The Acquisition of Domino Printing Sciences PLC

Brother Industries, Ltd.

August 4, 2015

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

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- The Outline of the Acquisition
- The Brother Group’s History and Vision
- Brother’s Strategic Investments
- The Strengths of Domino
- The Synergies Expected from the Acquisition
- The Impacts on Financial Performances
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The Corporate Outline of Domino

Corporate Name : Domino Printing Sciences PLC

Head Office : Cambridge, The United Kingdom

Date of Foundation : 1978

Sales (FY2014) : £350 million

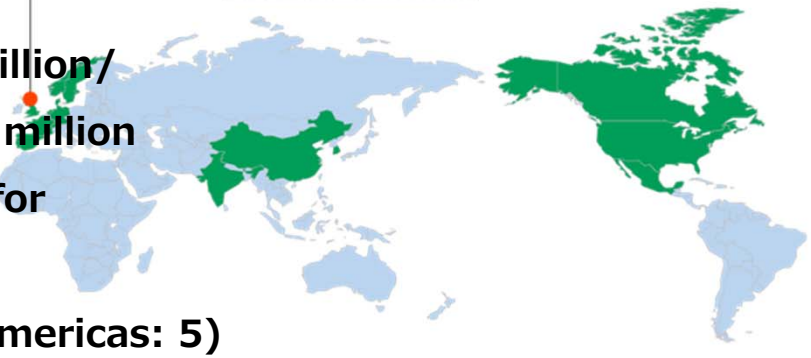
Number of Employees : 2,263

Financial Composition (FY2014) : Total Assets £302 million/
Equity Capital £212 million

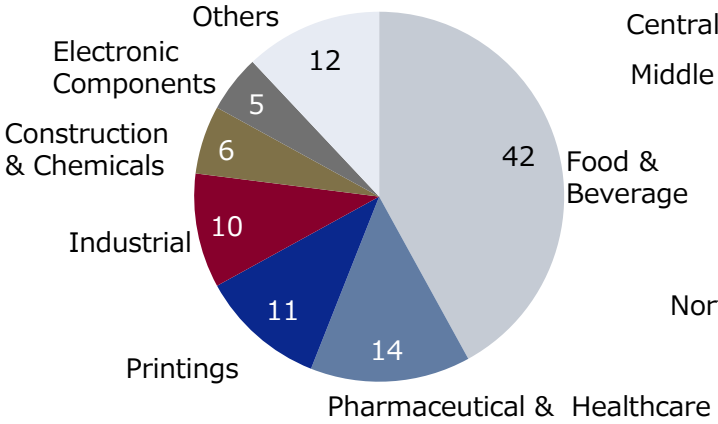
Core Business : Manufacturing and sales of equipment for coding/marking and digital printing

Main Facilities : 25 locations (Europe: 14/Asia: 6/the Americas: 5)

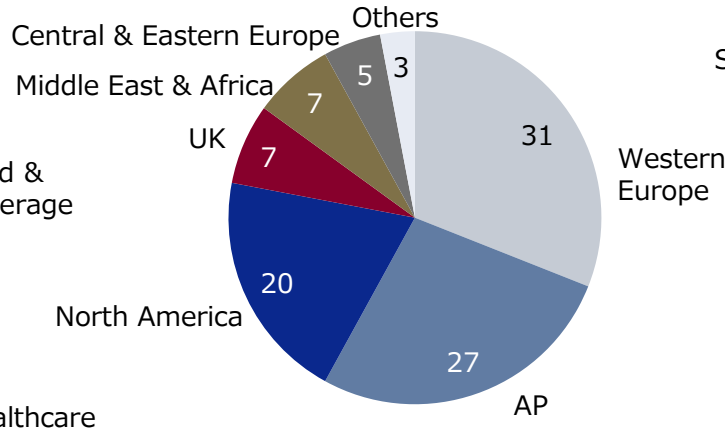




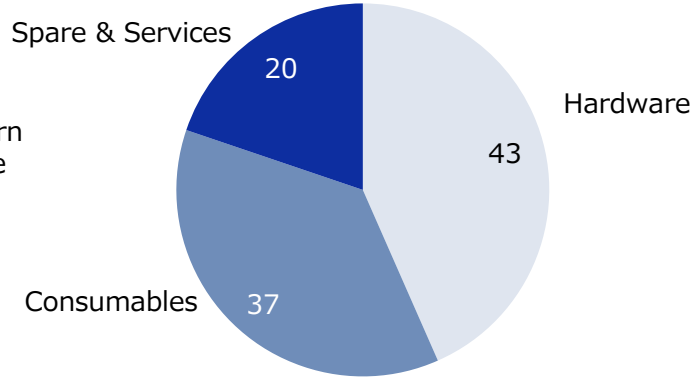
Sales Breakdown by Industry



Sales Breakdown by Region



Sales Breakdown by Product



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The Outline of the Acquisition

The Target Company	Domino Printing Sciences PLC
Buyout Price	・915 pence per share ・The total acquisition price: £1.048 billion (approx. ¥193.2 billion)
The Acquisition Premium	26.9% of the closing price on March 10, 2015 (a day before the acquisition agreement date)
Funding	Brother's own funds and debt financing
Debt repayment period	Expected to be approximately eight years according to the estimate based on the group's current FCF

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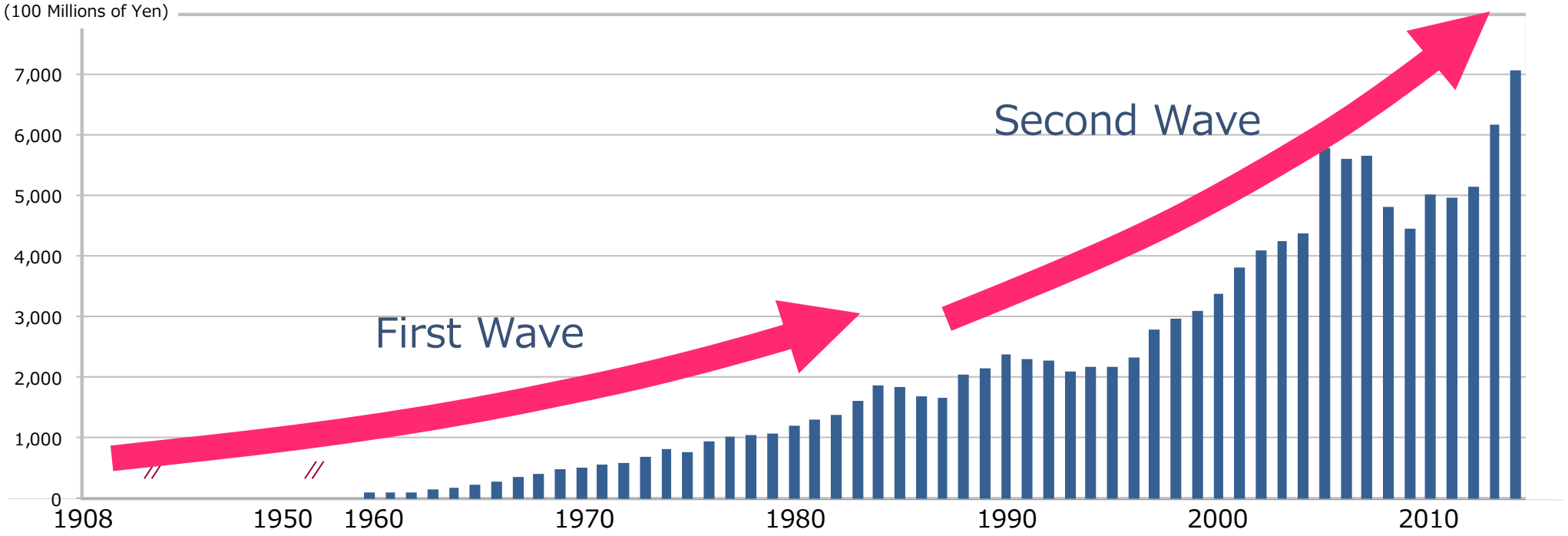
The Brother Group's History of Transformation

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





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Global Vision 21 and the Mid-term Strategy CS B2015

brother at your side

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

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

Target
Net Sales : **1 Trillion JPY**

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

The Mid-Term Business Strategy “CS B2015”

Target in FY2015
Net Sales : **750 Billion JPY**
Operating Income : **58 Billion JPY**

“Back to Growth”

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

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The Progress on the Mid-Term Business Strategy "CS B2015"

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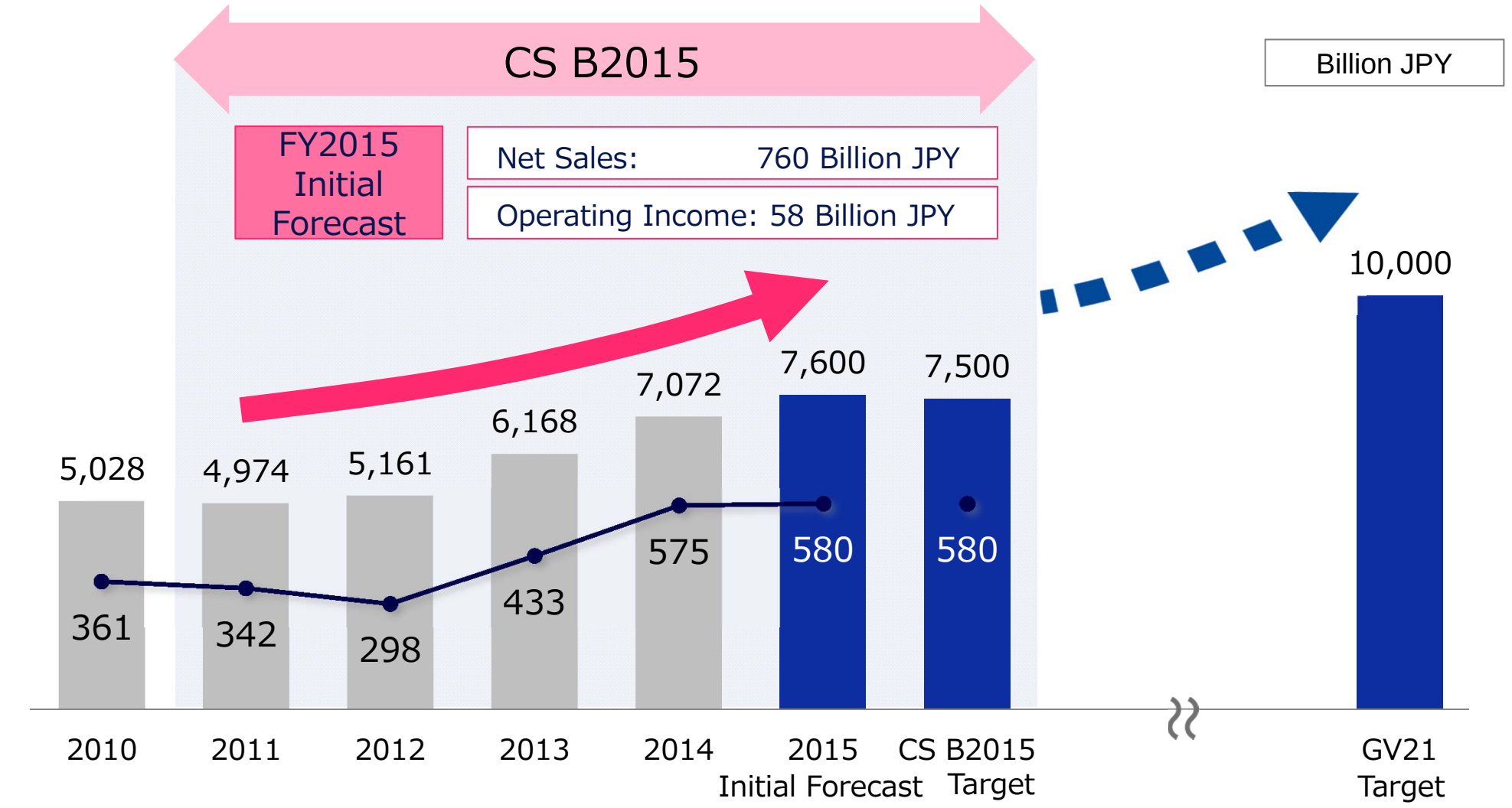
The targets of the mid-term strategy, CS B2015, have come within our reach due to growth of existing businesses and the positive effect of forex



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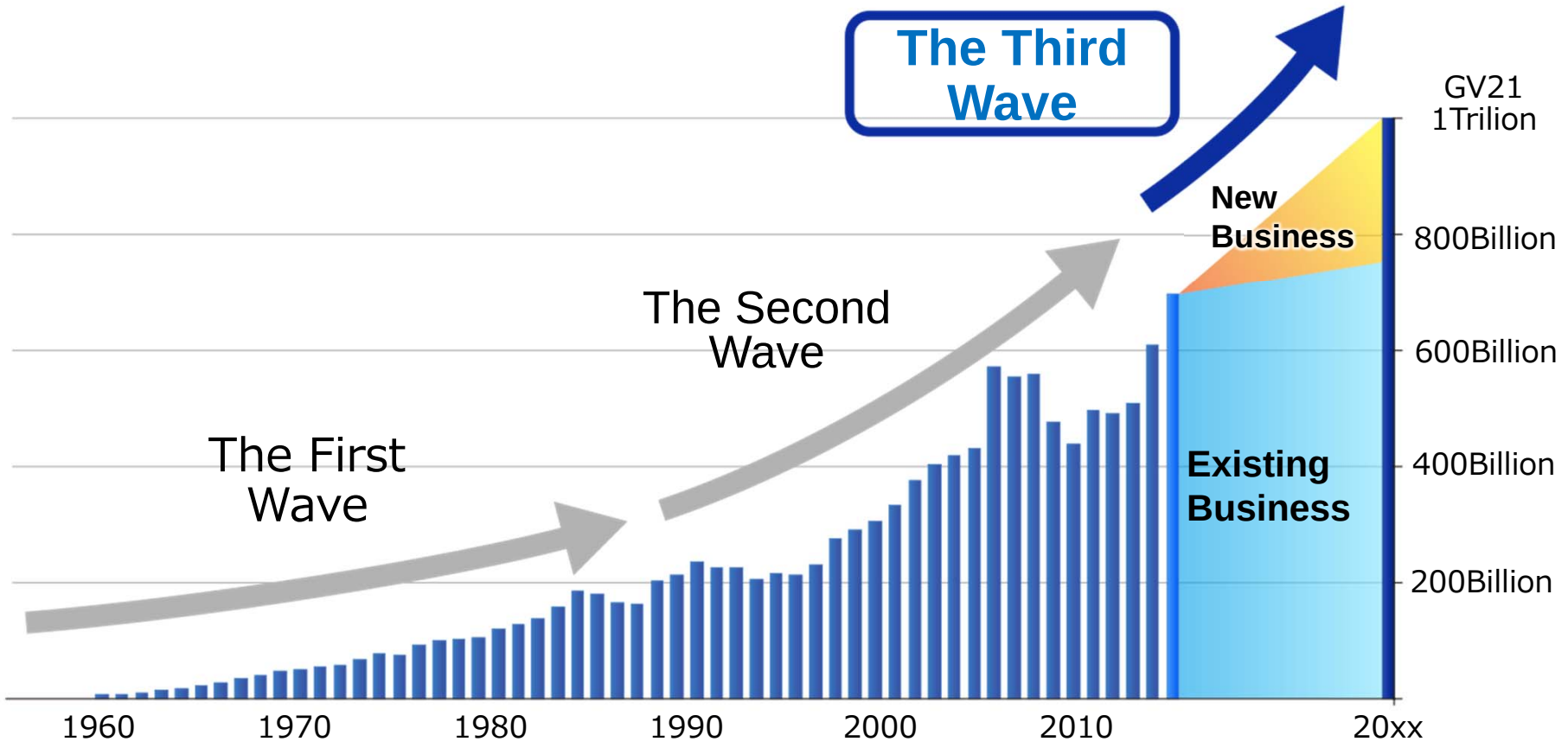
For Achievement of GV21

To Achieve Further Growth for Realization of GV21



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Exploration of target business fields for strategic investments

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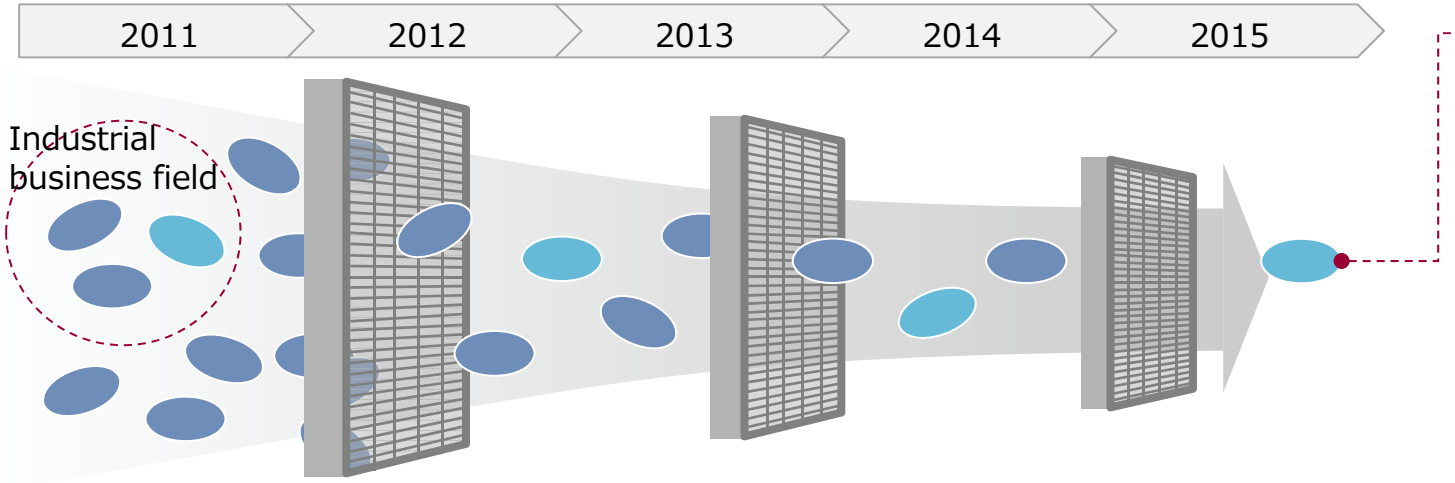
Started to gain interest in the industrial business field as the deliberation of strategic investments progressed.
Sought opportunities continuously in the industrial printing field as a highly potential field.

CS B2015 Policies on Strategic investment of	• Actively look for opportunities for M&A and corporate alliances in all business fields and regions, and execute growth strategies • Up to approximately 150 billion yen of strategic investment is estimated

The Image of filtering the targets



Judgment Criteria

Marketing Opportunities
- Market size
- Growth potential
- Existence of an acquisition target

×

Utilizing Brother's strengths
- Technologies
- Customer base
- Partner Networks

Industrial printing business

Digital printing



Cording & Marking



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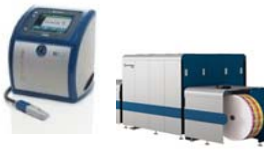
Activities concerning M&A in CS B2015

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

2011	2012	2013	2015	2015
Nefsis	**Nissei**	**Mediacreate**	**Teichiku**	**Domino**
Web Conferencing Business	Industrial Part Business	Karaoke club Business	A Record Label	Industrial Printing Business
OmniJoin 	Nissei 	ゆう遊空間 KARAOKE MEGATON	TEICHIKU ENTERTAINMENT	DOMINO Printing Sciences plc 
Acquired a web technology utilizing a cloud service	**Business expansion in the industrial business field**	Strengthening of the karaoke club business	Improvement of music contents	**Expansion in the industrial business field**

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The Development of the Inkjet Product Lineups

Developing businesses in the industrial printing field by utilizing inkjet technology

Office/ Home Use

- **1992** — Solid Inkjet Printer



- **1997** — Liquid Inkjet Printer



- **2003** — Compact Inkjet All-in-one



- **2008** — A3 Inkjet All-in-one



- **2012** — Hi-speed Inkjet Printer



Industrial use

Garment Printers

- **2005**



- **2012**



Postage Meters

- **1996**



- **1997**



- **2005**



Accumulation of ink jet technologies

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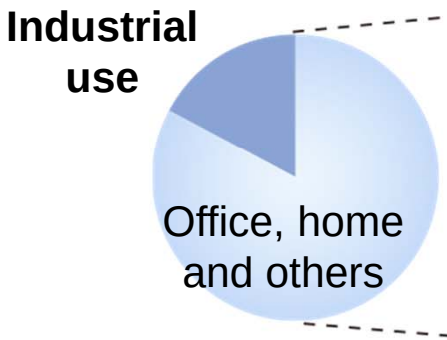
Domino as a Driving Force for Brother's Growth

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

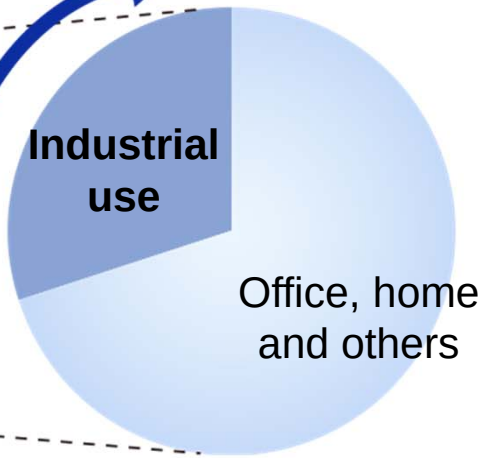


Current Sales Breakdown by Business



Creating synergies to accelerate further growth

Future Projection



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The Global Operations

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



Domino UK

Domino North America

Domino China

Domino India

Cording & Marking



Digital Printing



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A Transition in Financial Performance and Shareholder Returns

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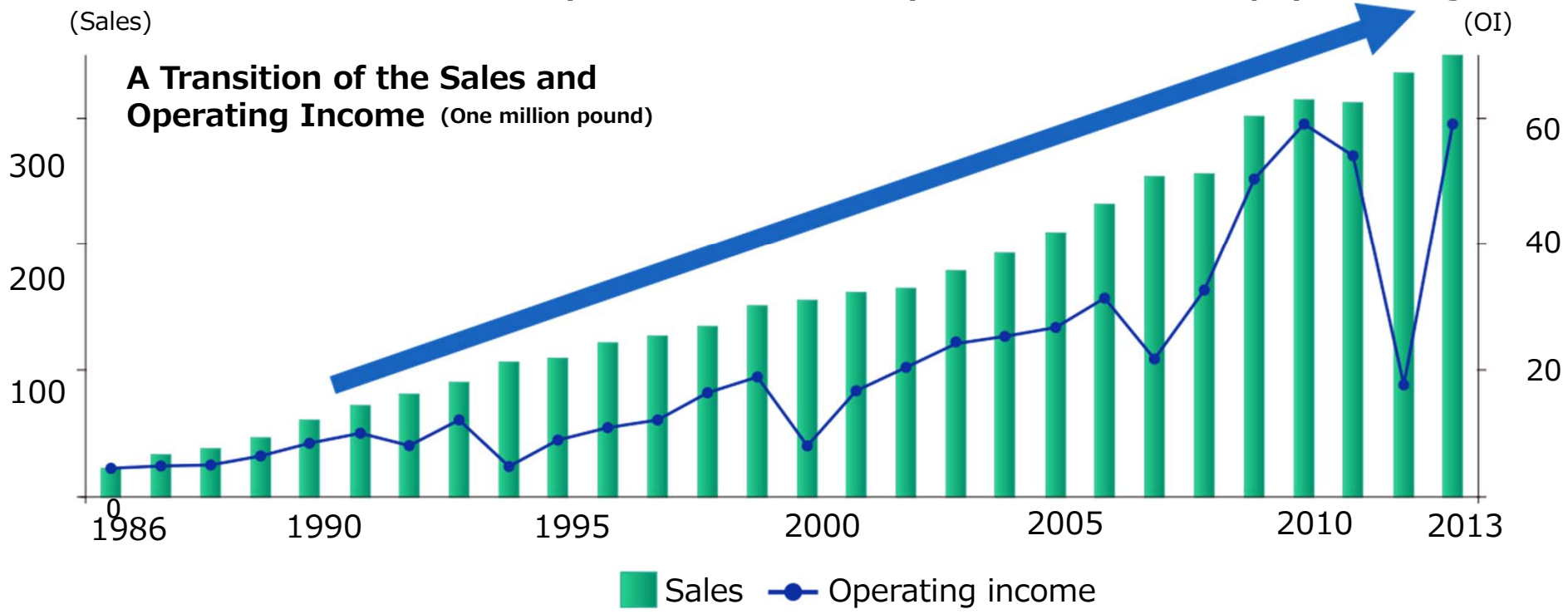
A blue-chip company that has been generating high financial performance and shareholder returns for the past 30 years

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



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

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

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

Core Products



Printing Samples













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

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

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

Core Products



Printing Samples







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High Profitability Resulting from a Strong Demand for Consumables

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

Ink Consumables



Ink Consumables for Coding & Marking





Ink Consumables for Digital Printing

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The Synergies Expected from the Acquisition

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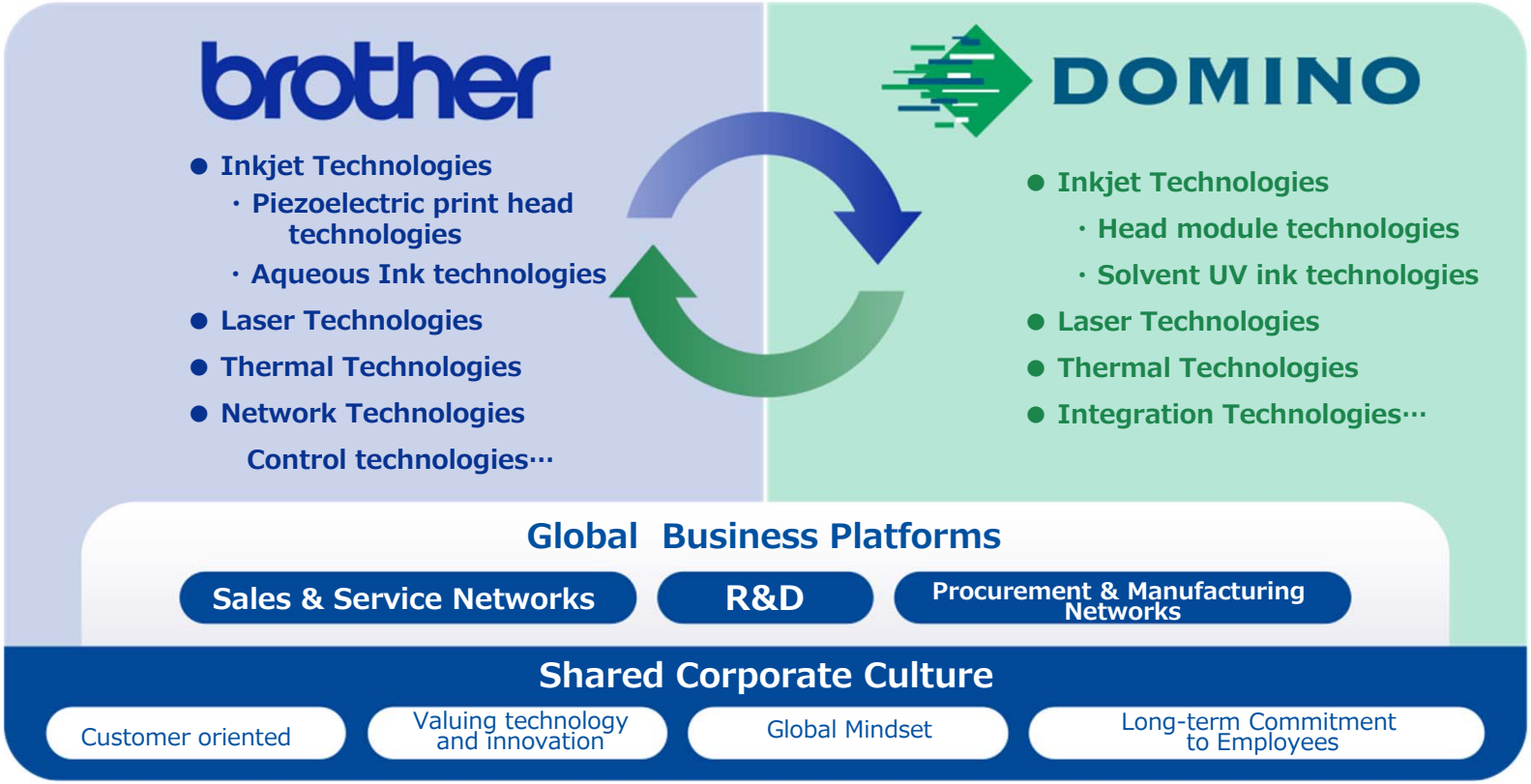
Generating synergies by utilizing the global business foundations of Brother and Domino



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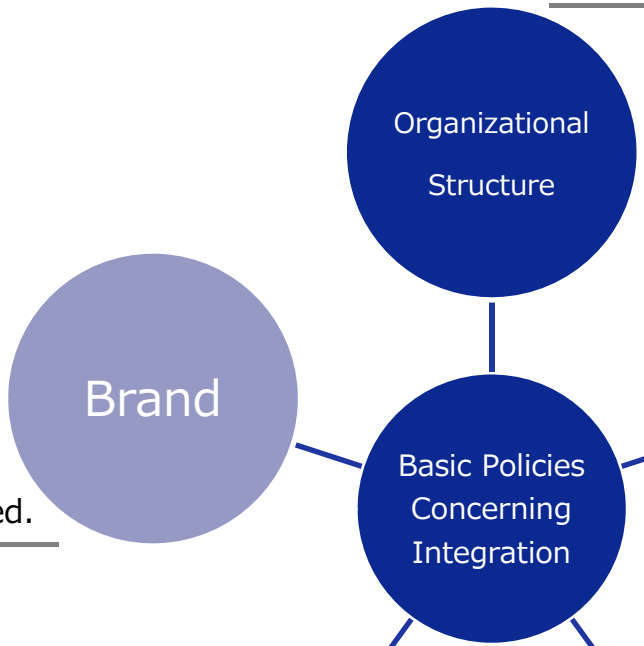
Basic Policies Concerning Integration

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



Domino becomes one of Brother's businesses as it continues its business as it is (the Domino business). Domino's existing entities, including its subsidiaries, remain unchanged.

The Domino brand, company name and logo remain unchanged.

Current operations remain unchanged.

While the current authority of Domino is basically retained, its corporate governance is strengthened under Brother's rules concerning management of its subsidiaries.

Domino's strategies and synergies are aligned with Brother's strategies and promoted integrally.

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A Structure to Promote the Domino Business

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

The Director of the Domino Business

Toshikazu Koike
(Representative Director/President)

The structure of the board of directors

CEO
Nigel Bond

Chairman
Toshikazu Koike

DOMINO

Executive Management Committee



Domino Business Office

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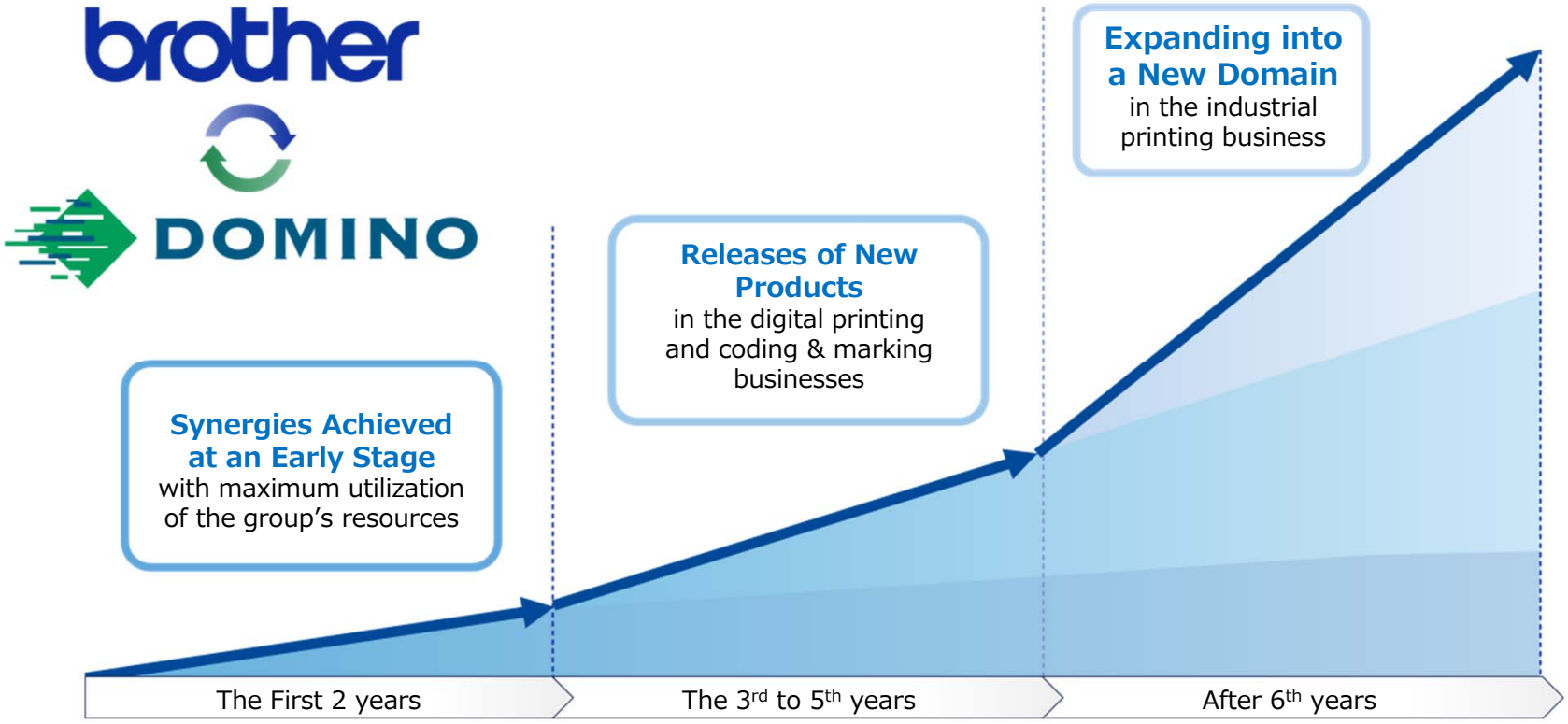
The Synergies Expected from the Acquisition

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



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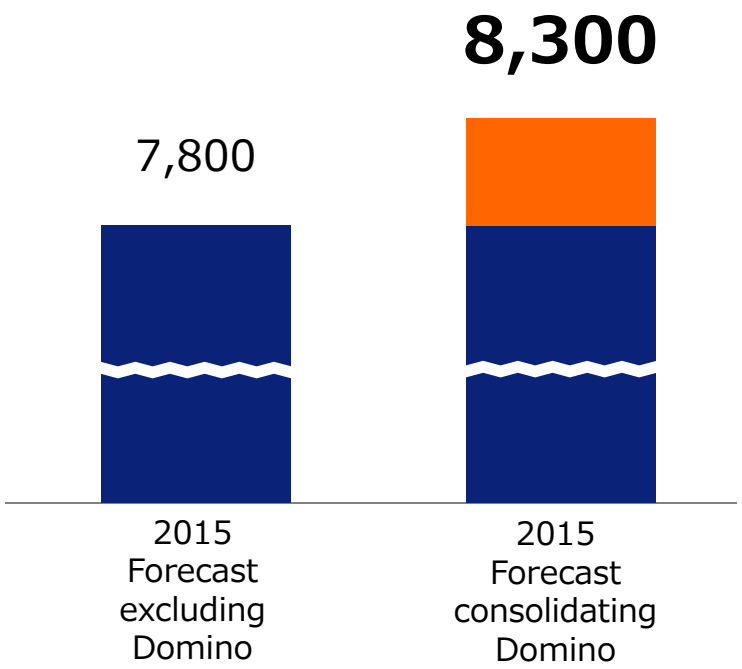
Domino's Contribution to the Group's Financial Performance

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

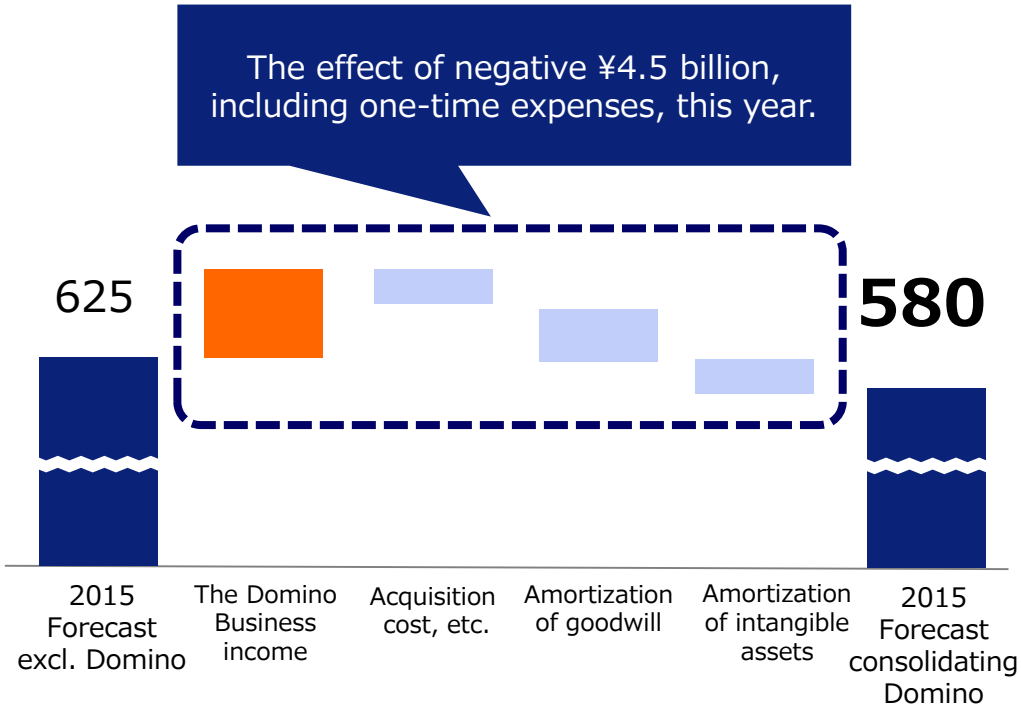
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



*Domino's profit and loss for the 9 months after July 2015 are included.
*Amortizations of goodwill and intangible assets are tentative figures based on the present assumption.

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Domino's Contribution to the Group's Financial Performance

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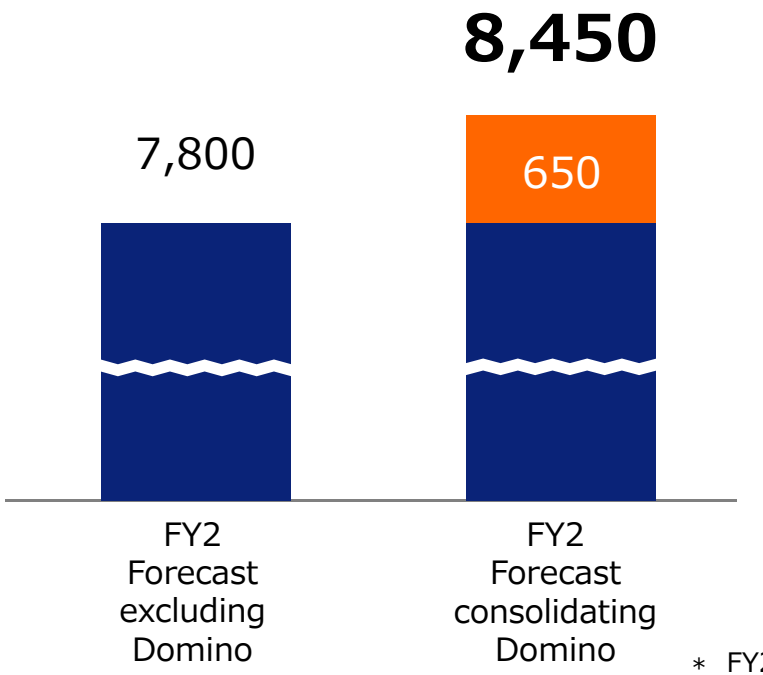
With transition to IFRS, Domino's contribution to the group's financial performance is expected from the second year.

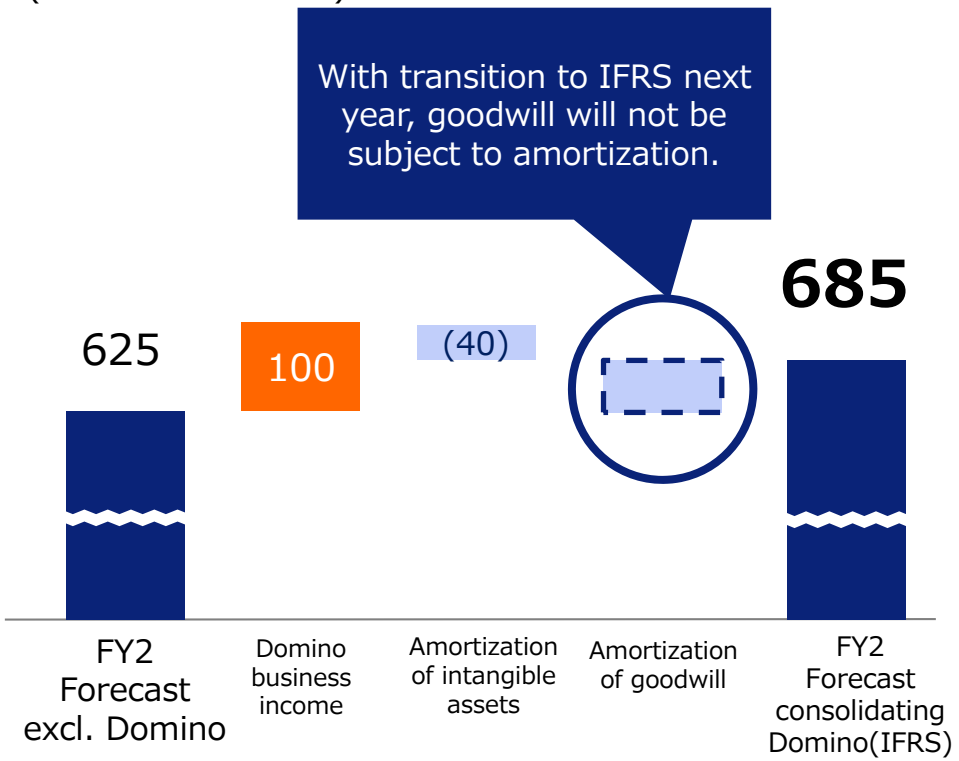
Net Sales

(100 Millions of Yen)



Operating Income

(100 Millions of Yen)



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

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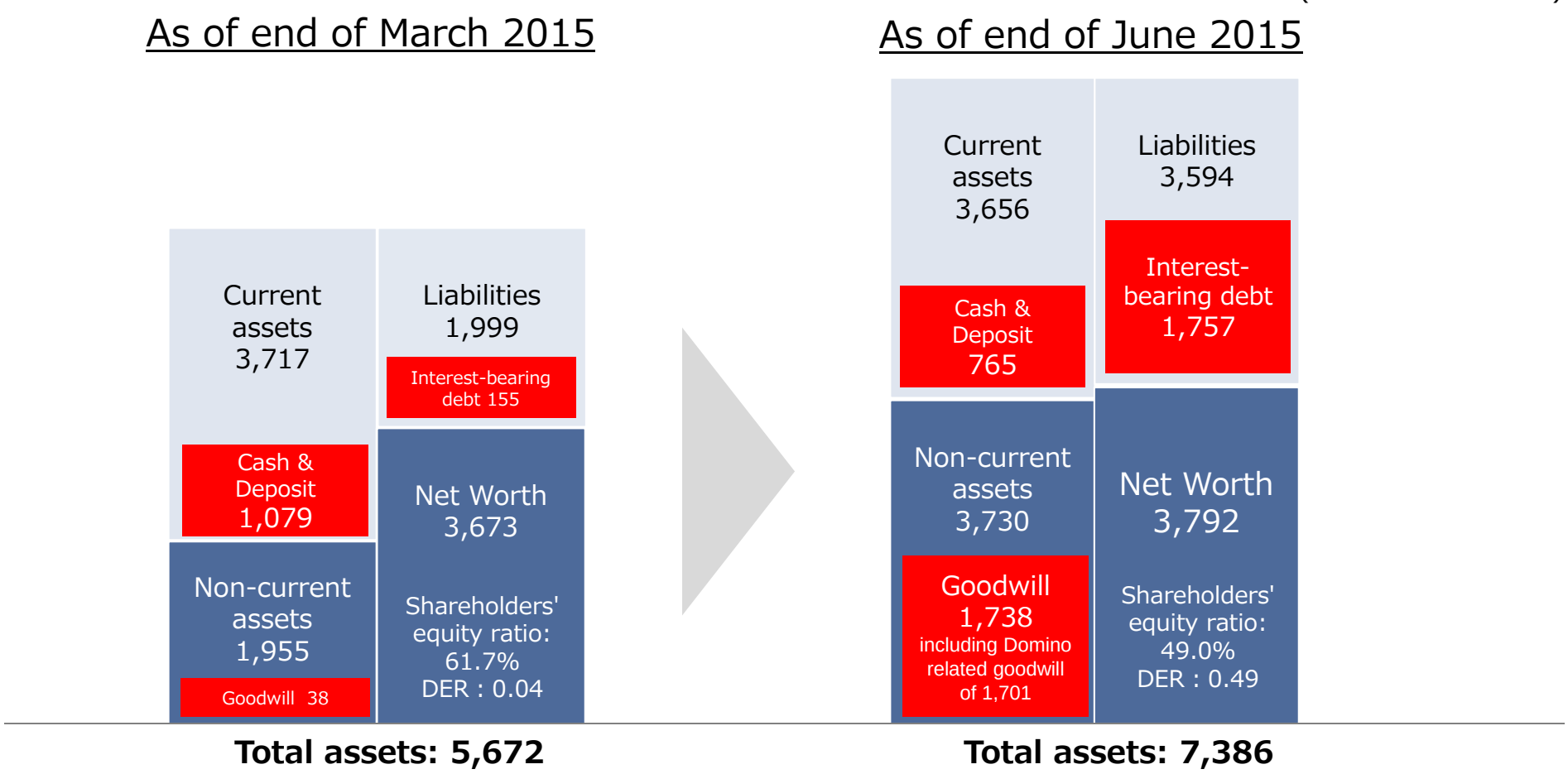
Effects on the Balance Sheet

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

(100 Millions of Yen)



*DER (Debt equity ratio: Interest-bearing debt/shareholders' equity)
*Goodwill balance as of end of June 2015 is an estimated figure calculated before reclassification into intangible assets.

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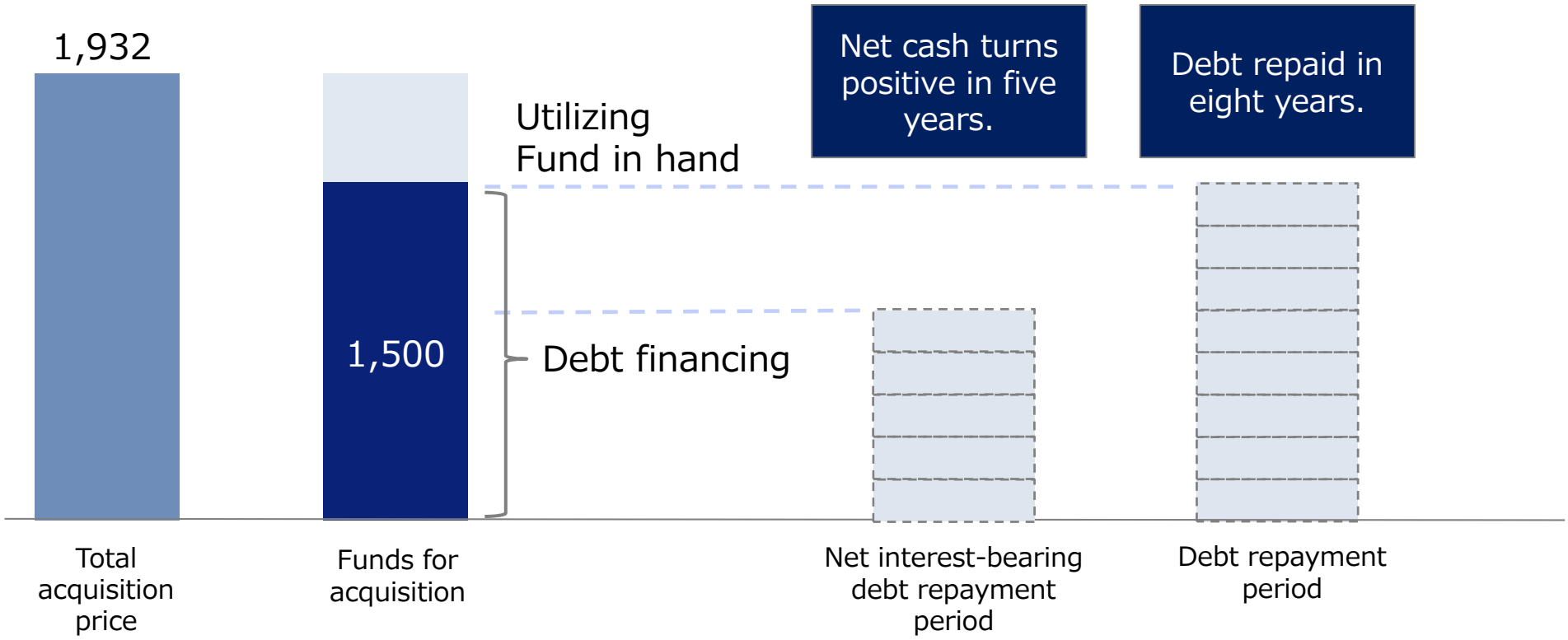
Financial Soundness

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

(100 Millions of Yen)



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The Shared Values

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



The Brother Group Global Charter

At your side/Customer First
Global Management/Business Excellence
Long-term Commitment to Associates/Our people
Manufacturing/Product Portfolio

'Domino Effect' Domino Value

【Code of Practice】
1. **Trust and Respect**
2. **Ethics and Morality**
3. **Challenging Spirit and Speed**



【Team Work】
1. **Listening + Honesty**
2. **Attitude + Commitment**
3. **Energy + Urgency**
4. **Clarity + Focus**

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brother
at your side