March 3, 2025

Company Name: Brother Industries, Ltd.
Representative: Kazufumi Ikeda, Representative Director & President
(Code: 6448;
Prime Market of the Tokyo Stock Exchange and Premier Market of the Nagoya Stock Exchange)
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Notice Regarding the Formulation of New Medium-Term Business Strategy CS B2027

Brother Industries, Ltd. (the “Company”) announced that the Company has formulated the Brother Group’s new medium-term business strategy, CS B2027 for the period from FY2025 to FY2027.

For details on the CS B2027, please refer to the presentation materials below.

CS B2027

The Brother Group Medium-Term Business Strategy

March 3, 2025

Brother Industries, Ltd.

Kazufumi Ikeda

Representative Director & President

CS B2027

The Brother Group
Medium-Term Business Strategy

Creating our Future. Boldly.

We will accelerate business portfolio transformation for the enhancement of our corporate value over the long term, improving profit-generating capabilities.

- Aim to achieve an operating profit of 100 billion yen by clarifying the role of each business and executing strategies based on key indicators.
- We will steadily execute growth investments of approximately 200 billion yen over the next three years, driving growth in the industrial area.
- Strengthen the technological and talent foundations that support transformation.
- Enhance shareholder value by implementing management with a focus on cost of capital and share prices.

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- **Review of CS B2024**
- **Policy of CS B2027**
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  - Financial strategy and Management targets

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What the Brother Group aims to achieve

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Brother Group Vision “At your side 2030”

Toward FY2030, we have defined Our Purpose, Our Approach, and Our Focus Areas, aiming for expansion in the Industrial area and transformation in the Printing area.

At your side 2030

Our Purpose

By being "At your side," we enable people’s productivity and creativity, contribute to society, and help protect the earth.

Our Approach

We identify and eliminate barriers to customers' success by utilizing our unique technologies and global network.

Our Focus Areas

- **Industrial - Become a trusted, invaluable solutions partner.**
- **Printing - Continue leading print innovation and pioneering new offerings.**



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Brother Group Vision “At your side 2030”

Achieve business portfolio transformation and achieve an operating profit of 120 billion yen in FY2030.

FY2030 financial targets

Sales revenue	Over **1 trillion yen**
Top priority indicator **Operating Profit**	**120 billion yen**
ROE	Over **10%**
Industrial area sales revenue ratio	Over **50%**

Assumed exchange rate		
	USD	145 yen
	EUR	155 yen

Business areas

Industrial area	**Machinery**	Industrial Equipment
		Industrial Sewing Machines
	Nissei	
	Industrial Printing	Domino
		Printing & Automation
	P&S (Printing & Solutions)	Commercial & Industrial Labeling
Consumer area		Home & Office Labeling
		Communications & Printing Equipment
	P&H (Personal & Home)	
	N&C (Network & Contents)	
	New businesses	

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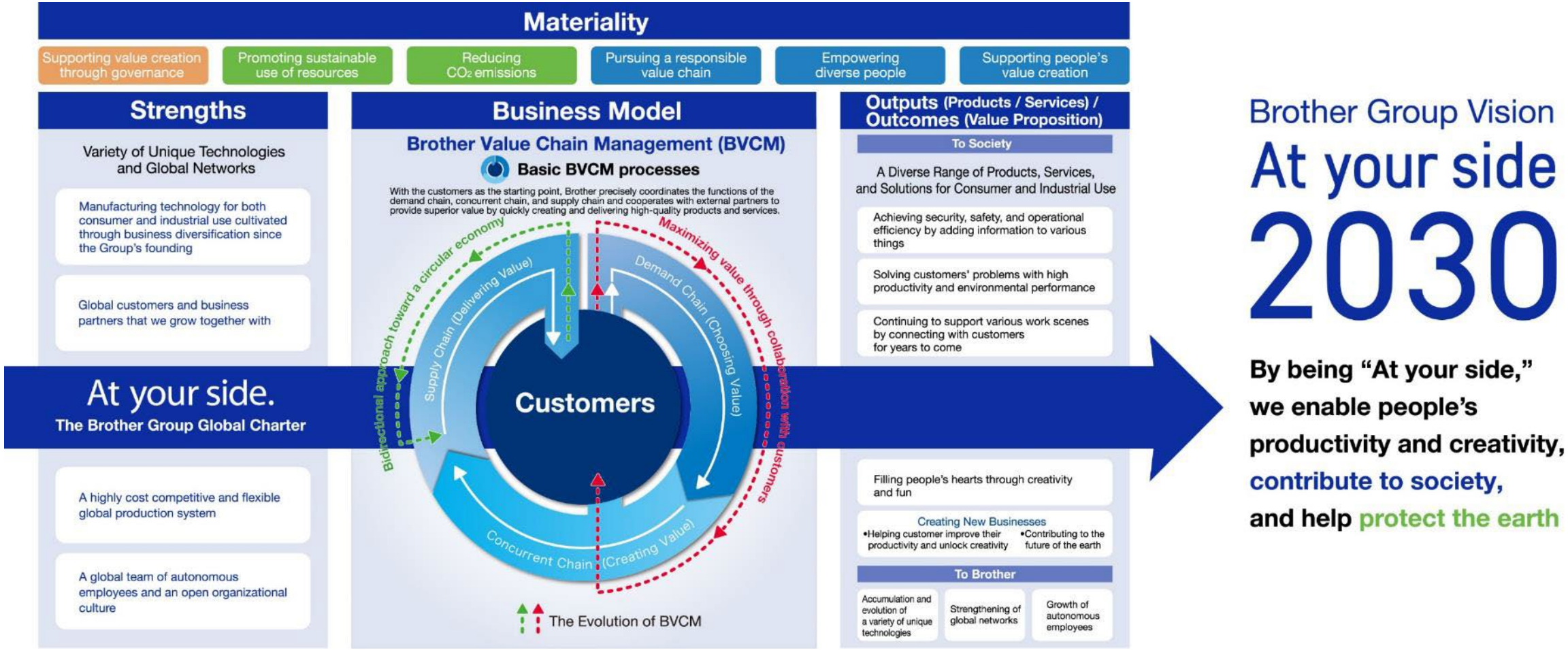
Brother Group's Value Creation Process

Leverage our strengths to create and swiftly deliver superior value with the spirit of "At your side."



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Review of CS B2024

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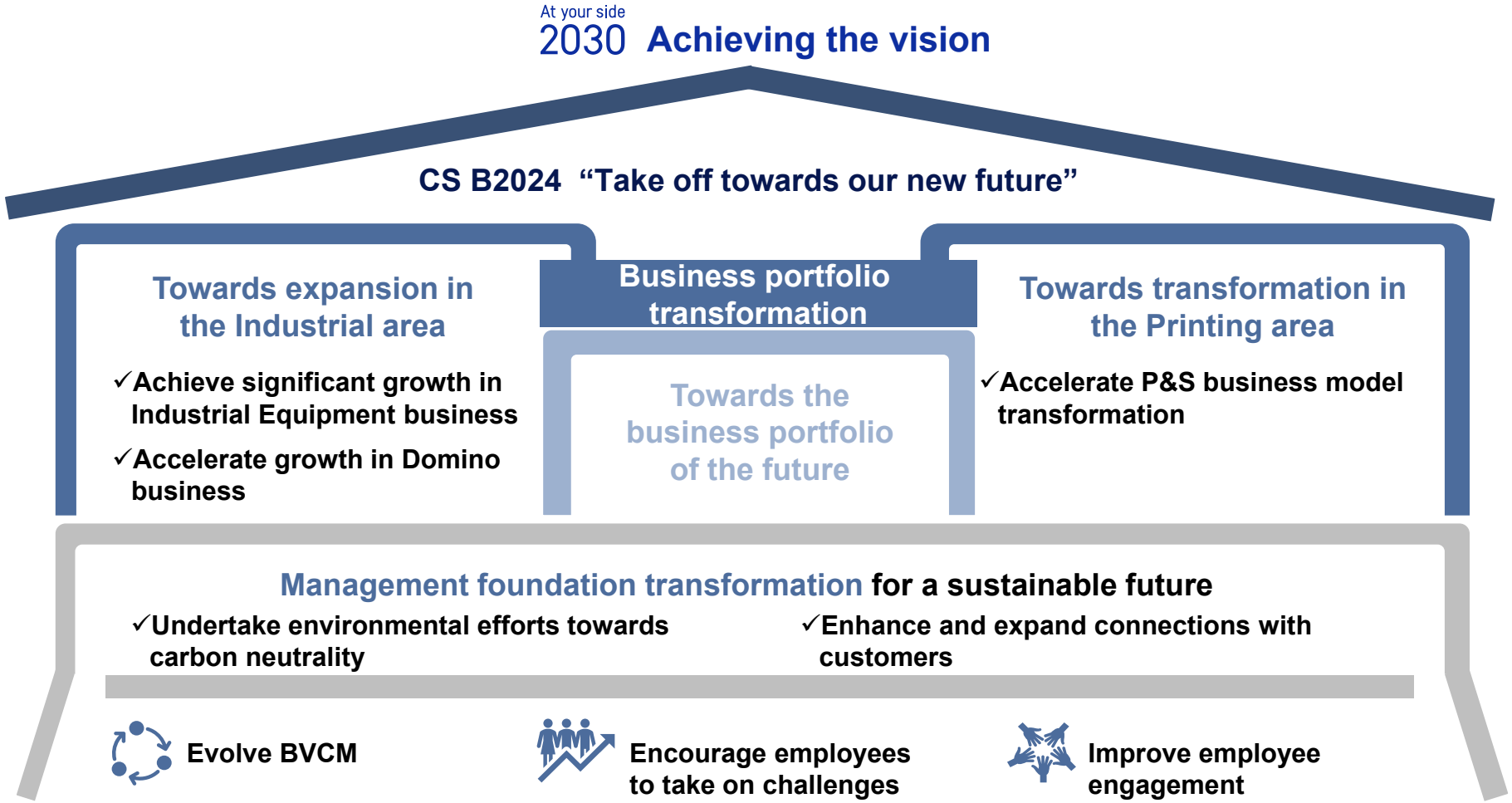
Outline of CS B2024

In the medium-term business strategy CS B2024 (FY2022-FY2024), we have aimed for business portfolio transformation and management foundation transformation, where the latter supports the former.



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CS B2024 Performance targets

Although we are expected to achieve our sales revenue target partly due to the impact of yen depreciation, the slow progress in the expansion in the industrial area remains an issue.

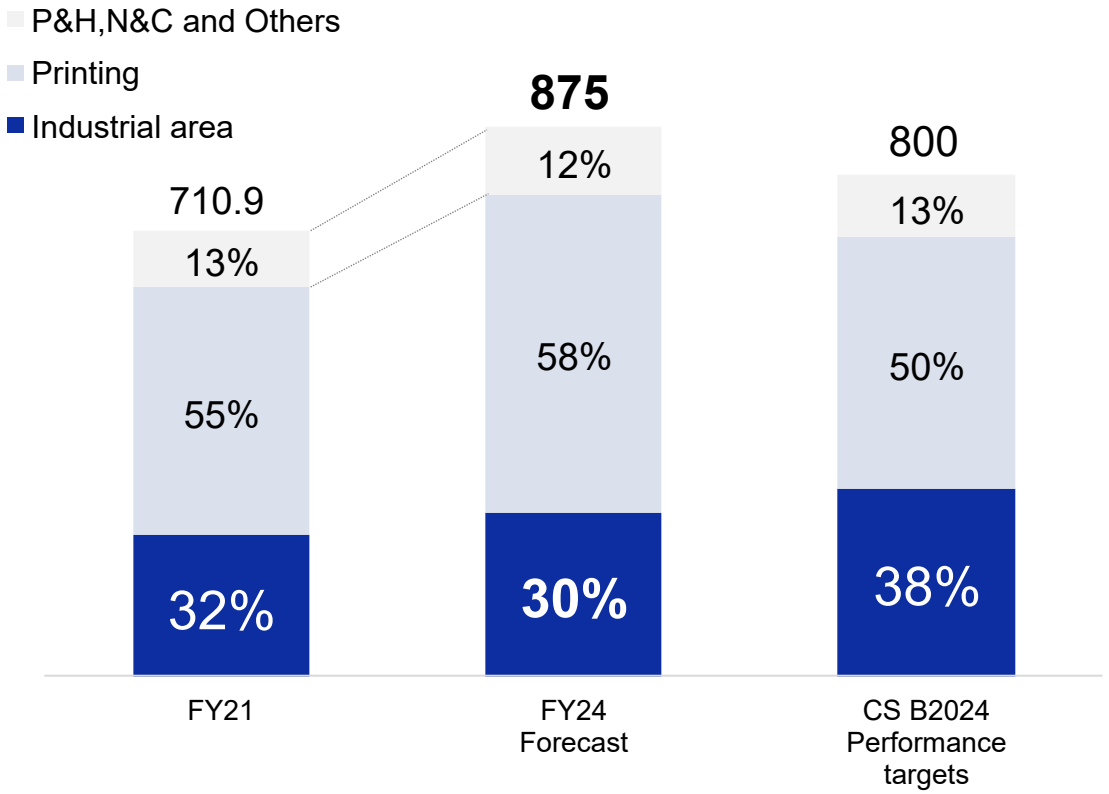
FY2024 forecast and CS B2024 performance targets

	FY2024 forecast	CS B2024 performance targets
Sales revenue	**875** billion yen	800 billion yen (954 billion yen)*1
Operating profit ratio	**8.7**%	Over 10%
ROE	**8.3**%	Over 10% * Above capital cost
Assumed exchange rate	USD=152 yen EUR=163 yen	USD=108 yen EUR=125 yen (USD=145 yen EUR=155 yen) *2

*1: Reference values with exchange rate conversion for CS B2024
*2: Reference exchange rate conversion for CS B2024

Industrial area sales revenue ratio

(Billion yen)



(Reference values with exchange rate conversion are estimates based on the sensitivity of exchange rates to the JPY based on the sales revenue / cost of sales / SG&A denominated in foreign currencies.)

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CS B2024 Achievements and issues for the key themes

	Achievements	Issues
Towards expansion in the industrial area	• Industrial Equipment: Expansion of product lineup, strengthening of manufacturing, sales, and service facilities. • Domino Business: Stable growth in C&M products. • Garment printers: Introduction of new products and services.	• **Strengthening of execution capabilities for initiatives that drive discontinuous growth.** • **Optimal allocation of resources, sharing of technological assets, and acceleration of decision-making to continuously enhance inkjet technology.** • **Strengthening talent acquisition, development, and organizational capabilities.**
Towards transformation in the printing area	• Steady performance in consumables contributing to overall company revenue. • Steady increase in subscribers for businesses with continuous ties to customers. • Sales revenue and operating profit growth in the commercial & industrial labeling business.	• Provision of customer value and revenue contribution in businesses with continuous ties to customers. • Creation of winning strategies for further growth in the commercial & industrial labeling business and expansion into new domains.
Towards the business portfolio of the future	• Use of inkjet technology across businesses and expansion into new products and services. • Expansion of the lineup of spot coolers.	• **Expansion of inkjet technology applications and strengthening of technological capabilities.** • Acceleration of the growth of air conditioning and air purification businesses.
Management foundation transformation for a sustainable future	• Achievement of the FY2024 CO_2 reduction target. • Increase in RBA-certified facilities. • Strengthening of functions and addition of multiple functions at factories. • Formulation of the Human Resource Policy and reform of the human resource system*.	• Acquisition of environmental technologies for long-term CO_2 reduction. • Enhancement of supply chain resilience while maintaining cost competitiveness. • **Strengthening of the talent foundation to achieve business portfolio transformation.**

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Policy of CS B2027

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Outline of CS B2027

Improvement of profit-generating capabilities by accelerating business portfolio transformation

Clarification of the role of each business and investment policies	• Clarify the role of each business and set key indicators. • Focus investments on growth business. • Secure management resources to continue the transformation of the printing business.
Solid execution of growth investments	• Execute growth investments of approx. 200 billion yen. • In particular, actively promote M&As and alliances, strengthening the foundation and organizational capabilities needed to achieve growth in the industrial area.
Enhancement of the management foundation	• Integrate and strengthen inkjet technology and expand its applications to diverse fields. • Strengthen talent in key areas. • Strengthen the foundation that supports the Brother Group's sustainable future.
Financial strategy to support growth and transformation	• Implement management with a focus on capital cost and share prices to enhance TSR and PBR. • Significantly increase shareholder returns, plan to implement 140 billion yen in returns. (including 60 billion yen for the plan to repurchase of our own shares)

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CS B2027 financial targets

Financial targets

	FY2024 forecast	FY2027
Sales revenue	875 billion yen	1 trillion yen
Top priority indicator **Operating profit**	76 billion yen	**100 billion yen**
ROE	8.3%	10%
Industrial area sales revenue ratio	30%	40%
TSR (compared to TOPIX)	-	Over 100% (including dividends)
Assumed exchange rate	**USD** 152 yen	145 yen
	EUR 163 yen	155 yen

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Roles of business units

Clarify the role of each business and optimize the allocation of management resources to improve our profit-generating capabilities

	Businesses	Roles
Growth business	Industrial Equipment Industrial Printing [Domino / Printing & Automation] New businesses	Achieve discontinuous sales revenue growth through growth investments to establish future business pillars.
Core business	P&S (Printing & Solutions): Communications and Printing Equipment / Home & Office Labeling; Commercial & Industrial Labeling	Maximize sales revenue and operating profit while sustaining the company and driving business transformation for future opportunities.
Profit-driven business	P&H(Personal & Home) Nissei	Contribute to overall company profit while maintaining a balance between sales revenue and operating profit.
Profitability transformation business	Industrial Sewing Machines N&C(Network & Contents)	Transform revenue structure to ensure steady profit contribution.

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Business strategy of CS B2027

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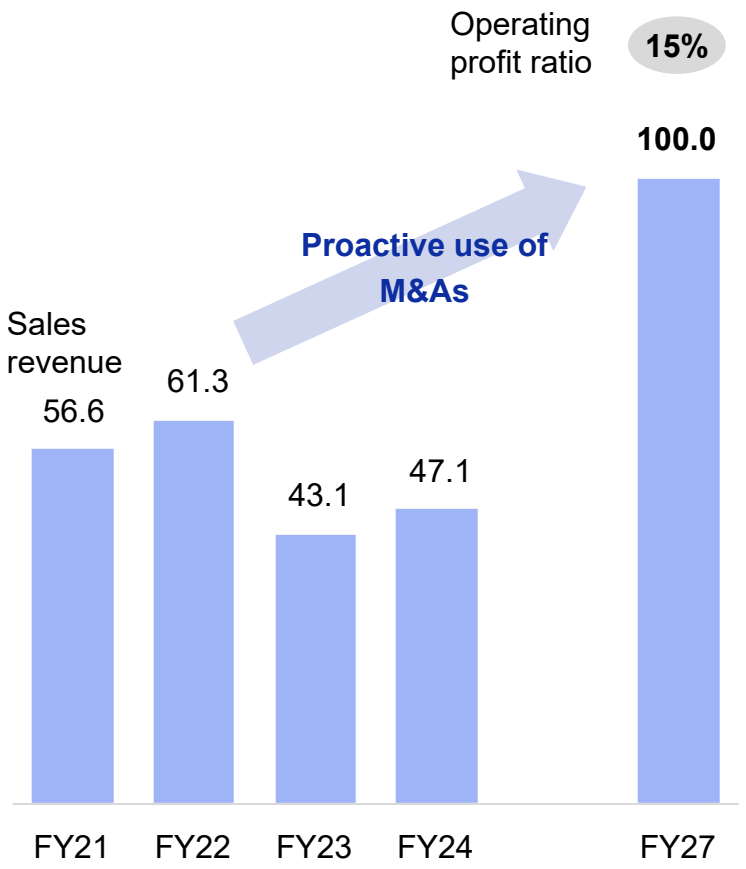
Business strategy: Industrial Equipment

Achieve significant business growth by contributing to enhancing customers' manufacturing competitiveness through improving the high productivity and environmental performance of the SPEEDIO machine tool series, which is a growth business with a strength in machine/controller integrated development.

Performance trends

(Billion yen)



Direction and targets of CS B2027

Role of the business: **Growth business**

Key indicators	FY2024 forecast	FY2027 target
Sales revenue	**47.1** billion yen	**100.0** billion yen

Business Environment

External factors

- There is room for market share expansion in Europe, Southeast Asia, and India.
- Competition is intensifying due to competitors' price offensives and product functionality improvements.

Internal factors

- The launch of new products such as horizontal machining center (MC) and 5-axis MC is expanding the reach market.
- The sales revenue target for CS B2024 was not achieved due to the delayed recovery of the Chinese market.

Key initiatives

Strengthen value proposition to customers

- Pursue Brother's unique high productivity and environmental performance.
- Expand our product lineup to offer new value to customers.
- Enhance our ability to propose solutions that meet customer needs.
- Reinforce human resources and the sales facility network in key regions (Japan, China, India, Europe and Southeast Asia).

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Business strategy: Industrial Equipment

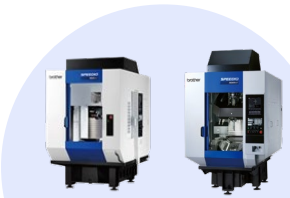
Aim for significant business growth by strengthening our value proposition to customers through proactive use of M&As and partnerships.

Further improvement of Brother's strengths

Offer a unique lineup of BT30 MC with features competitors cannot match, supporting **large workpieces, complex shape machining, multi-tasking functions, and automation.**

Eliminate various waste and deliver **high productivity and environmental performance** through optimal control enabled by **machine/controller integrated development** and compact design.

Strengthen the factory(China & India) functions of local production for local consumption to **meet customers' demands for short lead times** and **secure sufficient production capacity** to support growth.



Brother's unique product lineup



High productivity and environmental performance



Global production system

Automation and labor-saving solutions

Diverse solution-oriented talent

Creation of customer touchpoints

Toward achieving
100 billion yen
in sales revenue in FY2027

Points to further strengthen by actively utilizing external resources

Strengthen the ability to **propose solutions for automation and labor-saving needs** that make use of processing technology, as well as the expansion of high-value-added models and peripheral equipment combinations, and **promote product and solution sales.**

Accelerate the recruitment and development of talent, focusing on application engineers to enhance the **ability to support increasingly diverse processing needs and propose complex shape machining** using CAD/CAM.

Expand digital marketing efforts and **enhance facilities in key regions** to strengthen customer outreach.

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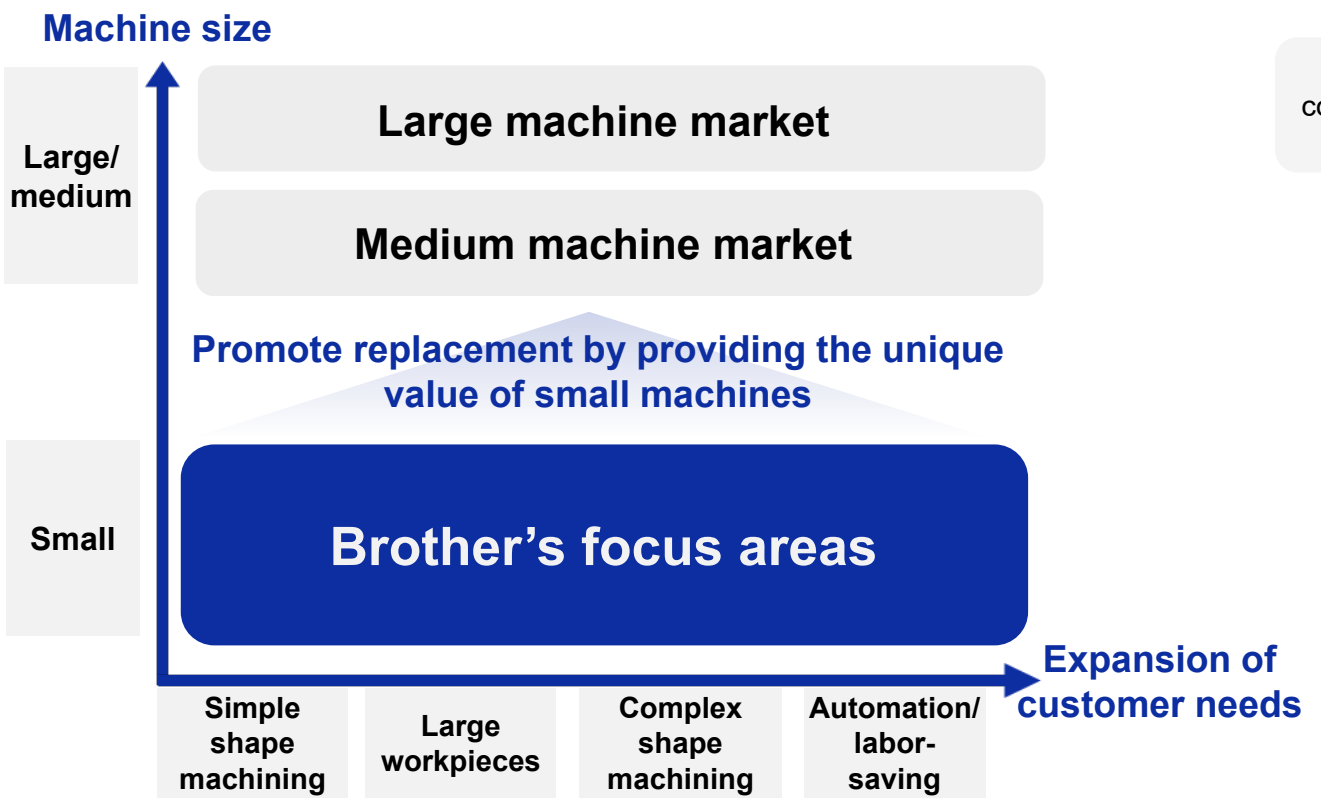
Business strategy: Industrial Equipment

Address customers' unmet needs with the unique value offered with SPEEDIO, contributing to strengthening their manufacturing competitiveness

Concept of Brother's focus areas



Value provided with SPEEDIO

Customer needs and barriers

- Reduction of energy costs and improvement of space efficiency
- Diversification and increasing complexity of workpieces
- Labor shortages due to working population decline

A broad lineup and solution proposal capabilities that enable Brother's unique value proposition

- Energy-saving, space-saving, and high productivity
- Process consolidation
- Adaptation to variable product types and quantities







Contribute to strengthening customers' manufacturing competitiveness

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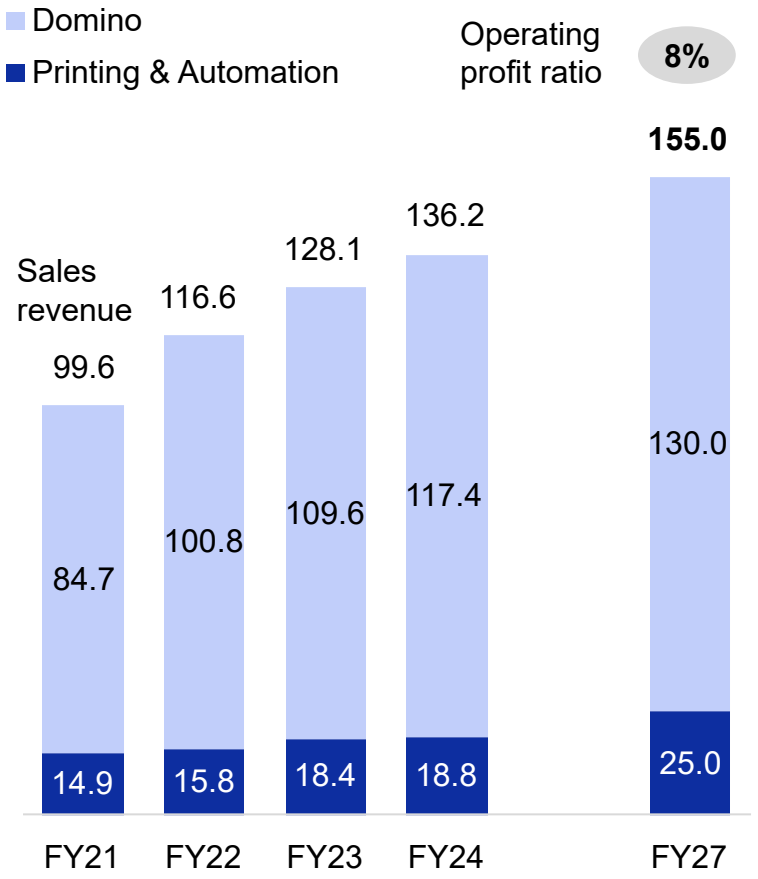
Business strategy: Industrial Printing

Become the growth engine of the Brother Group while contributing to a sustainable society by utilizing digital printing technology to eliminate barriers for manufacturers worldwide and create a future of mutual growth.

Performance trends

(Billion yen)



Direction and targets of CS B2027

Role of the business: **Growth business**

Key indicators	FY2024 forecast	FY2027 target
Sales revenue	**136.2** billion yen	**155.0** billion yen

Business Environment

External factors

- The shift from analog printing to digital printing continues, driving market growth.
- Competition is intensifying due to the rise of manufacturers from emerging countries.

Internal factors

- Our core products maintain a high market share and demonstrate a certain level of competitiveness.
- The growth of digital printing and wide-format printing has fallen below expectations.

Key initiatives

Expand product and business areas	• Accelerate growth and increase market share by strengthening development capabilities to speed up new product launches. • Accelerate strategies specific to regions or segments, using optimal approaches for customers to capture each market and expand our reach.
Strengthen service and solution businesses	• Enhance lifecycle value by ensuring stable operation and improved efficiency of customers' production lines. • Strengthen proposal-based solution business.
Strengthen the business foundation	• Optimize global development and manufacturing functions and collaborate with company-wide functions to strengthen a foundation for competitiveness and sustainable growth. • Pursue proactive investments through M&As and alliances.

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Business strategy: Industrial Printing

In the highly segmented industrial printing market, strengthen further our competitiveness in areas where Brother and Domino excel. At the same time, to serve as a long-term growth engine, accelerate product development and enhance our service and solution business.

Domino

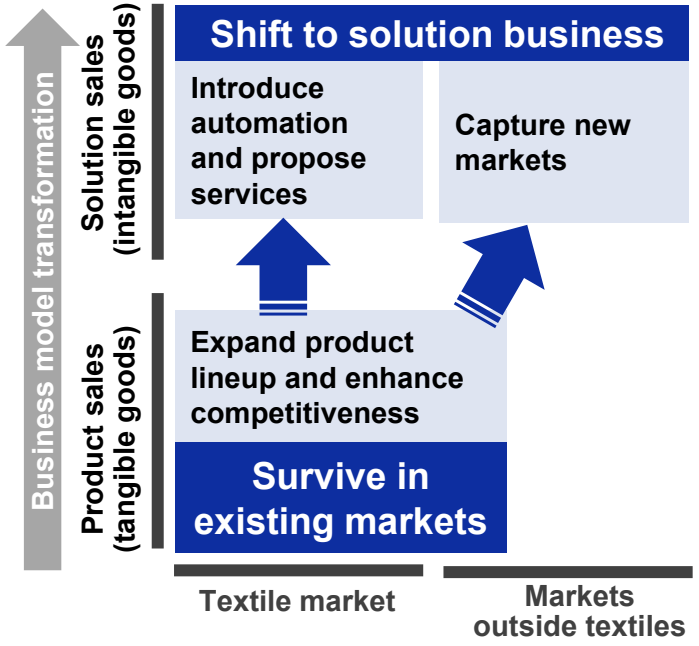
Support customer success as the preferred multi-technology and comprehensive service partner.

Printers and consumables
- Provide the optimal printing technology (with a broad product lineup) tailored to customer needs.

Automation and integration / services
- Maximize customer productivity and lifecycle value through products, automation, integrated systems, data utilization, and services.

Sales revenue growth and profitability improvement
- Accelerate strategies specific to regions or segments.
- Optimize global company-wide functions and facilities.

Printing & Automation



Product enhancement
Strengthen product competitiveness in the textile market and expand product lineup with a focus on adjacent areas.

Automation
Maximize customer success by strengthening automation and proposal-based solution businesses.

New markets
Launch Brother's unique products to the market, and create new markets through POD business along with solution proposals.

Simultaneously achieve sales revenue growth and profitability improvement

Strengthen talents and structure to support strategy execution	Maximize the use of Inkjet Technology	Enter new markets and acquire organizational capabilities through M&As and alliances	Enhance development speed and efficiency through module-based development

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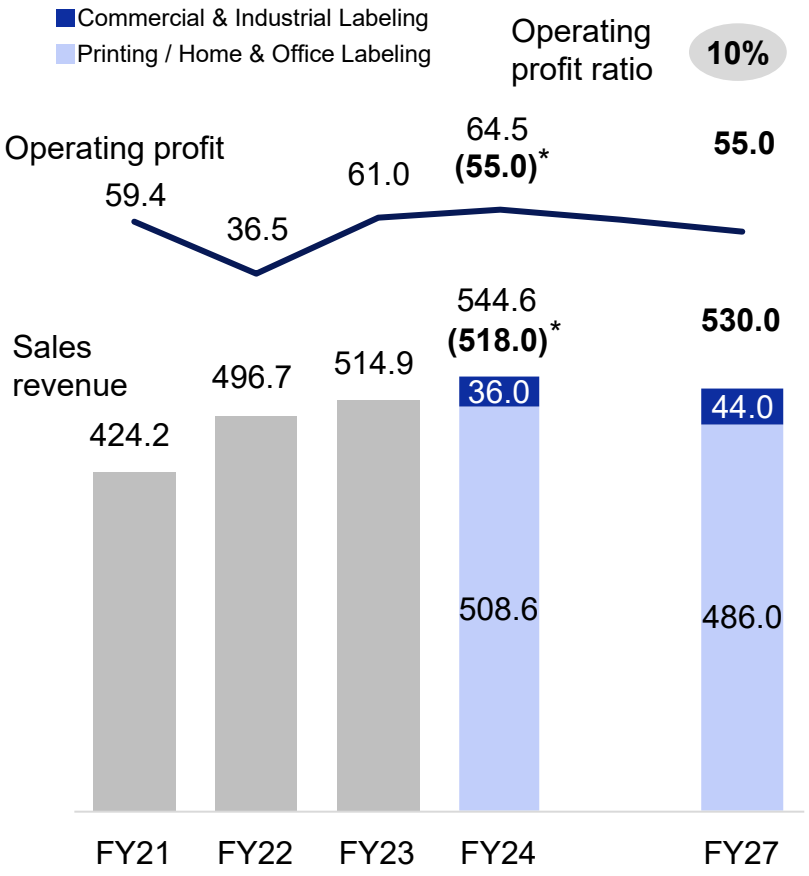
Business strategy: P&S (Printing & Solutions)

Accelerate business transformation by reforming the business model through the expansion of businesses with continuous ties to customers and the Commercial & Industrial Labeling business, while continuing to support the entire company by contributing to the generation of sales revenue and operating profits as a core business.

Performance trends

(Billion yen)



Direction and targets of CS B2027

Role of the business: **Core business**

Key indicators	FY2024 forecast	FY2027 target
Operating profit	**64.5** billion yen (**55.0** billion yen)*	**55.0** billion yen

Business Environment

External factors

- Despite the continued decline in paper documents, market trends favor our mainstay A4 products.
- The target market for the Commercial & Industrial Labeling business continues to show steady growth.

Internal factors

- The profitability expected under CS B2024 was achieved and maintained.
- However, the scale of revenue from businesses with continuous ties to customers and the growth of the Commercial & Industrial Labeling business fell short of expectations.

Key initiatives

Expand businesses with continuous ties to customers	• Enhance the stress-free printing experience by expanding various services with continuous ties to customers to increase LTV.
Expand the Commercial & Industrial Labeling business	• Solve customer issues in each industry and application by providing easy-to-introduce labeling solutions.
Strengthen profitability in existing areas	• Expand sales of business inkjet printers with significant market share growth potential • Continuously strengthen cost competitiveness in both manufacturing costs and SG&A.

* Reference values with exchange rate conversion for CS B2027 (Reference values with exchange rate conversion are estimates based on the sensitivity of exchange rates to the JPY based on the sales revenue / cost of sales / SG&A denominated in foreign currencies.)

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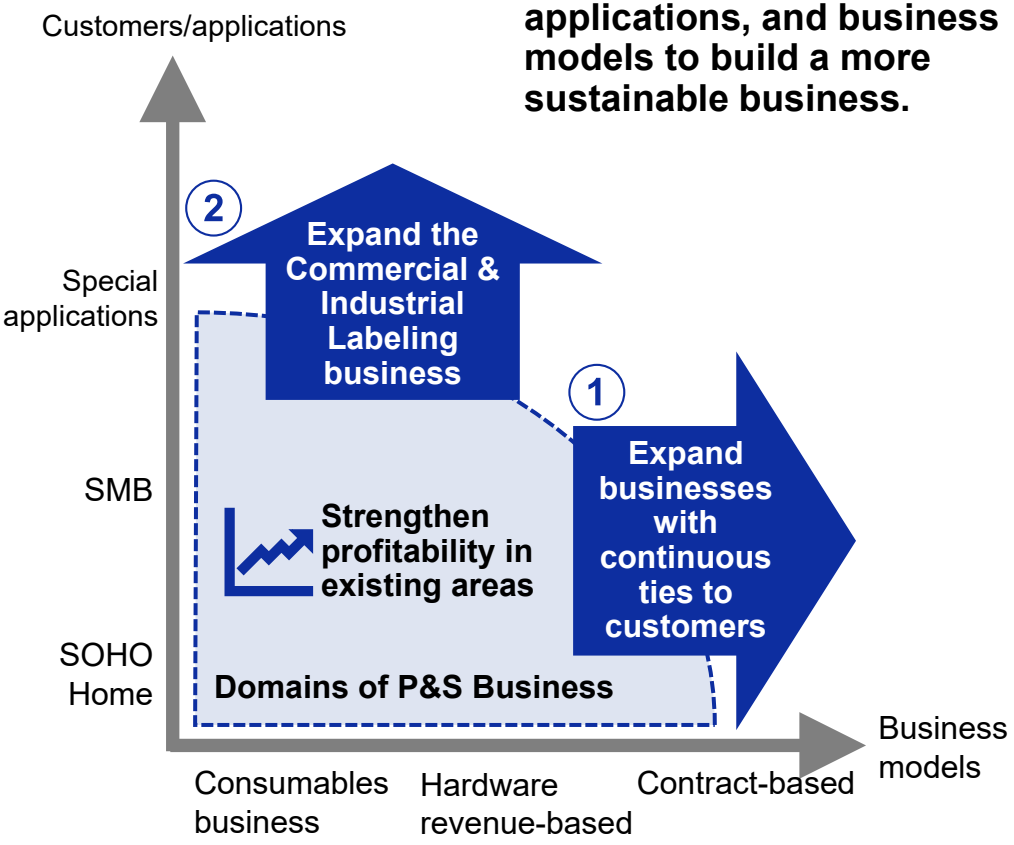
Business strategy: P&S (Printing & Solutions)

Accelerate business transformation by expanding businesses with continuous ties to customers which maximize LTV based on direct communication with customers, and by growing the Commercial & Industrial Labeling business which offers easy-to-introduce solutions for specific applications.

Concept of P&S Business transformation

Diversify target customers, applications, and business models to build a more sustainable business.



① Expand businesses with continuous ties to customers

Provide services with continuous ties to customers which benefit both customers and Brother, maximizing LTV.

State of **direct communication with customers**

↓

Continuous provision of **superior customer experience and value**

Benefits for customers
- Reduction of TCO
- Stress-free printing experience.

Benefits for Brother
- Increase in genuine consumable ratio.
- Enhancement of understanding about customers through data analysis.

Benefits for both parties
- Promotion of collection and recycling of used products.

② Growth of the Commercial & Industrial Labeling business

Provide label solutions tailored to specific applications.

Combination of a various labeling **devices, consumables, and services**

↓

Provision of **easy-to-introduce** solutions

Concept of sales revenue growth



Examples of focused applications



Network equipment / cable labels & power/ telecommunications industries



Food ingredient management labels & retail/manufacturing industries

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Business strategy: Profit-driven business / Profitability transformation business

Maximize operating profit ratio based on the role of each business.

Profit-driven business

P&H (Personal & Home)

	FY2024 forecast	FY2027 target
Operating profit ratio	**10%**	**10%**

Key initiatives

- Strengthen collaboration with dealers to expand sales of mid- to high-end machines.
- Maximize customer LTV through value provision via the Artspira creative support app.
- Reducing fixed costs by reviewing product development approaches.

Nissei

	FY2024 forecast	FY2027 target
Operating profit ratio	**1%**	**10%**

Key initiatives

- Reducers: Enhance existing product functions and expand sales in markets outside Japan.
- Gears: Expand sales by acquiring new customers.
- Streamline manufacturing functions and save labor.

Profitability transformation business

Industrial Sewing Machines

	FY2024 forecast	FY2027 target
Operating profit ratio	**2%**	**7%**

Key initiatives

- Expand business with non-apparel area by enhancing product capabilities.
- Optimize product lineup to maintain presence in the apparel area.

N&C (Network & Contents)

	FY2024 forecast	FY2027 target
Operating profit ratio	**5%**	**10%**

Key initiatives

- Integrate all functions into XING to promote comprehensive business management and improve business operations efficiency.
- Strengthen profitability in the karaoke systems business by increasing the ratio of high-end models.

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Development of new businesses

Create business themes related to materiality resolution and foster them as new businesses.

Air conditioning and air purification

- Strengthen the product lineup of spot coolers using the proprietary cooling technology "TwinAqua," which achieves exhaust heat-free and fluorocarbon-free operation.
- Leverage strengths such as low power consumption and develop this area into the next pillar of our business while utilizing strategic investments.



Pure Drive

Fuel cells

- Provide emergency power supplies using fuel cell systems to support business continuity for our customers.
- Help create a carbon-neutral society by providing hydrogen supply systems and green hydrogen.
- Strengthen research and development for future business growth.



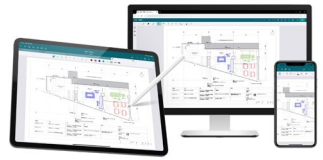
ACUPS Series

PureEne

BuddyBoard

- Provide a real-time shareable handwritten note app, focusing on the construction industry, to support operational DX.
- Promote the establishment of our SaaS business foundation through business development.

BuddyBoard



Open innovation and industry-academia collaboration

- Strengthen open innovation and industry-academia collaboration to accelerate technology development and new business creation.

Brother Open Innovation Bridge



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Strategic investments (M&A) policy

Direction of CS B2027

Strengthen the foundation and organizational capabilities necessary to achieve growth in the industrial area through proactive M&As and alliances.

Target areas

Machinery and FA	Industrial Printing	Commercial & Industrial Labeling	New businesses

Priority investments targets

Solution provision capabilities in the industrial area.

Organizational capabilities to accelerate the shift from product sales to **product and solution sales.**

Foundations to grow new businesses into **new business pillars.**

Toward strengthening strategic investments

- **Secure funds for M&As and alliances from the 200 billion yen of growth investments budget.**
- **Significantly strengthen organizational capabilities and structures to drive M&As.**
- **Strike a balance between agile investments execution and governance.**
- **Active involvement and support of headquarters in PMI.**

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Management foundation strategy of CS B2027

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Integrate and strengthen inkjet technology and expand its applications to diverse fields

Aim to diversify applications and expand the scope of applications in the industrial area by integrating the technology development functions in the technology foundation of development, production technology, and manufacturing related to inkjet and by strengthening device development and gaining further competitiveness.

Strengthen inkjet devices

Integration of inkjet technology development functions

- **Development and design**
- **Production technology**

+

- **Manufacturing**

Print heads
Key devices with overwhelming features made possible by Brother's unique technology.

Ink
Wide range of variations that respond to changes in the world.

Stable production capacity
Resilient to change and offering cost and quality competitiveness through **automation** and **BCP support.**

Diversify applications and expand the scope of applications in the industrial area

Provide new value and solve customer issues

Actively leverage global sales capabilities

- **Cross-sell beyond business boundaries, focusing on inkjet-related products.**
- **Offer products, services, and solutions.**

Expand the scope of applications in the industrial area

Diversify applications

Strengthen/grow existing areas


Commercial/large format printers


Digital printing equipment


Cloth/dye sublimation printers


Printer/All-in-One


Coding & marking

Devices competitive and attractive to customers

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Strengthen talent in key areas

Accelerate business portfolio transformation by strengthening the talent portfolio in key areas, and strengthen the talent base by actively investing in the development of leadership talent and measures to enable all employees to play an active role.

Environmental awareness

External environment	• Increasing and accelerating changes in the business environment (VUCA) . • Rising personnel and talent acquisition costs.
Brother Group's strengths	• DNA of valuing people since the company was founded and an egalitarian, open organizational culture. • High degree of autonomy at each Group site.
Review of CS B2024	• Shortage of talent needed to accelerate growth in the industrial area and the transformation of the printing business. • Revamped the personnel system at Brother Industries, the Group Headquarters, to promote employee autonomy and encourage them to take on challenges.

Key initiatives

Strengthen the talent portfolio in key areas	• Visualize gap between ideal form and current situation. • Significantly increase number of hires.*1 • Increase number of hires by approx. 40%, centered on software, inkjet technology, and production technology/technology sales. • Extend the retirement age to 65*2 to further promote the active participation of senior employees. • Flexibly allocate talent and utilize external talent
Actively invest in talent development	• Actively promote investment in the development of leadership talent. • Strengthen reskilling and recurrent education measures. • Support talent development at Group sites to realize Global Team Brother.
Ongoing initiatives for diversity and engagement	• Promote various activities that utilize the autonomy of each Group site. • Foster an organizational culture that encourages taking on challenges.

*1 Compared to the total for the period of the CS B2024 at Brother Industries *2 The human resource system at Brother Industries

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Strengthen quality and manufacturing capabilities and improve company-wide business process efficiency

Promote company-wide procurement management and quality assurance, as well as improve business process efficiency to strengthen the management foundation.

	Direction of CS B2027	Key initiatives
Strengthen company-wide procurement functions (establishment of Centralized Procurement Dept.)	• Formulate and implement a procurement strategy optimized across all businesses, including the industrial area. • Establish Centralized Procurement Dept. to centrally manage procurement operations and carry them out efficiently in collaboration with related departments.	• Supervise procurement for all businesses from the upstream process and achieve cost reductions through centralized purchasing. • Improve stable procurement capabilities through the visualization of risk components in all businesses and the establishment of BCPs. • Strengthen supplier governance through the centralization of management, human rights, and environmental information.
Strengthen quality assurance capabilities	• Strengthen quality assurance capabilities across all company and business operations, particularly for industrial products.	• Thoroughly ensure compliance with standards and the prevention of quality irregularities. • Strengthen product safety governance to prevent serious accidents. • Establish and implement a process for strengthening quality control at the initial stage of production for industrial products.
Promote company-wide business process efficiency	• Promote streamlining and standardization of business processes using AI technology. • Maximize operational efficiency and productivity to improve organizational performance.	• Reduce unnecessary work and improve operational efficiency by introducing automation tools that use AI and reviewing operational flows. • Develop talent with leadership to drive transformation by utilizing digital technology.

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Commitment to the environment

Actively pursue CO_2 emissions reduction and the sustainable use of resources as environmental materialities.

Environmental targets

	Reducing CO_2 emissions		Promoting sustainable use of resources
	Scope 1, 2	Scope 3	
CS B2027	**56**%reduction (compared to the FY2015 level)	CO2 emissions per unit of sales **25.2**% reduction (compared to the FY2022 level)	Reduction of virgin material usage per unit of sales **16.9**% reduction (compared to the FY2022 level)

Creating environmentally friendly technology

Developed cushioning materials using pulp molds instead of Styrofoam.



Expanding the installation of solar panels

Installed solar panels on the roof.
Brother Industries (Philippines)



Key initiatives

Product initiatives

- **Aim for sustainable business growth by reducing CO_2 emissions and virgin material usage per unit of sales revenue.**
  - Enhance energy conservation performance and downsize products.
  - Increase the use of recycled materials and expand product reuse.
  - Collaborate on CO_2 emission reductions within the supply chain.

Business site initiatives

- **Promote continuous energy conservation and introduction of renewable energy.**
  - Install high-efficiency equipment and improve facility operations.
  - Introduce solar power generation equipment .
  - Procure renewable energy.

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Financial strategy and management targets of CS B2027

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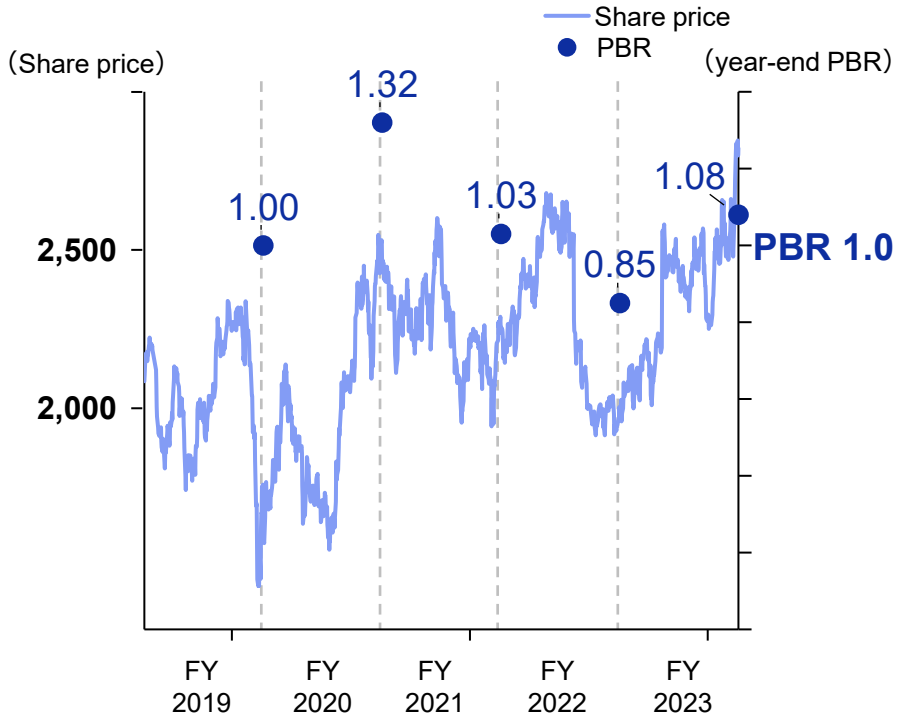
Financial strategy: Capital cost and share price (current situation and awareness of issues)

We have not been able to secure sufficient equity spread, and there are also delays in the progress of our growth strategy; the share price is underperforming TOPIX, and the current PBR is hovering around 1x .

Item	Current situation
Capital cost	Cost of equity: 8-10%
Capital profitability	ROE 5-year average (FY2019 to FY2023): 8.1% Forecast for FY2024: 8.3%
Market valuation	PBR 5-year average (FY2019 to FY2023): 1.05x TSR Past 5 years (FY2019 to FY2023) Including dividends: 154.2% (TOPIX is 196.2%)
investment progress	Total investment amount for the CS B2024 period (FY2022 to FY2024) is 145 billion yen (planned) Normal investments and prior investments for the future are progressing almost as planned. (Excluding strategic investments (M&A) and reconstruction costs for the new company building)

Trends in **share price** and **year-end PBR**
(FY2019 to FY2023)



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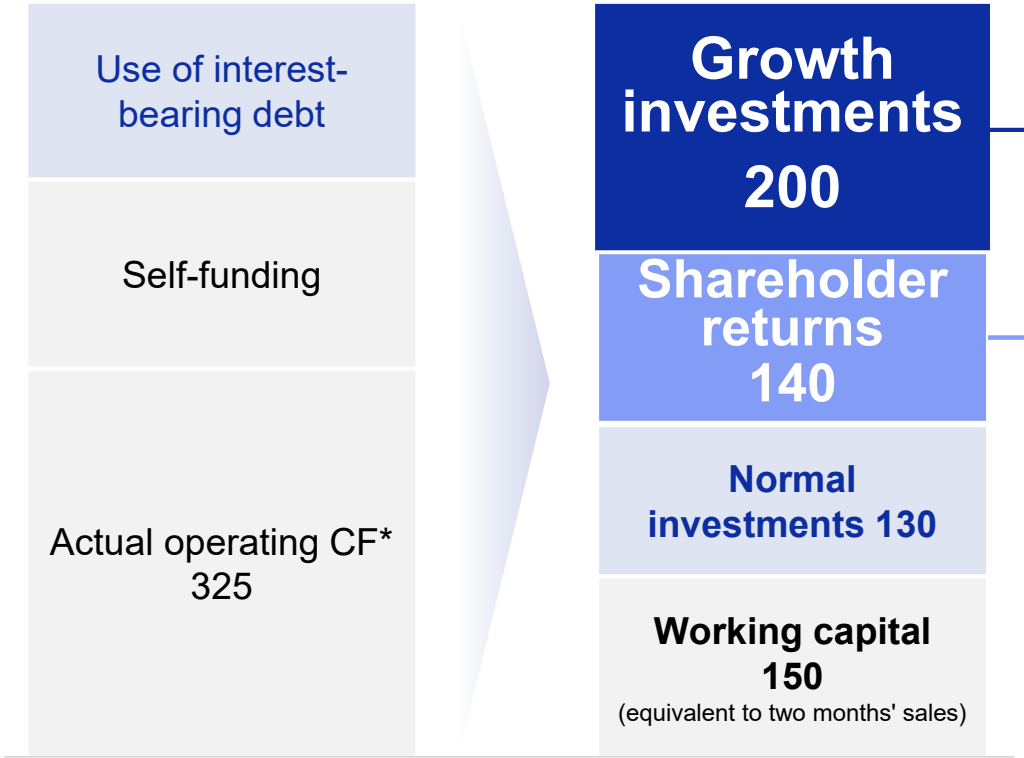
Financial strategy: Cash allocation

Use operating cash flow generated by business growth as well as interest-bearing debt to implement growth investments (200 billion yen), including M&A and alliances, and strengthen shareholder returns.

Cash allocation (total for FY2025 to FY2027) (Billion yen)



*Actual operating CF = Operating CF - lease obligation payments

Breakdown of growth investments and shareholder returns

Implement 200 billion yen in Growth investments

Strategic investments (M&A)
- Active M&A, alliances

Foundation investments
- Strengthen inkjet development and manufacturing technology (Hoshizaki Factory)
- Reinforce sales and service facilities of Industrial area
- Strengthen the foundations of businesses with continuous ties to customers
- Strengthen and refine BCP and supply chains
- Strengthen organizational capabilities (use AI technology, strengthen talent base)
- Construct a new company building

Strengthen shareholder returns

80 Dividend (planned)

60 Repurchase of our own shares (planned)

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Financial strategy: Shareholder returns

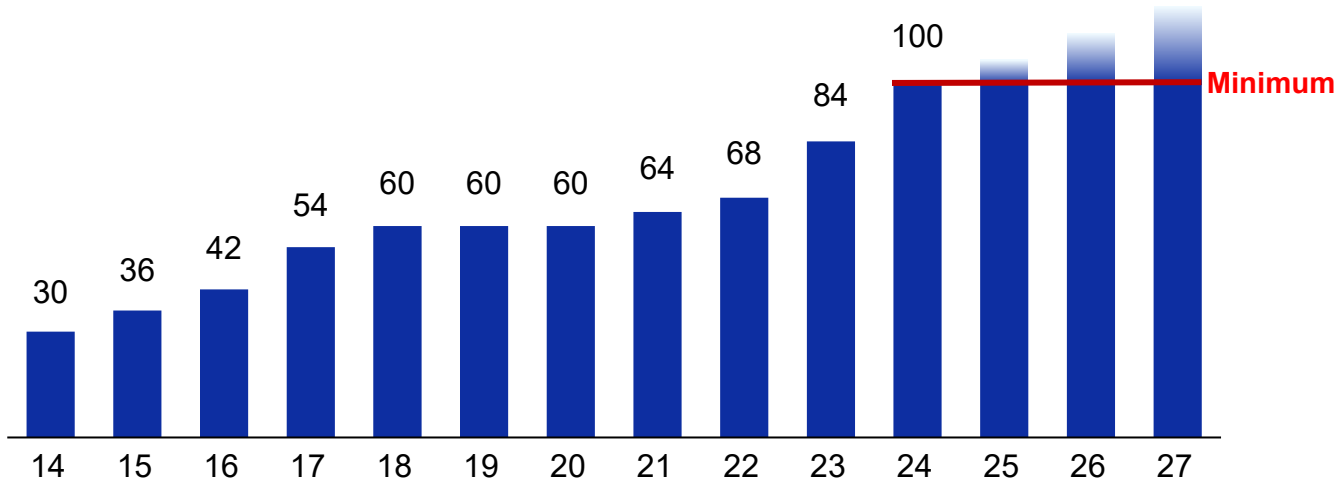
Implement stable shareholder returns with a minimum annual dividend of 100 yen per share (target payout ratio of 40%) during period of CS B2027 and to repurchase a total of 60 billion yen our own shares.

Trends in shareholder returns

Dividends have been either increased or maintained for the past 10+ years.

Annual dividend per share (yen)

Returning profits to shareholders with a target consolidated payout ratio of 40%



Repurchase of our own shares

10 billion yen

10 billion yen

60 billion yen(plan) (3-year total)

Shareholder return policy

Basic policy

Implement stable and continuous shareholder returns.

Dividend

- Minimum annual dividend of **100 yen** per share.
- Target **dividend payout ratio of 40%.**

Repurchase of our own shares

- Plan to repurchase **a total of 60 billion yen (3-year total)** of our own shares during the CS B2027 period.

Additional shareholder returns

- **Consider additional shareholder returns depending on factors such as business performance.**
  (increase in dividend level and flexible repurchase of our own shares additionally.)

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Financial strategy: Towards enhancing shareholder value

Aim to enhance shareholder value by implementing management with a focus on cost of capital and share prices.

Enhancement of shareholder value

Improve TSR
Improve PBR

Improve ROE and expand equity spread

- ROE **10%**
- Cost of equity **8-10%**

Strengthen shareholder returns: 140 billion yen

- Dividend: **80 billion yen.**
  - Minimum annual dividend of **100 yen** per share.
  - Target consolidated dividend payout ratio of **40%.**
- Plan to repurchase a total of **60 billion yen** of our own shares.
- Additional returns depending on factors such as business performance.

Promote management with an emphasis on sustainability

- Resolve the materiality.

Profit growth

- Accelerate business portfolio transformation.
- Set KPIs for each business.
- Improve profitability across the company (improve earning power).

Asset efficiency improvement

- Undertake business management with B/S in mind through ROIC monitoring by business.

Capital cost optimization

- Reduce cost of equity.
- Reduce WACC through use of interest-bearing debt.
- Control shareholders' equity.

Achievement of sustainability targets

Growth investments 200 billion yen

Normal investments 130 billion yen

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Management targets

Financial targets

	FY2024 forecast	FY2027
Sales revenue	875 billion yen	1 trillion yen
Top priority indicator **Operating profit**	76 billion yen	**100 billion yen**
ROE	8.3%	10%
Industrial area sales revenue ratio	30%	40%
TSR (compared to TOPIX)	-	Over 100% (including dividends)
Assumed exchange rate	**USD** 152 yen	145 yen
	EUR 163 yen	155 yen

Future-financial targets

Materiality		FY2027
Supporting people's value creation Growth business / Core business	Industrial Equipment	Expand customer adoption of the SPEEDIO machining center series
	Industrial Printing	Expand businesses for providing lifecycle value
	P&S (Printing & Solutions)	Maximize businesses with continuous ties to customers to enhance customer LTV
Empowering diverse people	Strengthen the talent portfolio in key areas	
Reducing CO_2 Emissions	Scope 1, 2	Reduce CO_2 emissions by 56% (compared to the FY2015 level)
	Scope 3	Reduce CO_2 emissions per unit of sales by 25.2% (compared to the FY2022 level)

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CS B2027

The Brother Group
Medium-Term Business Strategy

Creating our Future. Boldly.

We will accelerate business portfolio transformation for the enhancement of our corporate value over the long term, improving profit-generating capabilities.

- Aim to achieve an operating profit of 100 billion yen by clarifying the role of each business and executing strategies based on key indicators.
- We will steadily execute growth investments of approximately 200 billion yen over the next three years, driving growth in the industrial area.
- Strengthen the technological and talent foundations that support transformation.
- Enhance shareholder value by implementing management with a focus on cost of capital and share prices.

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Appendix

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Reference: Materiality and Sustainability policies and targets

Materiality		CS B2027 policies and Sustainability targets
Supporting people's value creation	**Support value creation by our customers** and contribute to enriched and comfortable lifestyles of people around the world through the **provision of Brother's products and services.**	• **Maximize the value provided to customers** based on the **social raison d'être** of each business and its **position within the business portfolio.**
Empowering diverse people	Create an environment where **diverse employees can thrive** within the Brother Group and **diverse perspectives, knowledge, and values, regardless of attributes**, are leveraged to **foster innovation and make organizational decisions.**	• Improve **employee engagement** on a global basis. • Promote the **active roles of diverse talent** tailored to the conditions and challenges of each facility and region. • Strengthen the **talent portfolio** in key areas.
Pursuing a responsible value chain	**Respect the human rights of all individuals involved in Brother's business value chain** and ensure the safety and security of workers.	• **Enhance the effectiveness of human rights risk assessments** across the entire value chain. • Continuously obtain **RBA certification** at key factories.
Reducing CO2 emissions	Aim to achieve carbon neutrality in business activities and minimize CO_2 emissions across the entire value chain, **contributing to the formation of a decarbonized society.**	• [Scopes 1 and 2] **Reduce CO_2 emissions by 56%** compared to the FY2015 level. • [Scope 3] **Reduce CO_2 emission intensity* by 25.2%** compared to the FY2022 level. * CO_2 emissions per unit of sales revenue
Promoting sustainable use of resources	Maximize **resource circulation**, promote the **sustainable use of resources**, and **minimize the environmental impact of waste.**	• **Reduce resource intensity* by 16.9%** compared to the FY2022 level. * Virgin material usage per unit of sales revenue
Supporting value creation through governance	Continuously review and implement governance practices that **secure management transparency and fairness** while encouraging **appropriate risk-taking for transformation** to ensure the Brother Group's **sustainable growth and value creation.**	• Reform governance to support **business portfolio transformation.**

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Reference: Brother Group's business areas

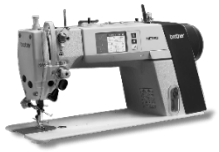
Business areas

	Business Name	Sub-segments
Industrial area	Machinery	Industrial Equipment
		Industrial Sewing Machines
	Nissei	
	Industrial Printing	Domino
		Printing & Automation
	P&S (Printing & Solutions)	Commercial & Industrial Labeling
Consumer area		Home & Office Labeling
		Communications & Printing Equipment
	P&H (Personal & Home)	
	N&C (Network & Contents)	
	New businesses	

Product / Service portfolio

Industrial area


Machine tool


Industrial sewing machine


Reducer


Gear


Coding & marking equipment


Digital printing equipment


Commercial & industrial use label printer


Mobile printer (P&S Commercial & Industrial Labeling)


Garment printer (Printing & Automation)

Consumer area


Labeling system


Printer/All-in-One (P&S Communications & Printing Equipment)


Home sewing machine


Online karaoke system

New businesses


Spot coolers



Handwriting app that allows real-time sharing



Fuel cell

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Reference: Glossary of terms (1/2)

Term	Full form	Explanation
BCP	Business Continuity Plan	A plan that outlines methods and measures to continue critical business operations in the event of emergencies such as disasters.
C&M	Coding & Marking	Coding & marking business for the development, manufacturing, sales, and servicing of equipment and their consumables for printing and marking of expiration dates, lot numbers, and so forth on plastic bottles, cans, food packaging, and other materials.
DP	Digital Printing	A printing method to print directly from digital-based typesetting data generated on a computer onto a substrate.
FA	Factory Automation	Automation of various factory works and processes using machines and information systems.
LTV	Life Time Value	Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services.
MC	Machining Center	A machine tool capable of performing multiple cutting processes with a single unit.
PBR	Price Book-value Ratio	An indicator showing the multiple at which a company's share price is trading relative to its net assets.
PMI	Post Merger Integration	The management integration process following mergers and acquisitions.
POD	Print on Demand	An on-demand method of printing quickly upon request.
RBA	Responsible Business Alliance	A non-profit organization that supports the rights and welfare of workers and communities affected by global supply chains.
ROIC	Return on Invested Capital	A management indicator showing how much profits a company generates from the capital it has invested Formula: ROIC = Net operating profit after tax / Invested capital.

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Reference: Glossary of terms (2/2)

Term	Full form	Explanation
TCO	Total Cost of Ownership	Total cost of ownership related to the introduction, use, and management of products.
TSR	Total Shareholder Return	An indicator that measures the overall return to investors (capital gains + dividends).
VUCA	-	An acronym referring to rapidly changing and unpredictable situations.
WACC	Weighted Average Cost of Capital	An indicator showing the average cost of financing for a company; it is calculated by taking a weighted average of the cost of a company's equity and debt, and is used in investment decisions and corporate value evaluation.
Equity spread	-	A measure of the difference between a company's return on equity (ROE) and its cost of equity. Used to evaluate whether a company is earning more than the expected return to shareholders.
Capital cost	-	The cost a company pays to raise funds. It includes the cost of interest-bearing debt (interest rate on debt) and the cost of equity (return expected by shareholders). The cost of equity is calculated using the Capital Asset Pricing Model (CAPM), a model used to explain the relationship between investment risk and return; the CAPM is used to calculate the expected return on a particular asset or investment. We consider the cost of capital to be a range due to the variability in the timing of the calculations and the assumptions used in the calculations.
Scope 1, 2, 3	-	Scope 1 refers to direct greenhouse gas emissions by business operators, Scope 2 refers to indirect greenhouse gas emissions resulting from use of electricity, heat, and steam supplied by other entities, and Scope 3 refers to indirect greenhouse gas emissions other than Scopes 1 and 2 (emissions from other entities related to the business operator’s activities).
Materiality	-	A social issue to be undertaken by a company, which has been given priority and expressed in an easy-to-understand manner; it is a key issue for an organization.
Recurrent education	-	A term referring to lifelong learning for adults as needed; it includes acquiring new skills and knowledge, training in specialized fields, or obtaining qualifications.
Machine/controller integrated development		The in-house development of both the machine body and the control unit.
CO_2 emissions/Reduction of virgin material usage per unit of sales		An indicator showing CO_2 emissions or virgin material usage relative to sales revenue. Formula: CO_2 emissions or virgin material usage per unit of sales = CO_2 emissions or virgin material usage / Sales revenue

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