



**Updates on the
Medium-term Business Strategy**

CS B2024

Take off towards our new future

**Brother Industries, Ltd.
May 8, 2023**

Towards expansion in the Industrial area

SPEEDIO Compact Machining Centers are now available in 11 models in 7 series with the consecutive release of new series/models, responding to the various machining needs with a wide lineup of products including peripherals

Series S Standard models

S300Xd1/S500Xd1/S700Xd1



Series W For larger workpieces

W1000Xd2



Series R Built-in pallet changer

R450Xd1/R650Xd1



Series U Multi-face machining

U500Xd1



Series F High rigidity

F600X1



Series M Multi-task machine

M200Xd1/M300Xd1



Series H Horizontal machining center

H550Xd1



Peripherals

Rotary Table
T-200A/T-200Ad



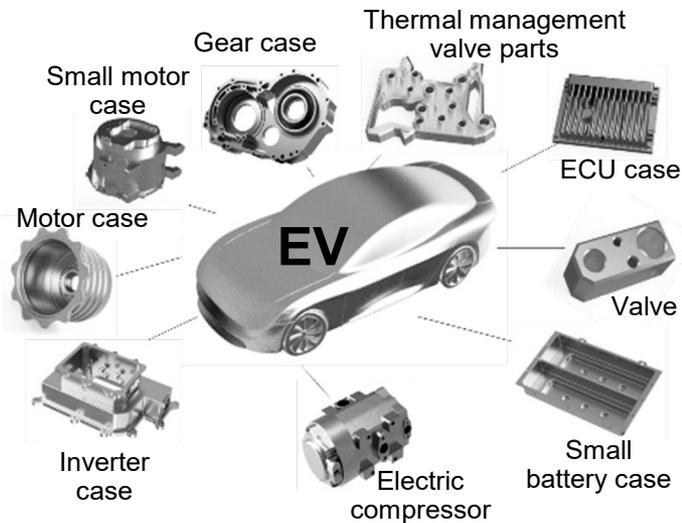
Loading System
BV7-870Ad



**Enhanced product strength and lineup
for the EV-related parts market with high growth potential**

✓ **The trend in EV-related parts is weight reduction, upsizing, and diversification**

- Increasing need for machining aluminum parts for weight reduction
- Increasing need for machining large parts such as battery cases and motor cases
- Diversification of machined parts



✓ **Brother's SPEEDIO series has strength in aluminum processing**

■ **Respond to the growing needs of EV parts processing by enhancing product strength and product lineup**

Multi-face Machining with a large tilting rotary table



U500Xd1



Equipped with a large tilting rotary table for machining large parts and multiple surfaces

Brother's first horizontal Machining Center



H550Xd1



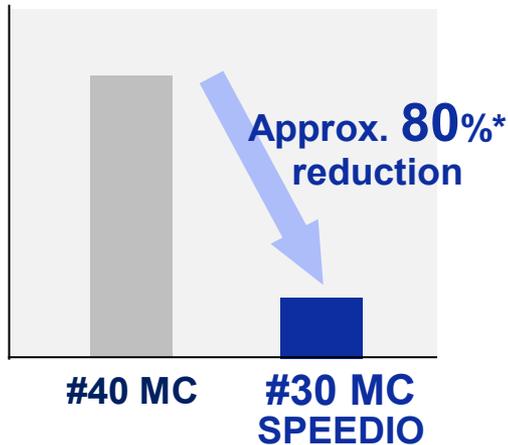
The horizontal spindle ensures a large machining area and enables the machining of large parts

Contribute to the reduction of CO₂ emissions with high environmental performance and to automation and labor-saving with integrated processes

■ **Achieving high productivity and energy-saving performance**

- Achieving **higher energy-saving performance** compared to #40 machining centers thanks to its compact size, low power consumption and fast processing
- Contributing to the reduction of CO₂ emissions and to achieving carbon neutrality at production facilities

Power consumption per cycle



* example of processing with a program we prepared

■ **Contributing to automation and labor-saving**

- Achieving labor-saving with the **multi-task machining center** and the **multi-face machining center** that integrate operations, and the loading system that automates the loading and unloading processes of the workpiece
- Contributing to integrating processes with an increased number of tool magazines



Multi-task machining center M300Xd1

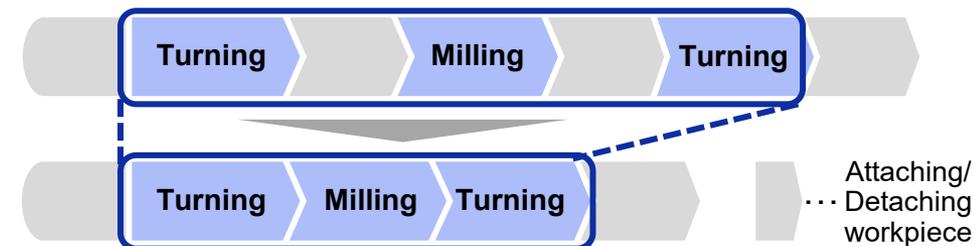


Multi-face machining center U500Xd1



Loading system BV7-870Ad

Image of processes integration with the multi-task machining center



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

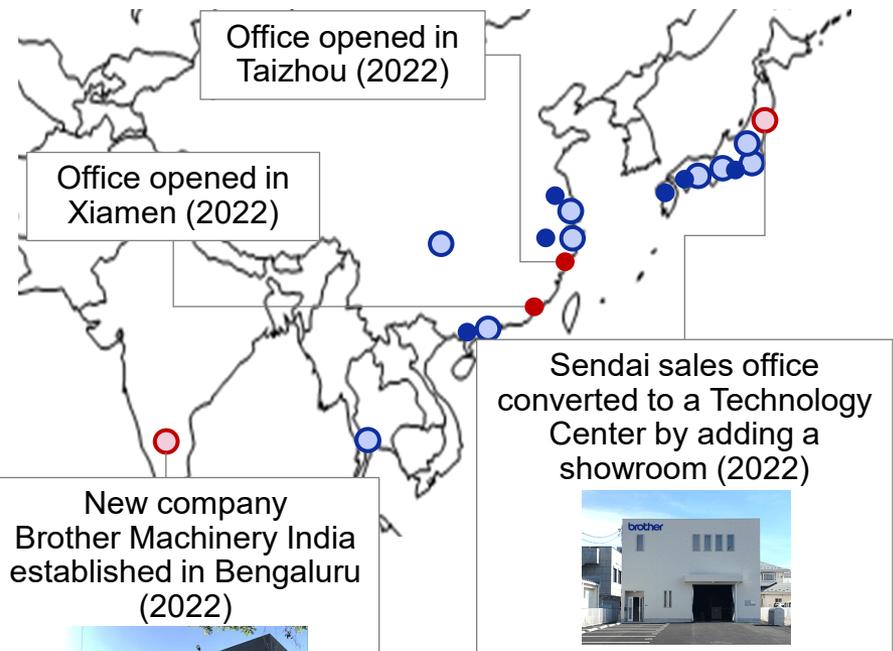
- Establishing a system to shorten the delivery time for customers in the **Indian market**, which is **expected to grow**
- Production is scheduled to begin in December 2024
- There will be 3 manufacturing facilities for machine tools: in Japan (Kariya), China (Xian), and India (Bengaluru suburb)



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



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

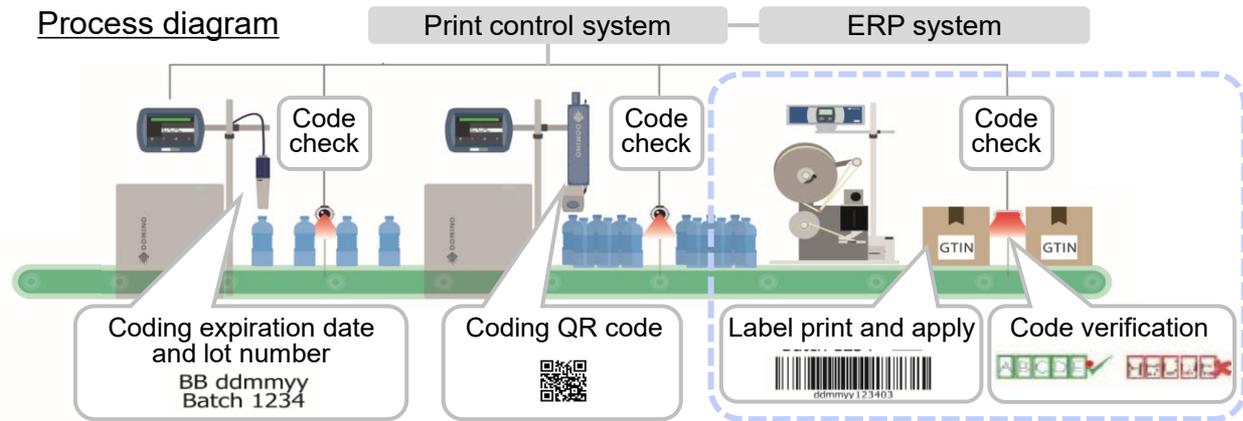


Domino's booth at Labelexpo Americas 2022

Increase customer value by offering products and solutions that enable factory line automation and labor-saving

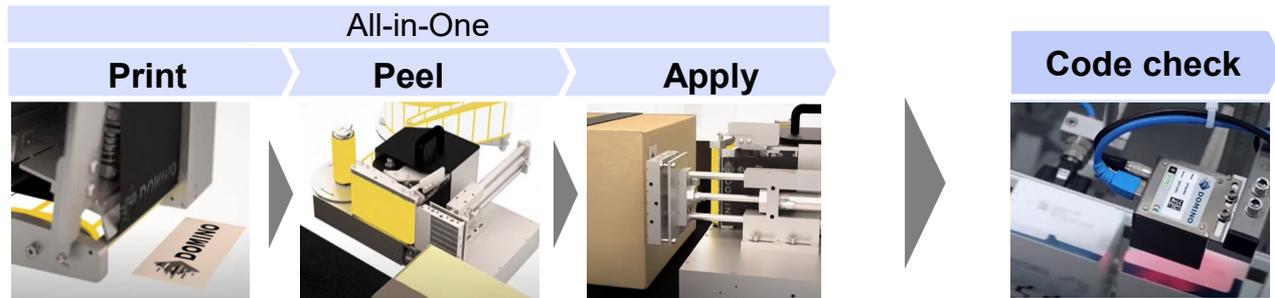
■ Automate the entire process of coding and verification

- Contributes to improved **productivity and traceability** by linking coding data to ERP systems
- Improves the **reliability** of printed content by incorporating the process of **scanning print results** and **verifying whether they have been printed correctly** via technology such as a scanning camera and an image inspection device



Integrate process by providing products that automates label printing and application

- Growing demand for the product that meets the needs of automated factory production lines



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

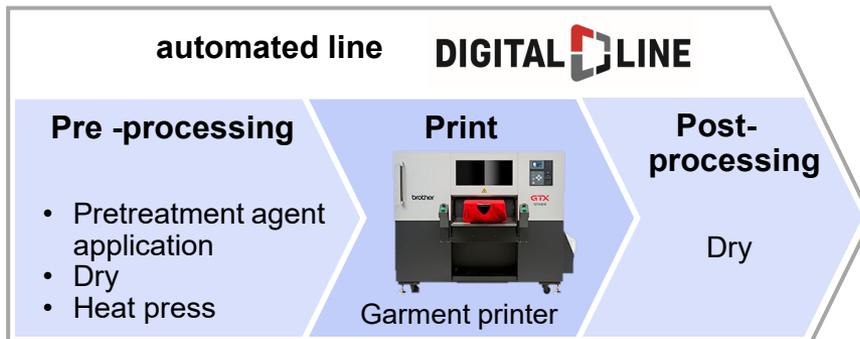


Image of the Digitalline automated garment printer line

■ 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



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Latex wide-format printer WF1-L640

Towards transformation in the Printing area

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

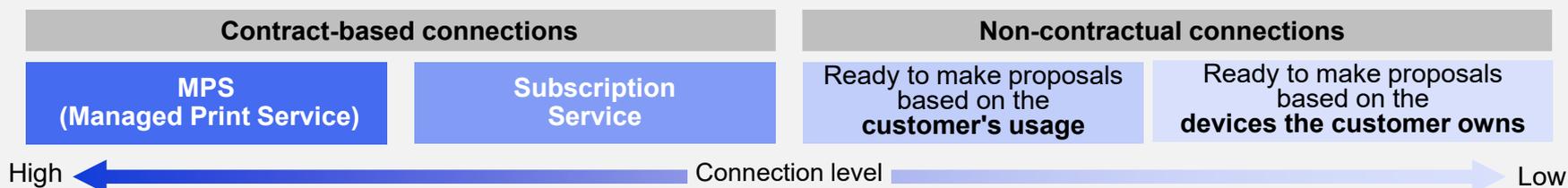
MFC-L9670CDN

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**



- ✓ **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

Management foundation transformation for a sustainable future

DX is being promoted through three pillars to achieve transformation of the business portfolio and management foundation; DX human resource development, the foundation of the company, is progressing based on three levels

■ Three Pillars of DX Strategy

① Business DX

Business model transformation in each business

FY2022 Results

- P&S: Expanded subscription services
- P&H: New craft content service launched in the U.S.
- Garment Printer: Customized printing service launched in Japan

② Operational DX

Building a Robust and Sustainable Supply Chain
Realization of Connected, Visible and Never-Stop Factories

FY2022 Results

- Centralized supply and demand information for P&S products
- Centralized inventory information on the supply chain, including on-board inventory
- Increased inventory of critical parts as a BCP response

③ DX Infrastructure Building

Thorough use of digital technology and human resource development

FY2022 Results

- Completed pre-verification of global data integration infrastructure system
- See below for DX human resource development

■ DX Human Resource Development (Brother Industries)



DX Core Human Resources

Driving business DX for each business as an expert in digital technology

FY2022 results: A total of 161 employees were divided into 5 types of human capital and participated in the training

Leader of Digital Utilization Promotion

Driving the digitization and streamlining of operations in each department

FY2022 results: 26 participants selected from each department attended the training

All employees

Having basic knowledge of DX and using it to digitize and streamline operations

FY2022 Results: Approximately 3,000 employees have taken E-Learning

Materiality and sustainability targets

Materiality and sustainability targets

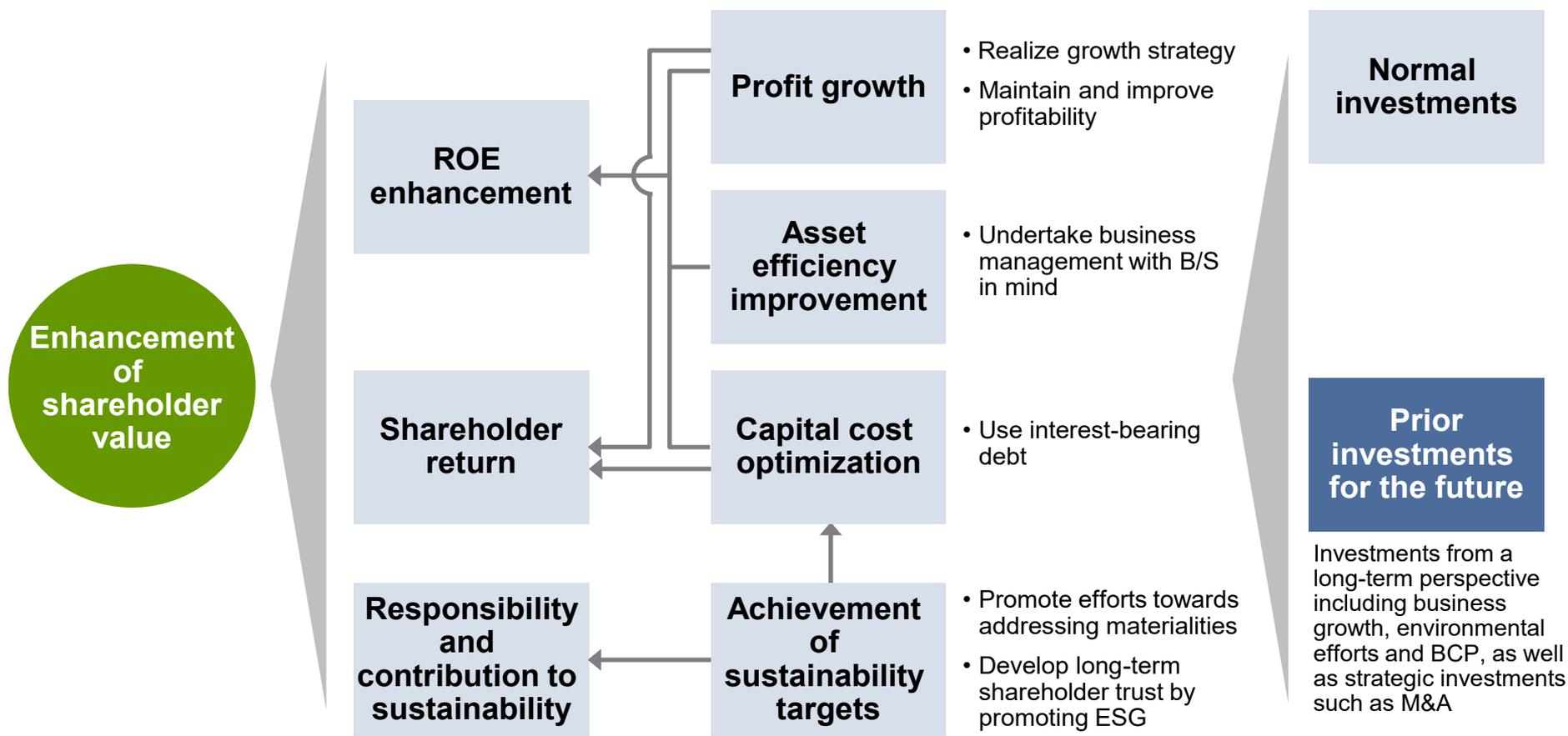
Materiality		Targets for FY2024	FY2022 Results
Contribute to society	Supporting People's value creation	<ul style="list-style-type: none"> In the Industrial Equipment business, secure performance advantage of products that contribute towards improving customer productivity and reducing CO₂ emissions In P&S business, build platform to connect directly with customers towards improving LTV of customers 	<ul style="list-style-type: none"> Launched a total of seven new models in the SPEEDIO series, boasting high environmental performance and productivity Strengthened efforts to connect interactively with customers, including subscription services in each region
	Realizing a diverse and active society	<ul style="list-style-type: none"> Visualize employee engagement at the global level and improve engagement survey scores Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan *Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working*. 	<ul style="list-style-type: none"> Conducted employee engagement survey* Identified the current status of HR policies and issues at major facilities outside Japan Expanded Program to Develop Female Management Candidates*
	Pursuing a responsible value chain	<ul style="list-style-type: none"> Expand the human rights risk assessment on suppliers Attain RBA Gold certification for three Group manufacturing facilities 	<ul style="list-style-type: none"> Expanded the number of businesses and suppliers covered in supply chain human rights due diligence on primary suppliers Conducted Conflict Minerals Survey continuesly 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	<ul style="list-style-type: none"> [Scope 1 and 2] Achieve 47% reduction from the FY2015 level [Scope 3] Take measures to reduce 150,000 tons through own effort 	<ul style="list-style-type: none"> [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	<ul style="list-style-type: none"> Achieve ratio of virgin materials used in products of 81% or less 	<ul style="list-style-type: none"> 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.

Financial policy

Achieve continuous enhancement of shareholder value by balancing success in business and contribution to sustainability through effective capital utilization

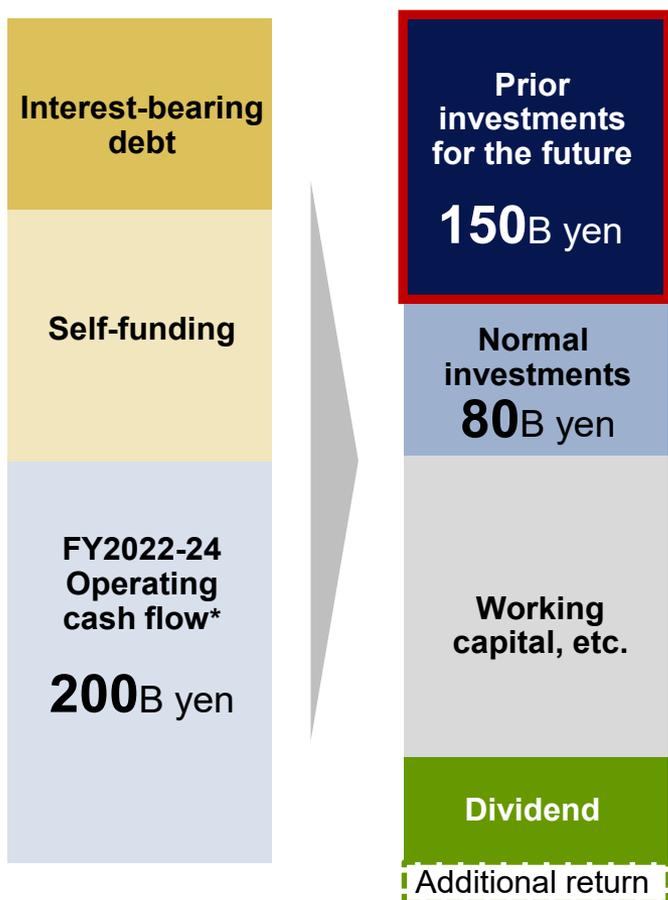
Overview of financial policy for enhancing shareholder value



Financial policy | Cash allocation and prior investment for the future (excerpts from medium-term business strategy document)

150 billion yen of the prior investment quota set for the 3-year period of CS B2024

Cash allocation



* Excluding lease obligation payments

Prior investments for the future

	Theme	Main items	Amount
Business portfolio transformation	Towards expansion in the Industrial area	<ul style="list-style-type: none"> Reinforce sales and service facilities of Industrial area Reinforce production capacity in the Machinery/FA area Expand inkjet development and manufacturing facilities 	50B yen
	Towards transformation in the Printing area		
	Towards the business portfolio of the future	<ul style="list-style-type: none"> Strategic investments for M&A, etc. 	30B yen
Management foundation transformation for a sustainable future	Environmental efforts	<ul style="list-style-type: none"> Factory investment for local production for local consumption of products and the realization of a circular economy Introduction of energy-generation equipment at Group facilities Construction of new environmentally friendly building Supply-chain resilience (expand factories, add multiple functions) DX investments (build platform for connections with customers, revamp enterprise system) 	70B yen
	Enhance and expand connections with customers		
Total			150B yen

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Increase gear production capacity to expand sales for FA and robot applications 	Approx. 1.7 billion yen
	Minato Factory New warehouse 	Construction planned	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Revamped ERP systems and business processes as a DX investment 	Approx. 2.5 billion yen

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	<p><u>Cost of equity: 7-10%</u></p> <ul style="list-style-type: none"> - Calculated by CAPM - Variable due to differences in timing and assumptions used in calculations, so cost of equity is taken as the range 	<ul style="list-style-type: none"> ✓ 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	<p><u>ROE 5-year* average: 9.7%</u></p> <ul style="list-style-type: none"> - Exceeds or equals cost of equity 	<ul style="list-style-type: none"> ✓ FY2024 target is to achieve ROE of 10% or more above cost of capital
Market valuation	<p><u>P/B ratio 5-year* average: 1.1x</u> <u>Most recent: 0.9x</u></p>	<ul style="list-style-type: none"> ✓ 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.

brother
at your side

Reference: Brother's business areas

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