

Corporate Governance



Fundamental Ideas of Brother's Corporate Governance

BIL has established the “Brother Group Global Charter” as the basis of all the Brother Group’s activities conducted worldwide, and sets the enhancement of its corporate value over the long term by optimizing management resources and creating customer value, the development of long-term trustful relationships with its shareholders by enhancing corporate transparency through active provision of corporate information to shareholders, and so forth, as the fundamental ideas of BIL’s corporate governance.



Corporate Governance Structure

Brother Industries, Ltd. (“BIL”) established the “Brother Group Basic Policies on Corporate Governance” (published on BIL’s website) in November 2015, and since then has been striving to strengthen its governance in line with these basic policies.

< Statutory Auditor System and Executive Officer System >

BIL’s board of directors consists of 11 directors (including five outside directors)*. They decide important management matters and oversee executive operations. BIL also adopts a statutory auditor system (five auditors, including three outside auditors)* as the basis of its corporate governance, and has an entrenched mechanism in which auditors audit directors’ job execution. In addition, BIL has an executive officer system as an internal organization, whereby executive operations and supervision are separated in an effort to ensure swift decision-making and strengthen governance. Executive officers are elected by the board of directors, and are responsible for overseeing the operations of businesses, departments, and group subsidiaries under their supervision.

< Independent Outside Directors >

BIL appoints independent outside directors to ensure objective and neutral oversight of management from an external point of view, and thereby strengthens its management oversight function. BIL’s independent outside directors provide management advice, decide important matters, and oversee executive operations based on their respective abundant experience, careers, and insights from perspectives independent of BIL’s management.

< Nomination Committee and Compensation Committee >

BIL has established the Nomination Committee and the Compensation Committee as arbitrary advisory committees to the board of directors, in order to enhance the independence and objectivity of the functions of the board of directors regarding the appointment or removal and remuneration of directors and executive officers. Each of the committees consists of seven directors, including five outside directors and two internal directors*, and appoints an outside director as its chairperson.

The Nomination Committee must deliberate on the agendas of the general meeting of shareholders concerning appointment or removal of directors and the agendas of the board of directors concerning appointment or removal of executive officers in a fair, transparent, and strict manner before the agendas concerned are finalized, and reports the outcome to the board of directors.

The Compensation Committee must discuss the contents of the company rules concerning the standard for calculating the remuneration for directors and executive officers, and the contents of respective remunerations of respective individuals, and reports the outcome to the board of directors.

< To Enhance the Effectiveness of the Board of Directors >

At BIL, respective directors and auditors every year evaluate the effectiveness of the board of directors and report the results to the board of directors. Based on this evaluation, the board of directors analyzes and assesses the effectiveness of the entire board of directors and discloses an overview of the results in the “Corporate Governance Report.” The board of directors will endeavor to further enhance its effectiveness based on opinions provided by respective directors and auditors.

*As of June 24, 2019

Remuneration of Officers

< Policy on Officers' Remuneration >

BIL sets up an objective and transparent remuneration structure based on the clarification of the management responsibility of its officers and follows a policy of paying an appropriate amount of remuneration with consideration of other companies' remuneration levels and employee treatment levels.

< Composition of Officers' Remuneration >

The remuneration of directors shall be calculated in accordance with BIL's prescribed rules concerning the remuneration of directors and so forth, discussed and reported by the Compensation Committee, and approved by the board of directors.

The remuneration of directors consists of three parts. They are (1) "basic remuneration," whose amount is fixed and determined by position, (2) "performance-based remuneration" reflecting directors' responsibilities for achievement in the group's year-on-year business performance, and (3) "stock options for a stock-linked compensation plan for directors" offered to increase the incentive for the long-term improvement of corporate value. (2) and (3) are given to directors who are not outside directors. The details of respective remuneration amounts and calculation methods are set forth in the company's rules concerning the remuneration of directors and so forth, and thereby BIL ensures high objectivity and transparency. As for the performance-based remuneration, the standard amounts and indicators used for calculating the amounts of remuneration are defined in the rules concerning the remuneration of directors, etc. In accordance with the assessment methods described in those rules, this remuneration is calculated by evaluating the group's actual yearly business performance, with the estimated performance values

announced at the beginning of the fiscal year set as target values. As for the stock options for a stock-linked compensation plan for directors, the number of stock options to be allotted to each individual is calculated by dividing the standard amount for each position by the fair value of the stock options. The basic remuneration and the stock options for a stock-linked compensation plan for directors are calculated and provided within the limit of the remuneration amount approved at the general meeting of shareholders.

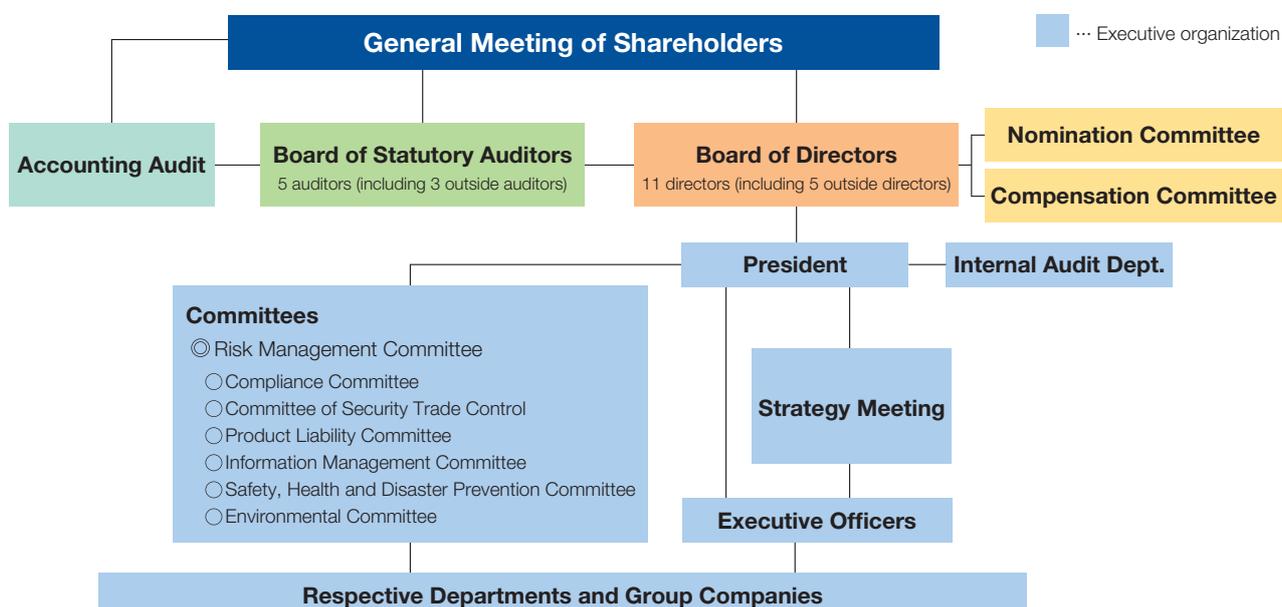
The remuneration of auditors consists of only basic remuneration provided to all auditors, which is decided by the board of statutory auditors in accordance with BIL's prescribed rules concerning the remuneration of auditors and within the limit of the remuneration amount approved at the general meeting of shareholders.

Categories	Paid Individuals	Amounts of Remuneration (million yen)	Total Amounts of Remuneration, etc., by Category		
			Basic Remuneration (million yen)	Performance-based Remuneration (million yen)	Stock options for a stock-linked compensation plan (million yen)
Directors (Outside directors included)	11 (5)	408 (54)	253 (54)	83 (-)	71 (-)
Auditors (Outside auditors included)	7 (4)	74 (25)	74 (25)	- (-)	- (-)
Total (Outside directors/ auditors included)	18 (9)	483 (79)	328 (79)	83 (-)	71 (-)

(One year from April 1, 2018 to March 31, 2019)

Note: The amount of remuneration paid to directors does not include the employee salary of the employees who also serve as directors. The paid individuals include two auditors (including one outside auditor) who retired in FY2018.

Brother Industries, Ltd. Governance Structure (As of June 24, 2019)



Risk Management System

BIL has the Risk Management Committee headed by the Representative Director & President, as an independent executive management organization, whereby the crucial risks of the whole Brother Group are identified and assessed, and proper actions for those risks are formulated. The committee promotes the upgrading of internal controls and risk management structures.

The Risk Management Committee manages the following risk subcommittees to control the critical risks of the group in a comprehensive and systematic fashion, overseeing activities of the subcommittees to respond to the respective risks. When the potential impact of a risk is assessed at the highest level, the Risk Management Committee switches into emergency response mode and gives priority to dealing with the situation.

< Compliance Committee >

The Compliance Committee makes the workforce aware of the importance of complying with laws and business ethics and prevents violations and their recurrence through education programs and activities.

< Committee of Security Trade Control >

The Committee of Security Trade Control ensures the proper management of export transactions and technological offerings based on laws and regulations. This committee is also working to maintain and improve the management level by staging meetings to discuss important matters every time laws are amended, implementing internal audits, and offering guidance and education to group companies.

< Product Liability Committee >

The Product Liability Committee is held periodically to ensure product safety in R&D, design and production, sale and use, repair and service, and disposal through coordinated efforts.

< Information Management Committee >

To cope with risks associated with information leaks, the Information Management Committee determines a suitable policy for managing information on customers and other aspects of the business retained by the company and deploys it throughout the group.

< Safety, Health, and Disaster Prevention Committee >

The Safety, Health, and Disaster Prevention Committee discusses annual plans, devises and implements measures, and conducts awareness activities for the purpose of ensuring employee safety and health, preventing disasters, and minimizing the damage from such disasters.

< Environmental Committee >

The Environmental Committee is chaired by the environmental officer and includes executive officers and above who are in charge of development, technology, production, and general affairs fields. The committee regularly discusses and determines measures for environmental issues (climate change, compliance with environmental laws and regulations on products and pollution, etc.) that must be dealt with by the whole Brother Group.

Message from an Outside Director



I consider that the role of Brother's five outside directors is to provide opinions from various perspectives based on our knowledge and expertise gained from experience in different fields, and thereby to contribute to managerial decision making that leads to smooth business operations and the far-sighted, sustainable development of the Brother Group.

I have been actively giving my views based on my experience in constructing large plant equipment in and outside Japan, managing and supervising subsidiaries and affiliates in manufacturing and other industries, and developing new businesses. I believe that Brother's governance has been maintained enough through active discussion with constructive opinions at the board of directors' meetings.

This year is the first year of the new medium-term business strategy CS B2021. The world is changing more rapidly than anyone imagined, and it is by no means easy to predict the future. Brother, however, should act proactively and pursue to enhance its value under any environment. Acknowledging this, we, as Brother's outside directors, work as one to further develop Brother's current core businesses and cultivate and expand new businesses for the next and future generations.

Outside Director **Keisuke Takeuchi**