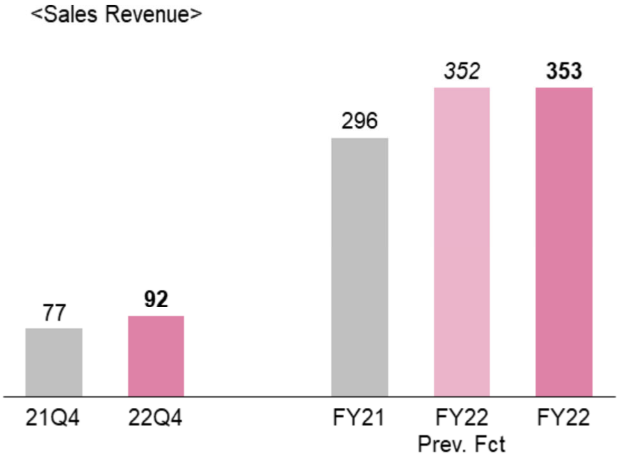
Business segment profit was **1.0** billion yen due to the effect of curbing SG&A and promotion and other factors.

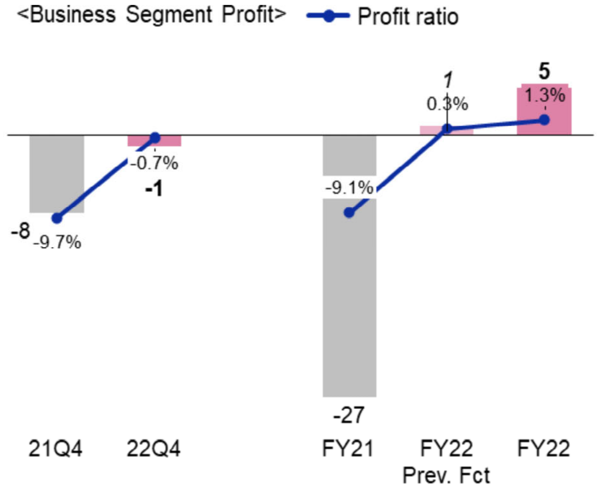
Network & Contents Sales Revenue & Profit

brother at your side

(100 Millions of Yen)

	21Q4	22Q4	Change	FY21	Previous Forecast	FY22	Change vs LY
Sales Revenue	77	92	19.7%	296	352	353	19.3%
Business Segment Profit	-8	-1	-	-27	1	5	-
Operating Profit	-9	-2	-	-6	4	8	-





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Sales revenue in the N&C business was **9.2** billion yen in the fourth quarter, an increase of 19.7% year-on-year.

The recovery of the number of customers following the easing of activity restrictions to prevent the spread of COVID-19 mainly contributed to the increase of sales at karaoke clubs.

Business segment loss narrowed due to the effect of increased revenue.

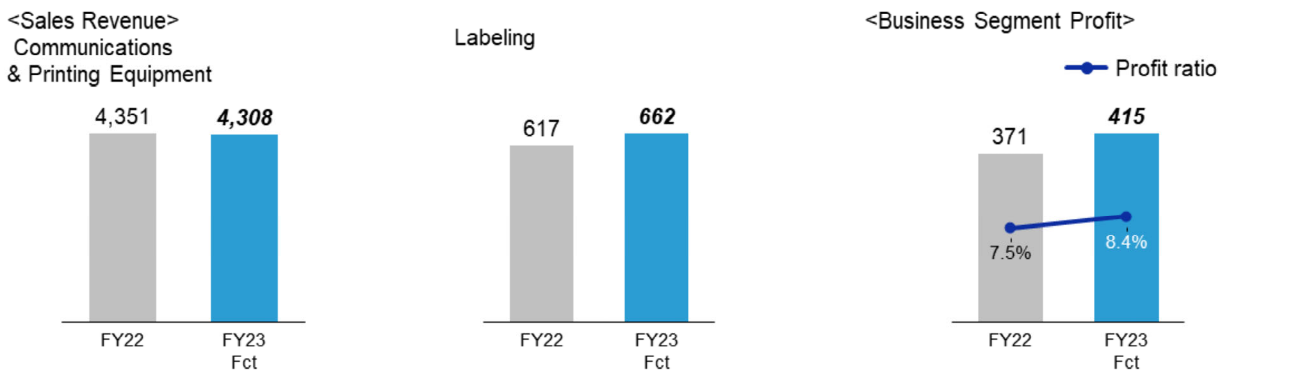
Business Segment Information (Forecast for FY2023)

Back to Agenda

Printing & Solutions Sales Revenue & Profit

(100 Millions of Yen)

	FY22	FY23 Forecast	Change vs LY	Change w/o FX
Sales Revenue	**4,967**	**4,970**	**0.1%**	**1.4%**
Communications & Printing Equipment	**4,351**	**4,308**	**-1.0%**	**0.3%**
Americas	1,688	1,695	0.4%	2.3%
Europe	1,351	1,308	-3.2%	-2.3%
Asia & Others	847	856	1.0%	2.6%
Japan (includes OEM)	464	449	-3.3%	-3.1%
Labeling	**617**	**662**	**7.3%**	**8.5%**
Americas	286	309	8.3%	9.9%
Europe	186	193	3.7%	4.5%
Asia & Others	98	103	4.6%	6.1%
Japan	46	56	21.8%	21.8%
Business Segment Profit	**371**	**415**	**11.9%**	**-**
Operating Profit	**365**	**415**	**13.8%**	**-**



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The forecast for FY2023 are as follows.

Sales revenue is expected to increase as we will continue to focus on sales of hardware in communications & printing equipment, and supply constraints caused by parts and materials shortages have settled in labeling.

Business segment profit is expected to increase, factoring in a significant improvement in sea freight, a decrease in logistics-related expenses in the U.S., and other factors, despite an increase in promotion according to the recovery in our supply capacity as well as competitors.

Machinery
Sales Revenue & Profit

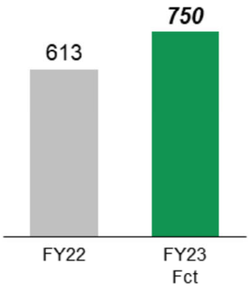
brother at your side

(100 Millions of Yen)

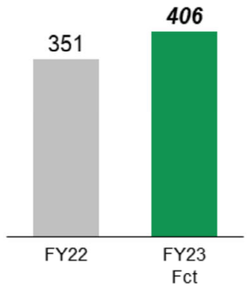
	FY22	FY23 Forecast	Change vs LY	Change w/o FX
Sales Revenue	**964**	**1,156**	**19.9%**	**19.8%**
Machine Tools	**613**	**750**	**22.4%**	**21.8%**
Americas	41	38	-6.0%	-
Europe	38	42	10.5%	-
Asia & Others	432	534	23.5%	-
Japan	103	137	33.1%	-
Industrial Sewing Machines	**351**	**406**	**15.7%**	**16.2%**
Americas	105	121	14.7%	16.1%
Europe	74	85	15.9%	17.1%
Asia & Others	155	178	14.8%	14.5%
Japan	17	22	29.0%	29.0%
Business Segment Profit	**95**	**148**	**55.1%**	**-**
Operating Profit	**98**	**148**	**50.6%**	**-**

<Sales Revenue>

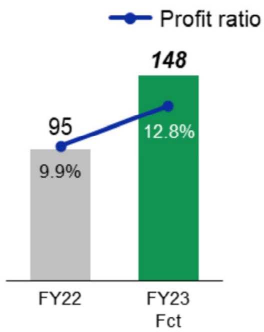
Machine Tools



Industrial Sewing Machines



<Business Segment Profit>



Sales revenue is expected to increase for both machine tools and industrial sewing machines.

As for machine tools, the economic cycle is entering a downward phase, but demand from the automobile and general machinery markets is expected to remain firm due to the conversion to electric vehicles and growing awareness of the need for carbon neutrality.

As for industrial sewing machines, the market is expected to improve for both industrial sewing machines and garment printers.

Business segment profit is expected to increase due to an increase in revenue, despite increases in SG&A and other expenses.

Domino / Nissei
Sales Revenue & Profit

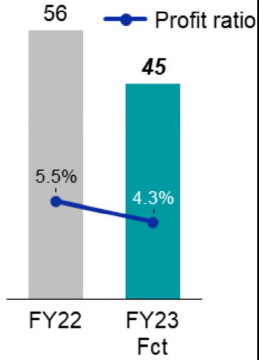
brother at your side

(100 Millions of Yen)

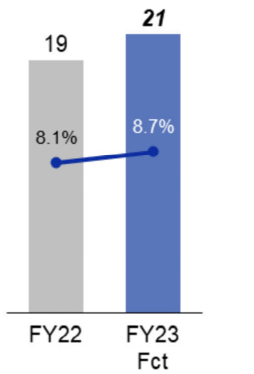
Domino	FY22	FY23 Forecast	Change vs LY	Change w/o FX
Sales Revenue	**1,008**	**1,058**	**4.9%**	**8.7%**
Americas	243	271	11.8%	17.9%
Europe	437	437	0.2%	1.8%
Asia & Others	288	306	6.5%	11.9%
Japan	41	43	4.1%	4.1%
Business Segment Profit	**56**	**45**	**-19.3%**	**-**
Operating Profit	**-58**	**45**	**-**	**-**

<Sales Revenue>

<Business Segment Profit>



Nissei	FY22	FY23 Forecast	Change vs LY	Change w/o FX
Sales Revenue	**235**	**242**	**3.1%**	**3.3%**
Americas	38	38	-0.8%	-0.4%
Europe	-	-	-	-
Asia & Others	37	38	1.3%	2.5%
Japan	160	167	4.4%	4.4%
Business Segment Profit	**19**	**21**	**10.5%**	**-**
Operating Profit	**18**	**21**	**16.0%**	**-**



・Domino business

Sales revenue is expected to increase due to firm demand, especially in C&M.

Business segment profit is expected to decrease considering the cost of renewing ERP systems on a global basis and an increase in SG&A arising from strengthened sales activities.

・Nissei business

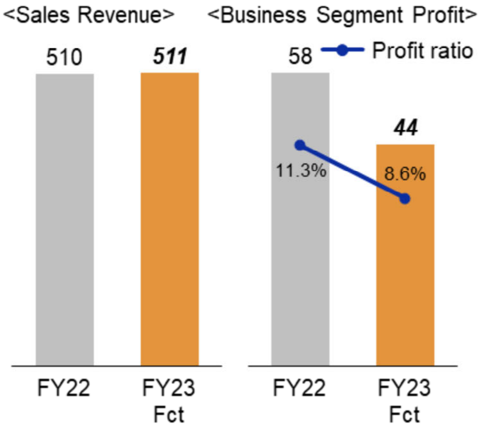
Both revenue and profit are expected to increase due to continued demand for capital investment driven by the growing need for automation at factories.

Personal & Home / Network & Contents Sales Revenue & Profit

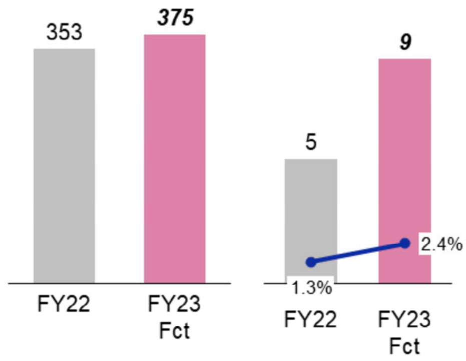
brother at your side

(100 Millions of Yen)

Personal & Home	FY22	FY23 Forecast	Change vs LY	Change w/o FX
Sales Revenue	**510**	**511**	**0.2%**	**1.8%**
Americas	316	311	-1.7%	0.0%
Europe	112	113	0.1%	1.2%
Asia & Others	52	56	8.1%	10.4%
Japan	29	31	7.9%	7.9%
Business Segment Profit	**58**	**44**	**-23.9%**	**-**
Operating Profit	**59**	**44**	**-24.8%**	**-**



Network & Contents	FY22	FY23 Forecast	Change vs LY
Sales Revenue	**353**	**375**	**6.4%**
Business Segment Profit	**5**	**9**	**98.1%**
Operating Profit	**8**	**9**	**10.4%**



・P&H business
Sales revenue is expected to be on a par with the level of FY2022.

Business segment profit is expected to decrease due to a change in the sales ratio, including a decrease in sales of middle- and high-end models.

・N&C business
Both revenue and profit are expected to increase due to a recovery in demand for karaoke.

In FY2022, the Brother Group launched its medium-term business strategy "CS B2024" to achieve the Brother Group Vision "At your side 2030."

"CS B2024" sets forth the priority themes of Transformation of the Business Portfolio, including Expansion in the Industrial Area and Transformation in the Printing Area, as well as Management Foundation Transformation for a Sustainable Future.
I will now explain our progress in FY2022, the first fiscal year of "CS B2024," and the progress as of May 8, 2023.

■ Medium-Term Business Strategy "CS B2024" Explanatory Presentation
https://global.brother/pub/com/en/news/2022/220511cs-b2024e-p.pdf

Towards expansion in the Industrial area

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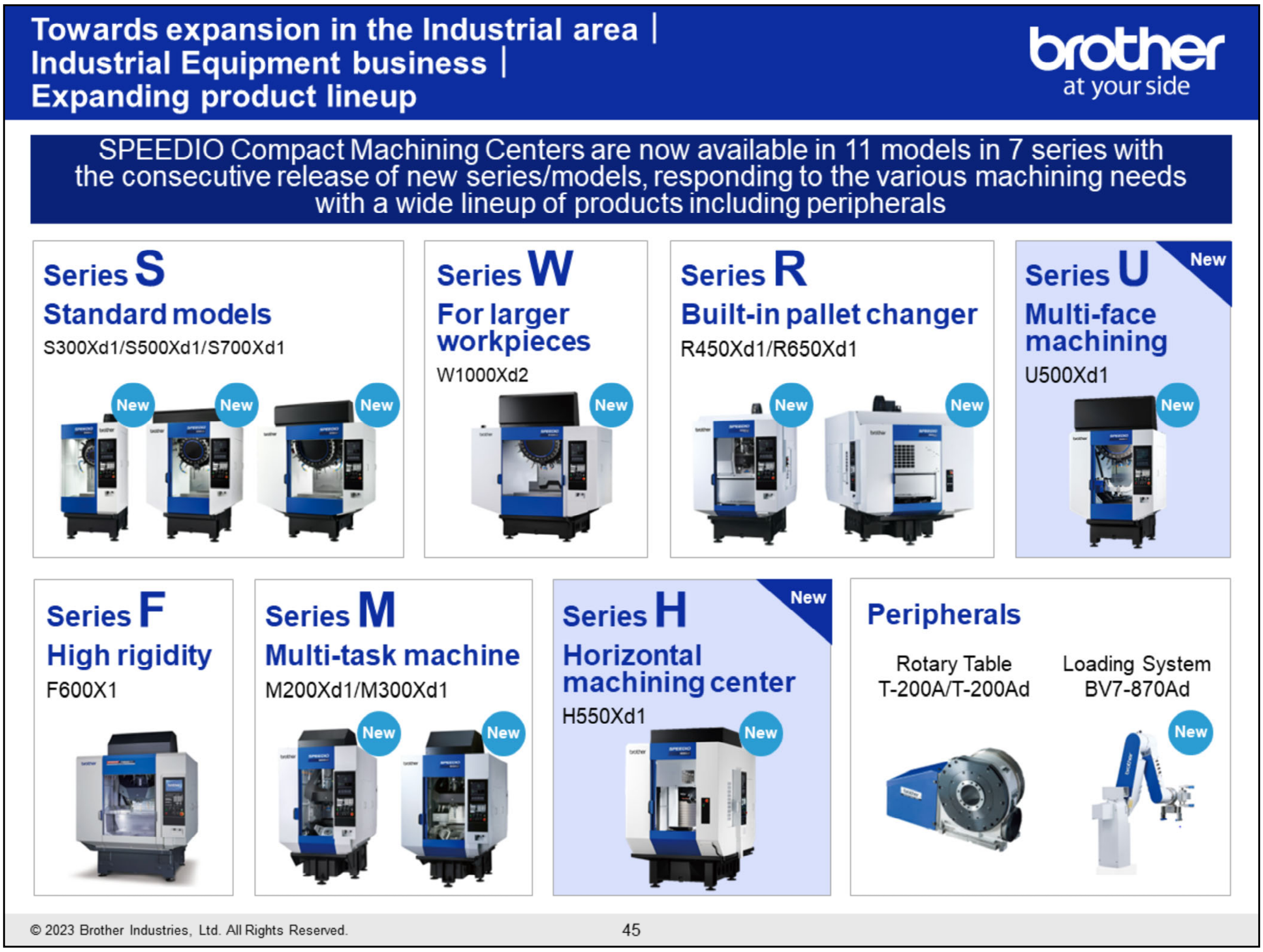
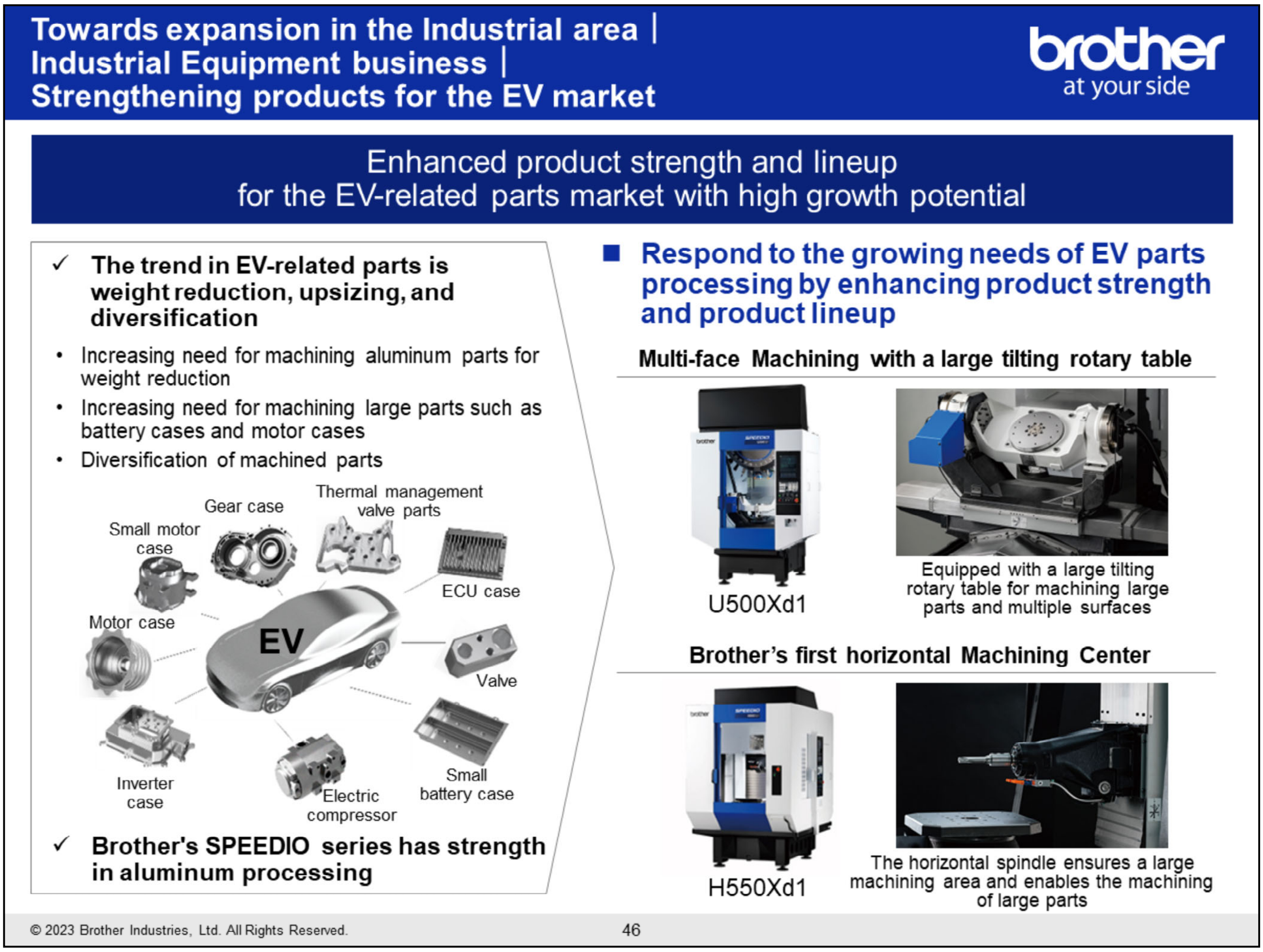


Brother specializes in compact #30 machine tools and offers its lineup under the SPEEDIO brand.

From FY2022 onward, we have developed and launched Series U, a new category capable of multi-face machining, and Series H, Brother's first horizontal machining center.

Apart from these new series, we have also brought changes to other models, releasing a total of 10 new machine tools during the past year, and expanding the SPEEDIO lineup to 11 models in 7 series.

The broad product lineup, including the peripherals, meets the various machining needs of our customers.



With the shift to EVs in the automotive market in recent years, the machining needs for EV-related parts are growing significantly in the machine tool industry as well.

New demands are being created by the increasing number of lightweight aluminum parts and large parts such as motor cases, as well as the diversification of machined parts.

Brother's machine tools have strength in aluminum machining, thus the shift to EVs can be considered favorable, and we are enhancing both the product strength and product lineup to meet the machining needs for EV parts, which are becoming more and more complex.

The U500Xd1 in the new series is equipped with a large tilting rotary table for machining large parts and multiple surfaces.

Brother's first horizontal machining center, the H550Xd1, features a horizontal spindle to provide a large machining area, enabling the machining of large parts.

In addition, existing models in the lineup have undergone an upgrade to increase the scope of machining capability and-product strength.

■ Product introduction of the Series U

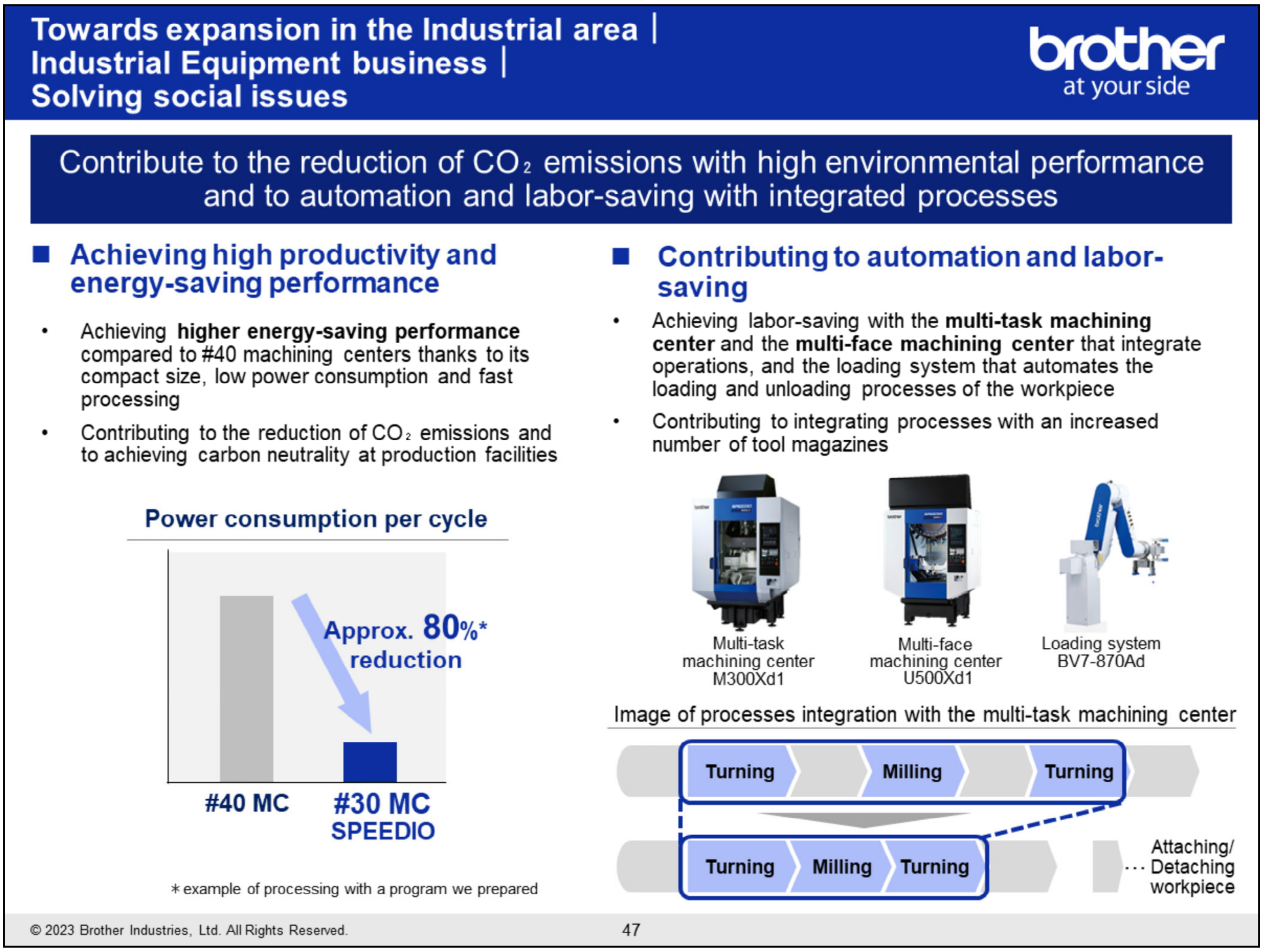
https://machinetool.global.brother/en-ap/u500xd1/index.aspx

■ Product introduction of the Series H

https://machinetool.global.brother/en-eu/h550xd1/index.aspx

■ Machining process using the Series H (link to Brother's channel on YouTube)

https://www.youtube.com/watch?v=ghUFHlvifwM



Brother's #30 machining centers can reduce power consumption per cycle by approximately 80% compared to #40 machining centers, thanks to their compact size and low power consumption, as well as their high productivity that allows machining operations to be completed in a shorter time.

With their high environmental performance, they will contribute to the reduction of CO_2 emissions and to achieving carbon neutrality at customers' production facilities.

In addition, the multi-task machining center, which can perform turning and milling in one machine, eliminates the need for attaching and detaching workpieces during the process, saving time and labor.

The new lineup, Series U, enables multi-face parts machining in a single setting, which reduces work time.

In addition, SPEEDIO offers a model with an increased number of tool magazines (28) and a special loading system that automatically loads and unloads machined parts, contributing to labor-saving and increased productivity through process integration and automation.

■ Environmental performance of SPEEDIO

https://machinetool.global.brother/en-eu/environment/index.aspx

Towards expansion in the Industrial area | Industrial Equipment business | Expanding manufacturing and sales facilities

brother at your side

Strengthen manufacturing and sales facilities in the priority areas to achieve substantial growth in the Industrial Equipment business

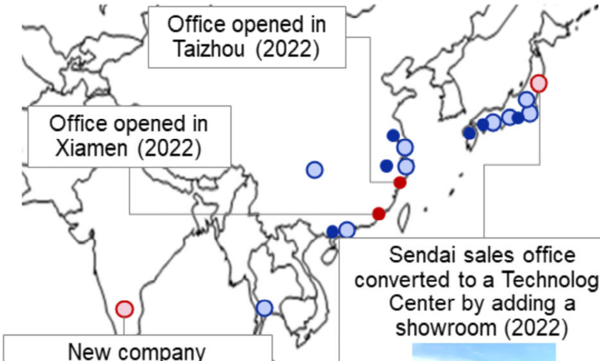
■ New factory to be built in India

- Establishing a system to shorten the delivery time for customers in the **Indian market**, which is **expected to grow**
- Production is scheduled to begin in December 2024
- There will be 3 manufacturing facilities for machine tools: in Japan (Kariya), China (Xian), and India (Bengaluru suburb)

Concept image of the new factory in India

■ Expanded sales and service facilities in the priority areas: China, India, and Japan

○ Technology Centers ● Offices
Red marks indicates newly established (expanded) facilities



For substantial growth in the Industrial Equipment business, we are proceeding to establish and expand facilities in China, India, and Japan, which are our priority areas.

On the production side, we have decided to construct a new machine tool factory in India.

The construction will be underway with the aim of starting production in December 2024.

On the sales side, in India, we have established a subsidiary, Brother Machinery India, to strengthen after-sales services and marketing activities.

We are working to strengthen our sales and service capabilities through the addition of a showroom to our Sendai sales office in Japan, which was converted into a Technology Center, as well as the opening of offices in Taizhou and Xiamen in China.

Towards expansion in the Industrial area | Domino business | Strengthening the Digital Printing (DP) area

brother at your side

DP business launched a new product equipped with Brother's printhead, contributing to customers' profitability by improving productivity and digitalizing the process

■ Enhanced product strength in the DP area

Digital label press N730i

- Features **Brother's proprietary BITSTAR™ printhead**, which leverages the company's accumulated inkjet technologies
- Achieves **high printing resolution of 1200dpi** and **high printing speed of 70 m/min**
- Contributes to the **reduction of man-hours and labor** by eliminating the need for plate-making and cleaning processes previously required for conventional analog printing machines
- Makes training successors easier by reducing dependence on skilled workers with an **easy-to-use system**

■ Strengthened sales and service activities

- Actively engaged in sales and marketing activities, including the resumption of participation in exhibitions that had been restricted due to the COVID-19 pandemic
- Installation of the Digital label printer at production sites of customers is progressing

Domino's booth at Labelexpo Americas 2022

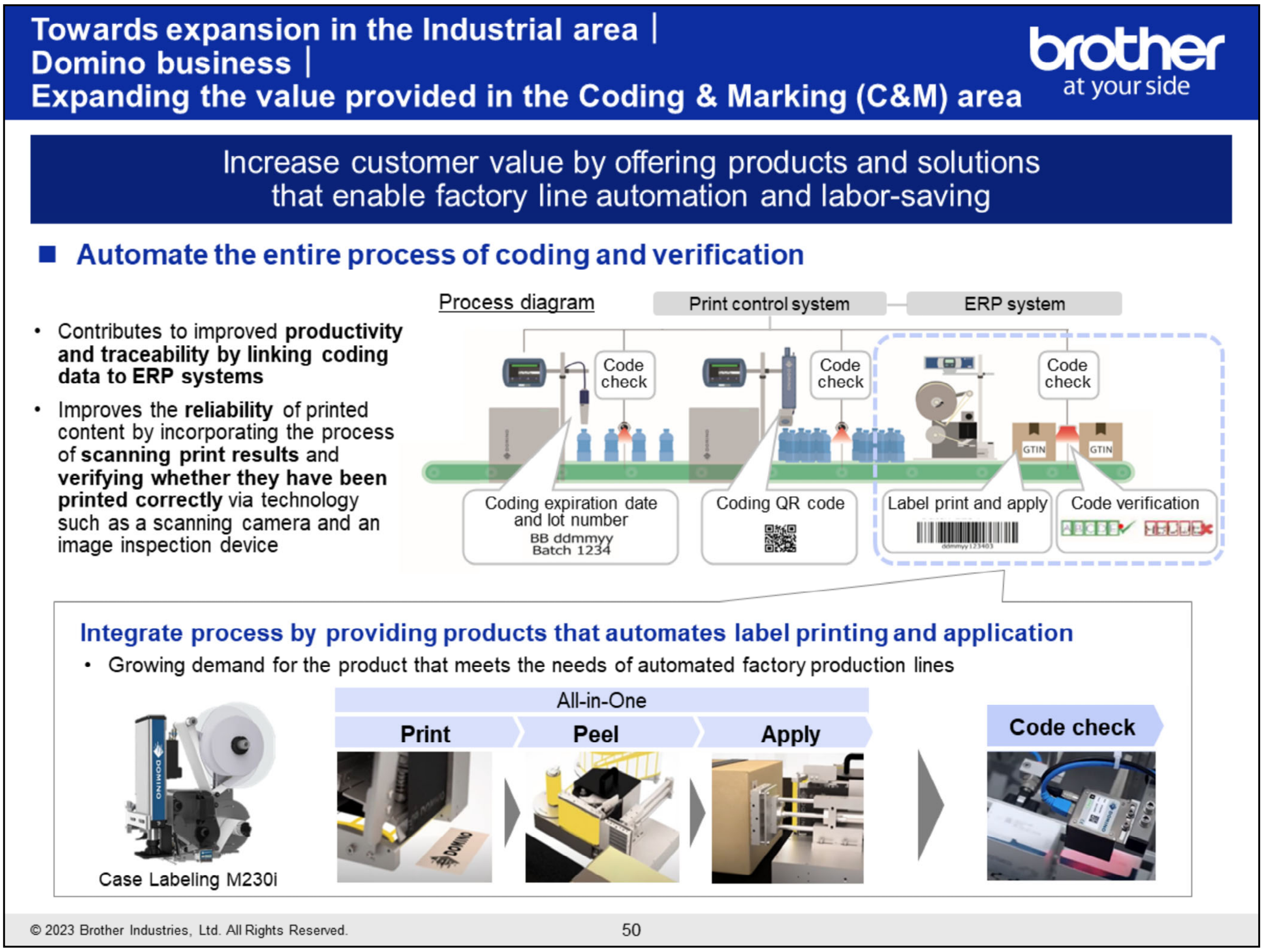
In the Digital Printing (DP) area of the Domino business, we have launched a digital label press equipped with a Brother inkjet printhead that achieves a high printing resolution of 1200 dpi and a high printing speed of 70 m per minute, which has been introduced in our customers' production facilities.

The model contributes to the reduction of man-hours and labor by eliminating the need for plate-making and cleaning processes previously required for conventional analog printing machines, in response to the increasing workload at production lines due to the growing trend of small-lot label printing.

In addition, the easy-to-use system reduces dependence on skilled workers and makes it easier to train successors, making the customer's business more sustainable.

We are also actively engaged in sales and marketing activities, including the resumption of participation in exhibitions, which had been restricted due to the COVID-19 pandemic.

We will continue to contribute to our customer's profitability by improving their productivity and digitizing their production processes.



In the Coding & Marking (C&M) area of the Domino business, we offer coding and marking equipment that prints expiration dates, lot numbers, and other information on food items, beverages, pharmaceuticals, and other products, contributing to the safety and security they provide through traceability.

By linking coding data to ERP systems and automating all coding, marking, and code check processes from each product to the package, we are contributing to improved productivity and traceability.

In addition, the demand for the case labeling machine, which automates all process from printing, peeling to application of labels, is growing as a product that meets the needs for factory line automation and labor-saving.

In the C&M area, we aim to enhance customer value by strengthening our product lineup and to provide further solutions that achieve automation and labor-saving.

■Video of the code check process (link to the Domino Printech India's channel on YouTube)
https://www.youtube.com/watch?v=Oh5qAMT7K_c

■Video of Case Labeling M230i (link to the Domino website)
https://www.domino-printing.com/en/products/m-series/m230i-tamp

Towards expansion in the Industrial area | Strengthening industrial printing

Aim to expand business in the industrial printing area by providing automation solutions for garment printers and developing new category products

Providing automation solutions for garment printers

- Supervised and launched **Digitalline**, an **automated garment printer line**
- Improves **productivity** and achieves **labor-saving and quality improvement** by automating pre-processing, printing, and post-processing steps

automated line DIGITAL LINE

Pre -processing	**Print**	**Post-processing**
• Pretreatment agent application • Dry • Heat press	 Garment printer	Dry

Image of the Digitalline automated garment printer line

Development of latex wide-format printer

- The new category product was developed for **sign and display applications** such as outdoor advertisements and posters, which are **new industrial printing areas** for Brother

©SOTSU･SUNRISE

Latex wide-format printer WF1-L640

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Here is the progress we have made in the Industrial Printing area that is not part of the Domino business.

We supervised and launched an automated line, Digitalline, as part of our efforts to strengthen the solutions we provide with garment printers, which is part of the Machinery business.

By automating the pre-processing, printing, and post-processing steps that used to be carried out by hand on T-shirts and other garment production lines, Digitalline contributes not only to labor-saving, but also to further improvements in quality and productivity.

Furthermore, we have developed a latex wide-format printer for sign and display applications such as outdoor advertisements and posters, a new industrial printing area for Brother.

Along with strengthening the product of garment printers and solutions, we aim to expand our business in the industrial printing area through the development of new products.

Towards transformation in the Printing area

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Towards transformation in the Printing area | Developing new products and expanding sales

brother at your side

Continue to introduce new products that meet customer needs through the development of new technologies

■ Launched A3 inkjet All-In-One for business use equipped with a newly developed printhead

- The **newly developed MAXIDRIVE printhead improves image quality** and achieves approximately **1.5 times faster printing speed** and approximately **twice the durability** of conventional printheads
- The lineup includes models equipped with high-capacity ink cartridges and sub-tanks to reduce the need for ink replacement

MFC-J7600CDW

Approx. **1.5 times* Print speed**

Approx. **Twice* Durability**

*Compared with MFC-J6990CDW

■ Enhanced ink tank models for emerging markets

- Expanded sales of ink tank models for emerging markets, as the supply constraint had been removed

DCP-T720DW

■ Launched a high-end model of color laser All-in-Ones for SMB and corporate market

- The **twin laser technology** and **new fixing technology** developed for the first time for Brother's color laser printers achieve **high speed, high image quality**, and **high reliability**
- Enhanced easy-to-use functions as a machine shared by multiple users
- Enhanced functions including security to meet the need for IT managers and sales channels

HL-L9470CDN MFC-L9670CDN

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In the Printing & Solutions (P&S) business, we offer a diverse range of products to meet the printing needs of our customers.

In FY2022, we launched a new A3 inkjet All-in-One product for business use.

Equipped with a newly developed inkjet printhead, it offers improved image quality as well as approximately 1.5 times faster printing speed and approximately twice the durability of previous models.

The lineup also includes models equipped with high-capacity ink cartridges and sub-tanks to reduce the time and effort required by customers to replace ink cartridges.

Ink tank models for emerging markets have seen a significant increase in sales as supply constraints have been eliminated.

As for new color laser All-in-Ones, we launched a high-end model that meets the needs of SMB and corporate customers for their business use.

Brother's first twin laser technology and new fixing technology were developed simultaneously to achieve high-speed printing, vivid color and glossy texture, and high reliability.

It also features enhanced functions such as sharing among multiple users and security features.

■ Brand Story of A3 inkjet All-in-One

https://global.brother/en/digest/technology/maxidrive

Towards transformation in the Printing area | Business model transformation

brother at your side

Expand subscription and other contract-based services to shift to a business model that connects with customers

What is P&S's "Connecting?"

To create a state of **direct communication with customers** who use our products and services, and **continue to provide superior customer experience and value**

Contract-based connections		Non-contractual connections	
MPS (Managed Print Service)	**Subscription Service**	Ready to make proposals based on the **customer's usage**	Ready to make proposals based on the **devices the customer owns**

High ← Connection level → Low

- ✓ **Benefits for Customers***1: Reduced TCO*2, reduced pain to purchase consumables, enrollment in long-term extended warranty and loyalty programs, and receive promotions and information on the best new products,etc
- ✓ **Benefits for Brother:** Increased LTV*3 by securing profitability through improving the genuine consumable ratio and improving offering value by analyzing data on customer usage, etc.
- ✓ **Benefits for both parties:** Contribution to sustainability by promoting the collection and recycling of used products

*1:includes the benefits only for contract-based connections *2:Total Cost of Ownership *3:Life Time Value

■ Expanded contract-based services

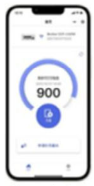
- Expanded MPS services for the SMB market, mainly in Europe
- Launched a subscription service for the SOHO market in Europe in FY2022, which had initially been launched in the U.S.

Subscription services offered in the U.S.

■ Introduced new chargeable business model

- New service for inkjet All-in-Ones in China that allows users to pre-charge the required number of copies via a mobile app and print

Inkjet All-in-One



Smartphone application screen

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In the P&S business, we are moving away from the traditional box-moving business model to that of connecting with customers.

With "connecting" as the keyword, we aim to provide superior value by creating a situation where we can communicate directly with our customers, both contract-based and non-contractual businesses.

The contract-based businesses refer to services such as MPS and subscription services, while non-contractual businesses are those in which we are able to make proposals to customers based on their product usage and the equipment they own.

By "connecting" with customers, we can help reduce their TCO and the cost of purchasing consumables, and expect to increase profitability for Brother by improving the genuine consumable ratio.

It will also encourage the collection and recycling of products, which will contribute to sustainability.

In FY2022, we expanded our MPS services mainly in Europe for the SMB market, and for the SOHO market, we also launched a subscription service in Europe, which had been launched earlier in the U.S.

In China, we introduced a new business model for inkjet All-in-Ones in which users can charge and print the necessary number of copies via a mobile application.

We will accelerate the transformation of printing by simultaneously strengthening the product strength and profitability of the P&S business and transforming the business model.

Management foundation transformation for a sustainable future

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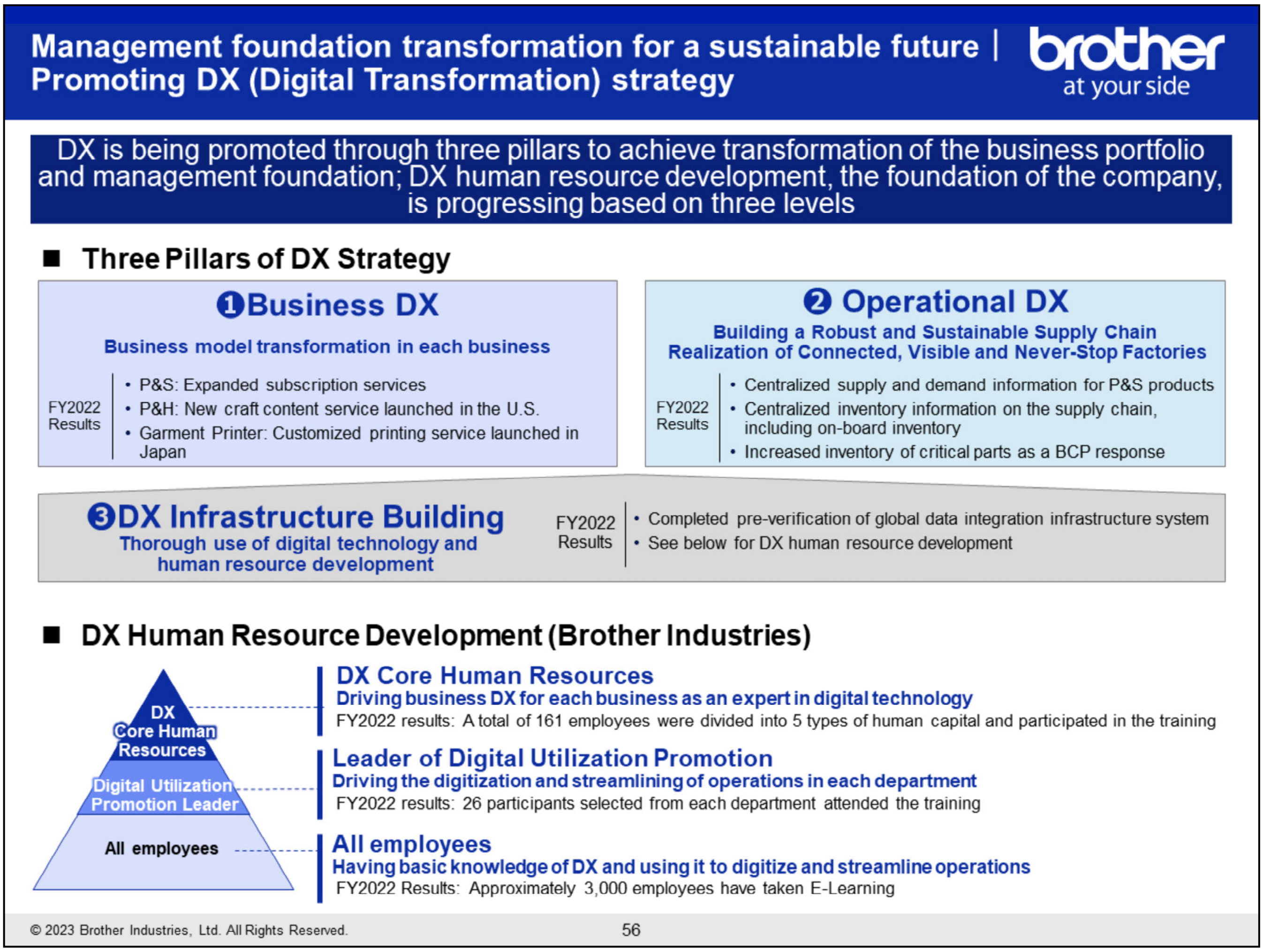

In FY2022, we advanced our DX initiatives as part of the management foundation transformation.

Brother's DX strategy consists of three pillars: "Business DX," "Operational DX," and "DX Infrastructure Building."

With "Business DX," we aim to transform the business models and business processes of each business through data analysis obtained by connecting with customers.

With "Operational DX," we are working on achieving a "Connected Factory," "Visible Factory," and "Never-Stop Factory" and to build a robust and sustainable supply chain as the top priority topics, based on the lessons learned from the supply chain disruptions caused by COVID-19 and geopolitical risks.

As part of "DX Infrastructure Building" to achieve these goals, we are building an infrastructure for data utilization and developing DX human resources.

At Brother Industries, Ltd., in addition to developing "DX core human resources" who will lead business DX in each business as digital technology experts and "leaders of digital utilization" who will lead the streamlining and digitization of operations in each department, we are also conducting training for all employees to acquire basic knowledge of DX.

Materiality and sustainability targets

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Materiality and sustainability targets

	Materiality	Targets for FY2024	FY2022 Results
Contribute to society	Supporting People's value creation	• In the **Industrial Equipment business**, secure performance advantage of products that contribute towards **improving** customer **productivity** and **reducing CO_2 emissions**	• Launched a **total of seven new models in the SPEEDIO series**, boasting high environmental performance and productivity
		• In **P&S business**, build **platform to connect** directly with customers towards improving LTV of customers	• Strengthened efforts to connect interactively with customers, including **subscription services** in each region
	Realizing a diverse and active society	• Visualize **employee engagement** at the global level and improve engagement survey scores	• Conducted **employee engagement survey***
		• Enhance talent development and governance for encouraging the **assignment of local employees to top management positions of facilities outside Japan**	• **Identified the current status of HR policies and issues** at major facilities outside Japan
		• *Strengthen talent pipeline for **healthy gender balance in management positions** and establish environment for achieving diverse ways of working*.	• Expanded Program to **Develop Female Management Candidates***
	Pursuing a responsible value chain	• Expand the **human rights risk assessment on suppliers**	• Expanded the number of businesses and suppliers covered in **supply chain human rights due diligence** on primary suppliers • Conducted **Conflict Minerals Survey** continuesly
		• Attain **RBA Gold certification** for **three Group manufacturing facilities**	• Received **RBA Gold Certification at the Vietnam Factory** of P&S as a first facility in the Group
Protect the earth	Reducing CO_2 emissions	• **[Scope 1 and 2]** Achieve **47% reduction** from the FY2015 **level** • **[Scope 3]** Take measures to **reduce 150,000 tons** through own effort	• [Scope 1,2] Implemented energy-saving and energy-creating measures such as more efficient use of electricity and introduction of solar power generation, and expect to **achieve the reduction target for FY2022** • [Scope 3, Resource Circulation] **Implemented** measures centered on improving energy efficiency of new products **as planned**, and consider additional measures for FY2023
	Circulating resources	• **Achieve ratio of virgin materials** used in products of **81% or less**	• Expect to **achieve target for FY2022** by implementing measures such as using recycled materials in some products and changing to recyclable cushioning materials

*Brother Industries, Ltd.

This slide is a summary of our FY2022 results related to our materiality and sustainability targets.

The Sustainability Committee (chaired by the President) established in FY2022 has been promoting these activities and is steadily making progress.

Financial policy

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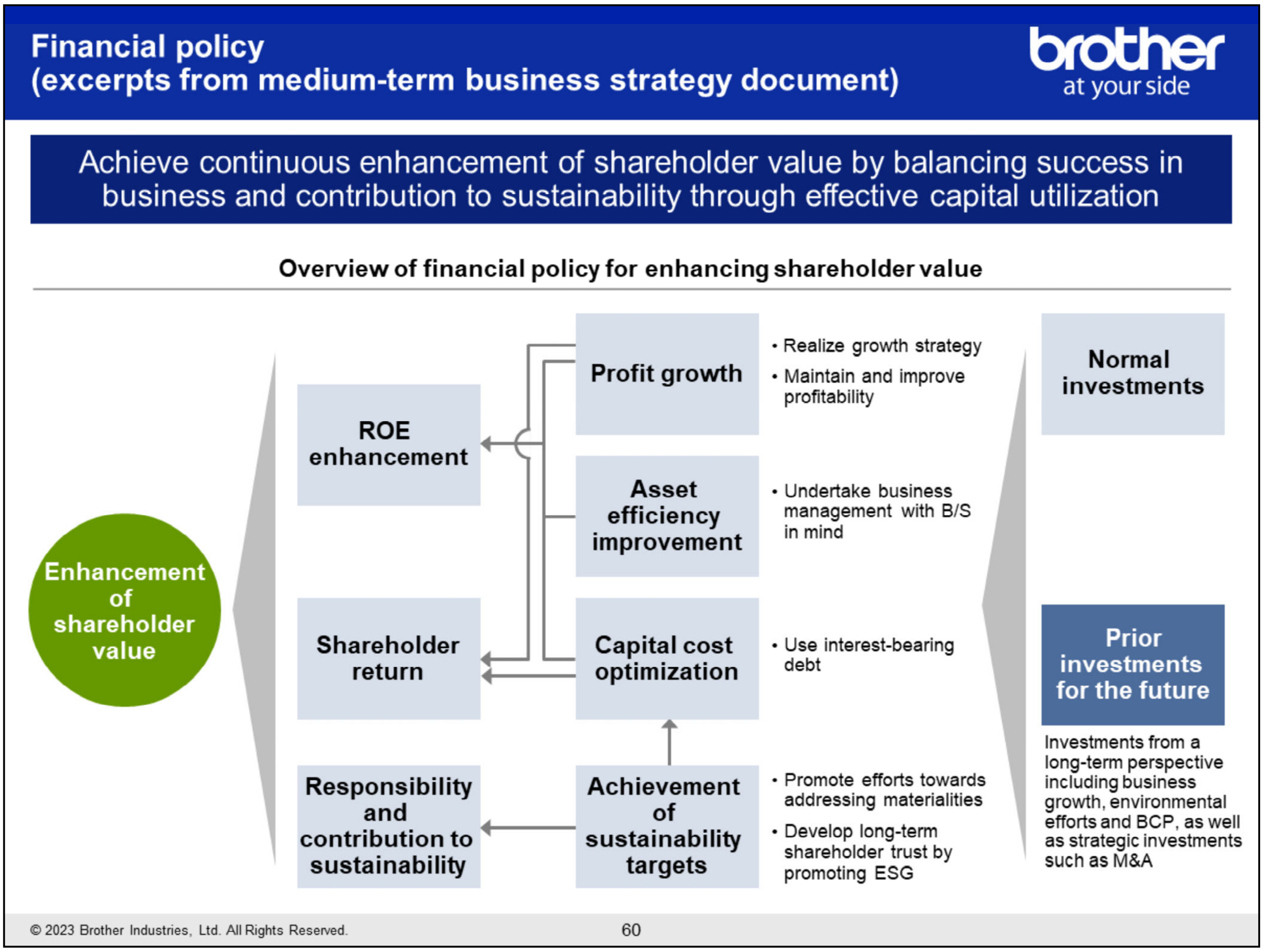
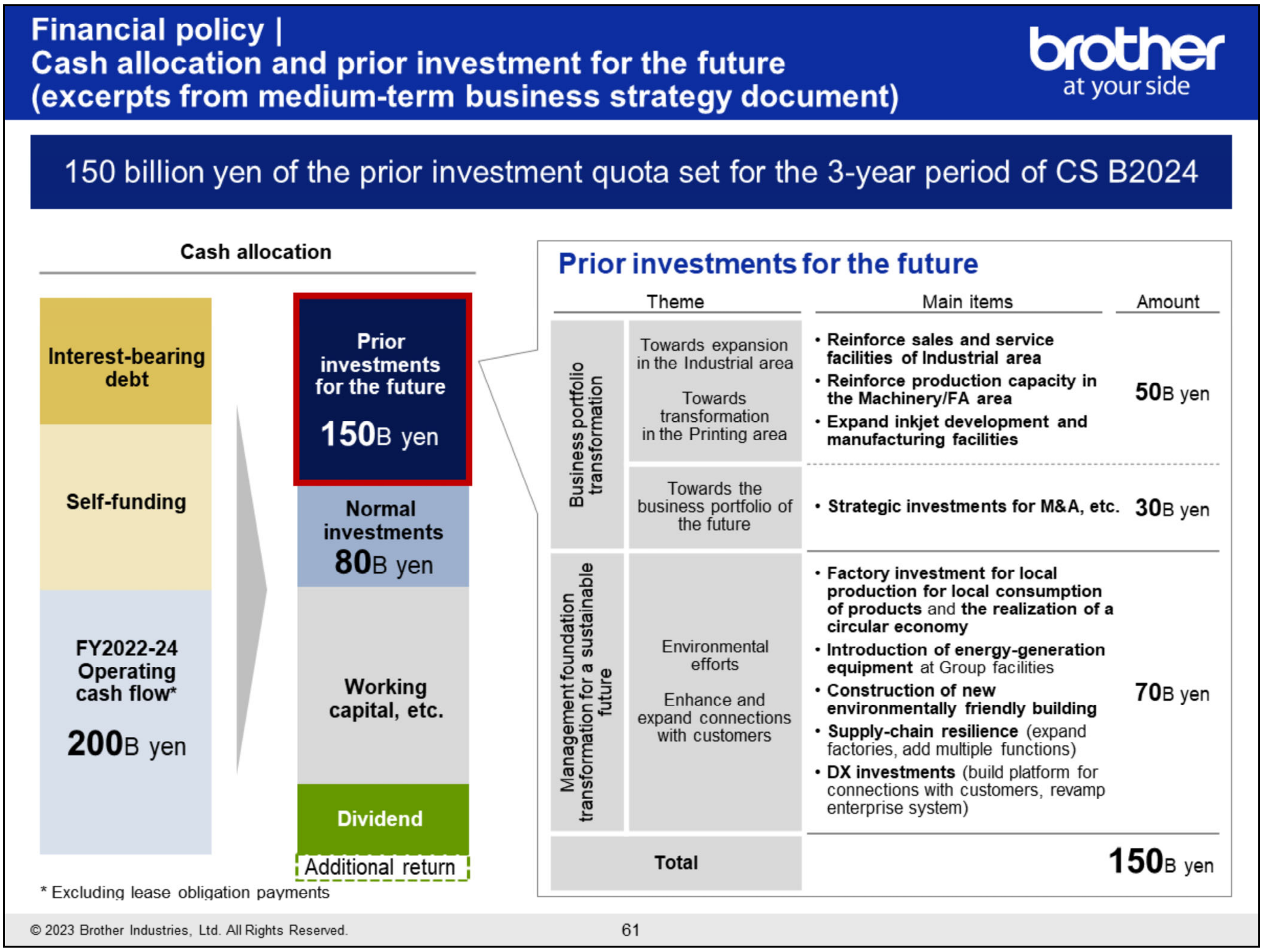


This is a slide disclosed in the medium-term business strategy document.

While making "prior investments for the future," we aim to increase shareholder value by achieving profit growth, improving asset efficiency, optimizing capital costs, enhancing ROE, ensuring stable shareholder returns, as well as fulfilling our responsibility for sustainability.



Here are the cash allocation and prior investment quota, as disclosed in the medium-term business strategy.

The Brother Group has set aside 150 billion yen over the three years of "CS B2024" as the quotas on the prior investment for the future and will steadily implement investments for the "business portfolio transformation" and "management foundation transformation."

Financial policy | Prior investments for the future

brother at your side

Progress mainly in capital investment as prior investment for the future

	Details		Status in FY2022	Purpose and remarks	Total investment
Business portfolio transformation	New factory building in Hoshizaki		Completed	• Enhanced industrial inkjet manufacturing facilities, Brother Group's first seismic isolation structure as a BCP measure	Approx. 10 billion yen
	[P&S] Philippines Factory New factory building		Under construction	• Responding to increased product sales for the transformation of Printing area • Strengthen BCP measures, including warehousing of parts and products to strengthen the supply chain	Approx. 8 billion yen
	[Industrial Equipment, Machinery] New factory in India		Construction planned	• New machine tool factory for the expansion of Industrial area • Establish a system to deliver products to customers in the Indian market, which is expected to grow	Approx. 2 billion yen
	Nissei New factory building		Construction planned	• Increase gear production capacity to expand sales for FA and robot applications	Approx. 1.7 billion yen
	Minato Factory New warehouse		Construction planned	• Responding to increased demand for storage of products and parts as a result of business expansion in the industrial area • Raise floor as a BCP measure to address tsunami risk	Approx. 5 billion yen
Management foundation transformation for a sustainable future	Installation of solar panels		Handled at each facility	• Installation of solar panels at each location, including those listed above • Contributing to the achievement of carbon neutrality by using renewable energy sources to supply part of the electricity required for operation.	-
	Regional headquarters in Americas ERP system reformed		Completed	• Revamped ERP systems and business processes as a DX investment	Approx. 2.5 billion yen

This slide outlines the progress of prior investments.

Note that the total investments shown to the right include investments made not only in FY2022 but also in other fiscal years.

In FY2023, we will continue to actively make investments in product development, capital expenditures, DX, and other areas.

Financial policy | On management with an awareness of cost of capital and stock price

brother at your side

Deepen "management conscious of cost of capital and stock price" based on the financial policy of the medium-term business strategy

Topic	Present	Vision
Capital cost	Cost of equity: 7-10% - Calculated by CAPM - Variable due to differences in timing and assumptions used in calculations, so cost of equity is taken as the range	✓ Reduce the cost of shareholders' equity by promoting business portfolio transformation while also utilizing interest-bearing debt ✓ Provide stable and continuous shareholder returns
ROI index	ROE 5-year* average: 9.7% - Exceeds or equals cost of equity	✓ FY2024 target is to achieve **ROE of 10% or more above cost of capital**
Market valuation	P/B ratio 5-year* average: 1.1x Most recent: 0.9x	✓ Aiming to continuously increase shareholder value in accordance with the CS B2024 **financial policy** ✓ Aim for early improvement of P/B ratio by improving profitability and promoting business portfolio transformation through continuous growth investment

*From FY2018 to FY2022

"Management Conscious of Cost of Capital and Stock Price" and "Information on Engagement with Investors" will be available on the website in June.

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Our view of "management with an awareness of cost of capital and stock price" and our future initiatives are as follows.

Capital cost

The current cost of equity is estimated around 7% to 10%.

It is calculated based on CAPM, but since it varies depending on the timing of calculation and different assumptions, it is taken as a range.

Going forward, we will continue to transform our business portfolio and reduce the cost of equity while also utilizing interest-bearing debt.

We will also provide stable and continuous shareholder returns.

ROI index

ROE has averaged 9.7% over the past five years, and we believe it exceeds or is at the same level as the cost of equity.

The target for FY2024, the final year of our medium-term business strategy "CS B2024," is an ROE of 10%, which is higher than the cost of capital, and we continuously aim to achieve a level of ROE maintaining an equity spread.

Market valuation

PBR has averaged 1.1 times in the past five years, but has remained at about 0.9 times in the recent past.

We will seek to improve PBR as early as possible by advancing business portfolio transformation through the improvement of profitability and continued growth investments.

In accordance with the financial policy of our medium-term business strategy "CS B2024," we will further promote the management of our operations with an awareness of the cost of capital and capital returns in order to meet the expectations of our stakeholders, achieve sustainable growth, and enhance our corporate value.

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We will create more opportunities to better communicate the Brother Group's initiatives.
Thank you for your continued support.

Reference: Brother's business areas

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Business areas		Business segments			Area (Main products & service portfolio)
Industrial area	Machinery/FA	Nissei			Reducer, Gear
Industrial area	Machinery/FA	Machinery	Industrial Equipment		Machine tool
Industrial area	Machinery/FA	Machinery	Industrial Sewing Machines	Industrial Sewing Machines	Industrial Sewing Machine
Industrial area	Industrial Printing	Machinery	Industrial Sewing Machines	Garment Printing	Garment printer
Industrial area	Industrial Printing	Domino			Coding and marking equipment, Digital printing equipment
Industrial area	Industrial Printing	Printing & Solutions	Labeling	Commercial & Industrial Labeling	Commercial & Industrial use label printer, Mobile printer
Consumer area	Printing	Printing & Solutions	Labeling	Home & Office Labeling	Labeling system
Consumer area	Printing	Printing & Solutions	Communications & Printing Equipment		Printer, All-in-One
Consumer area	Home & Culture	Personal & Home			Home sewing machine, Home cutting machine
Consumer area	Home & Culture	Network & Contents			Online Karaoke system