



August 5, 2022

Company Name: Brother Industries, Ltd.
Representative: Ichiro Sasaki, Representative Director & President
(Code: 6448;
Prime Market of the Tokyo Stock Exchange and Premier Market of the Nagoya Stock Exchange)
Contact: Toshihiro Izuhara, General manager, CSR & Communications Dept.
(Tel: 052.824.2075)

Notice Regarding the Disposal of Treasury Shares through Third-party Allotment

Brother Industries, Ltd. (the “Company”) hereby announces that at the board of directors’ meeting held on August 5, 2022, it has decided to dispose its treasury shares through a third-party allotment (the “Treasury Shares Disposition”) as follows:

1. Overview of the disposition

| | |
|--|---|
| (1) Disposition date | August 31, 2022 |
| (2) Type and numbers of share to be disposed | Common stock 258,000 shares |
| (3) Disposition price | 2,519 yen per shares |
| (4) Total disposition amount | 649,902,000 yen |
| (5) Intended recipient of the shares | Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account) |
| (6) Other information | The Treasury Shares Disposition shall be conducted subject to the effectiveness of filing statement under the Financial Instruments and Exchange Act. |

2. Purpose and reason of the disposition

The Company, at its board of directors’ meeting held on May 11, 2022, resolved to introduce a stock compensation plan using the structure of Board Incentive Plan trust for Directors and Executive Officers (excluding Outside Directors, part-time Directors and non-residents of Japan; eligible Directors and Executive Officers are hereinafter referred to as “Directors, etc.”) , for the purpose of providing incentives to achieve the management targets (financial and sustainable targets) set forth in the medium-term business strategy and to enhance corporate value over the medium to long term, including shareholder value, and, at the 130th Ordinary General Meeting of Shareholders held on June 20, 2022, the shareholders approved the resolution to introduce the same plan. The Treasury Shares Disposition will be executed as a disposal of treasury shares by third-party allotment to Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account), the co-trustee under the Officers Compensation BIP Trust Agreement executed between the Company and Mitsubishi UFJ Trust and Banking Corporation in conjunction with the introduction of the Plan.

The number of shares subject to disposition is the number of shares expected to be delivered to the Directors, etc. pursuant to the Share Delivery Rules during the trust period, and the dilution will be 0.10% (rounded off two decimal places) of total outstanding shares (excluding the treasury shares as of March 31, 2022), which, in terms of voting rights, corresponding to 0.10% of the total number of voting rights at 2,587,161, as of March 31, 2022.

The shares of the Company allotted through the Treasury Shares Disposition are those to be delivered to the Directors, etc. pursuant to the Share Delivery Rules, and because it is not believed that the shares associated with the Share Delivery Disposition will be placed on the stock market all at once, it has been determined that it will have an immaterial effect on the stock market and therefore the number of shares subject to disposition and the scale of the dilution are reasonable.

For an outline of the BIP Trust, please refer to the “Notice of Introduction of the Performance-Based Stock Compensation Plan for Directors, etc. of the Company” announced on May 11, 2022.

[Outline of the trust agreement]

| | |
|---------------------------|--|
| Trust type | An individually operated designated trust of cash other than cash trust (third party benefit trust) |
| Trust purpose | Providing incentives to Directors, etc. |
| Settlor | The Company |
| Trustee | Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| Beneficiaries | Directors, etc. of the Company satisfying the beneficiary requirements |
| Trust Administrator | A third party that does not have any interest in the Company (certified public accountant) |
| Trust agreement date | August 26, 2022 (planned) |
| Trust period | August 2022 (planned) to August 2025 (planned) |
| Exercise of voting rights | No exercise |

3. Basis of calculation of the disposition price and the other specific details

Considering recent stock price movements and for the purpose of eliminating arbitrariness in determination of the price, the disposition price shall be 2,519 yen, the closing price of the Company on the Tokyo Stock Exchange on the business day preceding the date of the board of directors’ meeting. The Company judges that the price corresponding to the market value immediately preceding the resolution of the board of directors’ meeting shall be objective and reasonable basis for calculation.

The aforementioned disposition price is an amount calculated by multiplying the average closing price on the Tokyo Stock Exchange of ¥2,442 (rounded down to a whole yen), for the one-month period immediately preceding the date of the aforementioned resolution at the board of directors’ meeting (from July 5, 2022 to August 4, 2022), by a coefficient of 103.15% (based on a premium rate of 3.15%), which is equivalent to an amount calculated by multiplying the average closing price on the same of ¥2,385 (rounded down to a whole yen), for the three-month period immediately preceding the date of the aforementioned resolution at the board of directors’ meeting (from May 6, 2022 to August 4, 2022), by a coefficient of 105.62% (based on a premium rate of 5.62%), which is also equivalent to an amount calculated by multiplying the average closing price on the same of ¥2,283 (rounded down to a whole yen), for the six-month period immediately preceding the date of the aforementioned resolution at the board of directors’ meeting (from February 7, 2022 to August 4, 2022), by a coefficient of 110.34% (based on a premium rate of 10.34%), and the Company determined that such price shall not a specially favorable price for the recipient.

With respect to the aforementioned disposition price, all our Audit & Supervisory Board Members (3 of 5 are independent member) have expressed their opinion unanimously that the basis for calculation the disposition price is reasonable and does not constitute any favorable price for any concerned party.

4. Procedure under the corporate code of conduct

Since the dilution arising from this share disposition is less than 25% and that no change in the controlling shareholder, there is no requirement to obtain the opinion of an independent third-party or to confirm the will of the shareholders, as stipulated in Article 432 of the Tokyo Stock Exchange's Securities Listing Regulations.