Annual Securities Report

(The 129th Fiscal Term)
from April 1, 2020 to March 31, 2021

BROTHER INDUSTRIES, LTD.

15-1 Naeshiro-cho, Mizuho-ku, Nagoya, Aichi, Japan

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Fiscal year	The 129th Fiscal Term (from April 1, 2020 to March 31, 2021)
Company name	Brother Kogyo Kabushiki Kaisha
Company name in English	BROTHER INDUSTRIES, LTD.
Title and name of representative	Representative Director & President Ichiro Sasaki
Address of headquarters	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, Aichi, Japan
Telephone number	+81-52-824-2102
Contact person	Executive Officer in Charge of Finance & Accounting Department Toshihiro Itou
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Telephone number	+81-52-824-2102
Contact person	Executive Officer in charge of Finance & Accounting Department Toshihiro Itou
Place for public inspection	BROTHER INDUSTRIES, LTD. (Tokyo branch) (3-8, Kyobashi 3-chome, Chuo-ku, Tokyo, Japan) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya, Aichi, Japan)

This document is an English translation of the original Annual Securities Report ("Yukashoken Hokokusho") filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investor's NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.
In the event of any discrepancy, errors and/or omissions, the Japanese language version shall prevail.

Part Ⅰ Company Information

1. Summary of business results

1. Key financial data

(1) Key group financial data

Fiscal year		International Financial Reporting Standards (IFRS)				
		125th fiscal term	126th fiscal term	127th fiscal term	128th fiscal term	129th fiscal term
Fiscal year end		March, 2017	March, 2018	March, 2019	March, 2020	March, 2021
Revenue	(Millions of yen)	641,185	712,997	683,972	637,259	631,812
Profit before tax	(Millions of yen)	61,257	69,669	72,274	67,046	42,944
Profit for the year attributable to owners of the parent company	(Millions of yen)	47,242	50,020	53,902	49,566	24,520
Comprehensive income attributable to owners of the parent company	(Millions of yen)	20,983	62,822	45,115	19,729	69,219
Equity attributable to owners of the parent company	(Millions of yen)	345,061	395,514	424,759	428,520	483,050
Total assets	(Millions of yen)	674,107	708,278	708,604	731,472	743,896
Owners' equity per share	(Yen)	1,328.97	1,523.09	1,635.22	1,649.22	1,858.28
Basic earnings per share for the year	(Yen)	181.96	192.63	207.54	190.80	94.36
Diluted earnings per share for the year	(Yen)	181.46	192.08	206.90	190.21	94.07
Ratio of owners' equity to gross assets	(%)	51.2	55.8	59.9	58.6	64.9
Rate of return on equity attributable to owners of the parent company	(%)	13.9	13.5	13.1	11.6	5.4
Price-earnings ratio	(Times)	12.8	12.8	9.9	8.7	26.0
Net cash provided by (used in) operating activities	(Millions of yen)	99,155	81,817	73,280	87,748	109,265
Net cash provided by (used in) investing activities	(Millions of yen)	(23,271)	(37,090)	(22,624)	(27,955)	(25,080)
Net cash provided by (used in) financing activities	(Millions of yen)	(30,389)	(34,551)	(39,040)	(14,916)	(74,038)
Cash and cash equivalents at the end of year	(Millions of yen)	112,032	121,384	131,152	168,422	191,002
Number of employees [Excluding average number of temporary employees]	(Number of persons)	36,929 [6,199]	38,628 [6,012]	37,769 [5,907]	37,697 [4,672]	38,741 [5,441]

Notes

1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) since the 125th fiscal term.
2. Revenues do not include consumption taxes, etc.

Fiscal year		Japanese Accounting Standards
		125th fiscal term
Fiscal year end		March, 2017
Net sales	(Millions of yen)	696,984
Ordinary profit	(Millions of yen)	55,801
Profit for the year attributable to owners of the parent company	(Millions of yen)	39,851
Comprehensive income	(Millions of yen)	13,604
Net assets	(Millions of yen)	354,181
Total assets	(Millions of yen)	657,339
Net assets per share	(Yen)	1,296.66
Profit per share for the year	(Yen)	153.49
Profit per share for the year after adjustment for potential shares	(Yen)	153.08
Equity ratio	(%)	51.2
Rate of return on equity	(%)	12.1
Price-earnings ratio	(Times)	15.1
Net cash provided by (used in) operating activities	(Millions of yen)	99,155
Net cash provided by (used in) investing activities	(Millions of yen)	(23,271)
Net cash provided by (used in) financing activities	(Millions of yen)	(30,389)
Cash and cash equivalents at end of year	(Millions of yen)	112,032
Number of employees [Excluding average number of temporary employees]	(Number of persons)	36,929 [6,199]

Notes

1. The consolidated financial statements for the 125th fiscal term prepared in accordance with Japanese Accounting Standards were not audited pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
2. Net sales do not include consumption taxes, etc.

(2) Key financial data of the reporting company

Fiscal year		125th fiscal term	126th fiscal term	127th fiscal term	128th fiscal term	129th fiscal term
Year end		March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales	(Millions of yen)	348,722	405,442	401,366	344,452	345,317
Recurring profit	(Millions of yen)	32,864	42,975	48,818	41,455	55,281
Profit for the period	(Millions of yen)	28,177	37,007	40,548	35,283	49,008
Capital stock	(Millions of yen)	19,209	19,209	19,209	19,209	19,209
Total number of issued shares	(Shares)	277,535,866	262,220,530	262,220,530	262,220,530	262,220,530
Net assets	(Millions of yen)	240,211	266,986	290,531	308,364	348,306
Total assets	(Millions of yen)	462,146	468,482	472,924	491,675	477,011
Net assets per share	(Yen)	920.61	1,023.12	1,113.10	1,181.12	1,334.14
Amount of dividends per share (Amount of interim dividend per share included in the above)	(Yen)	42.00 (18.00)	54.00 (24.00)	60.00 (30.00)	60.00 (30.00)	60.00 (27.00)
Profit per share for the period	(Yen)	108.38	142.32	155.91	135.64	188.34
Profit per share for the period after adjustment for potential shares	(Yen)	108.09	141.92	155.44	135.22	187.76
Equity ratio	(%)	51.8	56.8	61.2	62.5	72.8
Rate of return on equity	(%)	12.3	14.6	14.6	11.8	15.0
Price-earnings ratio	(Times)	21.5	17.4	13.1	12.2	13.0
Payout ratio	(%)	38.8	37.9	38.5	44.2	31.9
Number of employees Excluding average number of temporary employees	(Persons)	3,828 [475]	3,937 [582]	3,865 [487]	3,800 [402]	3,803 [385]
Total shareholder return	(%)	182.9	198.5	170.3	144.5	210.6
(Comparison indicator: Tokyo Stock Price Index (including dividends))	(%)	(114.7)	(132.9)	(126.2)	(114.2)	(162.3)
Highest stock price	(Yen)	2,479	3,135	2,539	2,364	2,592
Lowest stock price	(Yen)	1,000	2,131	1,517	1,380	1,530

Notes

1. Net sales do not include consumption taxes, etc.
2. Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange.
3. The Partial Amendments to Accounting Standard For Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied since the beginning of the 127th fiscal term, and key financial data for the 126th fiscal term is presented with those standards applied retroactively.

2. History

<Foundation ~ 1940s - Developing an Import-based Industry into an Export-based Industry>

April 1908	YASUI SEWING MACHINE CO. established in what is today Atsuta-ku, Nagoya, Aichi and started started repairing sewing machines and manufacturing parts
November 1925	Company name changed to YASUI BROTHER’S SEWING MACHINE CO.
January 1928	Sales of Sho-san-shiki sewing machines (chain-stitch sewing machines used in the production of straw hats) began, BROTHER trademark established
November 1932	Brother succeeded in local production of home sewing machines
January 1934	NIPPON SEWING MACHINE MANUFACTURING CO. (later BROTHER INDUSTRIES, LTD.) established in what is today Mizuho-ku, Nagoya City, Aichi Prefecture
December 1936	Manufacture of industrial lockstitch sewing machines started
July 1941	BROTHER SALES, LTD. established as a domestic sales company
May 1947	200 home straight-stitching sewing machines exported to Shanghai

<1950s - Applying Its Core Technologies to Promote Diversification>

April 1954	Production of home knitting machines and electric washing machines started using technologies acquired through sewing machines, entry into the knitting machine and household appliance fields
May 1954	BROTHER INTERNATIONAL CORPORATION (U.S.A.) established as a U.S. sales company
October 1958	BROTHER INTERNATIONAL EUROPE LTD. established in Ireland as a sales company
March 1959	Cumulative sewing machine exports surpassed 1 million units

<1960s - Expanding into Global Markets, 1970s - Developing High-speed Dot-matrix Printers and Promoting Electronization>

May 1961	Production of alphabetical portable typewriters started in response to a request from the U.S. sales company, entry into the office equipment field
July 1962	NIPPON SEWING MACHINE MANUFACTURING CO. renamed BROTHER INDUSTRIES, LTD.
November 1962	Production of tapping machines started using in-house technologies for sewing machine processing, entry into the machine tool field
January 1963	Shares listed on the Tokyo, Nagoya, and Osaka Stock Exchanges
August 1965	Exports of compact electric typewriters to the U.S. started
June 1966	Production of electronic calculators, Brother’s first fully electronic product, started
February 1971	Printing equipment field entered with the start of shipments of high-speed dot-matrix printers developed jointly with CENTRONICS in the U.S.
March 1977	BROTHER INTERNATIONAL (AUST.) PTY. LTD. established in Australia as a sales company
November 1978	TAIWAN BROTHER INDUSTRIES, LTD. established in Taiwan as a home sewing machine manufacturing company
April 1979	Production of home computerized sewing machines started

<1980s - Progressing into the Information and Communications Equipment Field and Expanding the Industrial Equipment Business>

December 1980	Production of electronic typewriter with linear motor mechanism started
June 1982	Production of the world's smallest electronic personal printer with a full keyboard started
March 1984	Production of the first Japanese-language word processor for personal use produced in Japan started
February 1985	BROTHER INDUSTRIES (U.K.) LTD. established in the U.K. as a typewriter manufacturing company
March 1985	Sales started of CNC tapping center that combines a tapping machine with a numerical control system
September 1986	BROTHER INDUSTRIES (U.S.A.) INC. established in the U.S. as a typewriter manufacturing company
March 1987	OEM supply of heat sensitive fax machines started, entry into the information and communication equipment field
August 1987	Production started of black-and-white laser printers with a controller manufactured in-house
November 1988	Sales of label writers using thermal transfer technology started
March 1989	BROTHER INDUSTRIES TECHNOLOGY (M) SDN. BHD. established in Malaysia as a typewriter parts manufacturing company

<1990s - Exploiting the SOHO Market and Entering into the Online Karaoke Business>

September 1991	Sales started of sewing machines with computer-controlled embroidery mechanism
December 1991	ZHUHAI BROTHER INDUSTRIES, CO., LTD. established in China as a home sewing machine manufacturing company
May 1992	XING INC. established in Japan to enter the online karaoke business
June 1992	Sales started in the U.S. of thermal fax machines that are greatly differentiated from competitors in terms of price and functionality
October 1992	Sales of online karaoke using the industry's first ISDN line started
November 1993	XIAN TYPICAL BROTHER INDUSTRIES, CO., LTD. established in China as an industrial sewing machine manufacturing joint venture
January 1994	BROTHER CORPORATION (ASIA) LIMITED. established in Hong Kong to manufacture parts (name changed to BROTHER INTERNATIONAL (HK) LTD. on March 10, 2014)
July 1994	Production started of black-and-white laser printers with an engine manufactured in-house
March 1995	Production started of compact laser All-in-One machines with multiple functions including fax machine, printer, copier, and scanner
September 1995	Contract production of laser printers started at Buji Nanling Factory, China
February 1997	CS B2000— Medium-term business strategy "Bold Challenges and Strategy for Tomorrow" formulated
November 1997	Sales of inkjet multi-function printers with inkjet heads manufactured in-house started
January 1999	The Brother Group Global Charter established (revised April 2008)
April 1999	BROTHER SALES, LTD. made into a wholly-owned subsidiary

<2000s - Developing Business Globally and Integrating Business Management>

March 2000	CS B2002—Group three-year plan “Transforming into a Highly Profitable Company with a Sound Financial Structure for Growth in the 21st Century” formulated (introduced internal company system, executive officer system, and outside directors)
September 2001	BROTHER MACHINERY XIAN CO., LTD. established in China as an industrial sewing machine manufacturing company
December 2001	Brother Group's Environmental Policy established
April 2002	Brother Group Green Procurement Standards issued
June 2002	Global Vision 21 long-term vision established
October 2002	BROTHER INDUSTRIES (SHENZHEN), LTD. established in China as an inkjet manufacturing company (merged with BROTHER TECHNOLOGY (SHENZHEN) LTD. in October 2016)
March 2003	CS B2005—Medium-term business strategy “Maintaining both high profitability and investment for future technology development” formulated
March 2005	BROTHER (CHINA) LTD. established in China as a wholesale company
July 2005	Sales of garment printers that use inkjet technologies developed for printers started
January 2006	BROTHER INDUSTRIES (VIETNAM) LTD. established in Vietnam as a black-and-white laser printer manufacturing site
March 2006	CS B2008—Medium-term business strategy “Driving Brother’s Growth” formulated
April 2006	Laser printer consignment production company in China transitioned to internal management and BROTHER TECHNOLOGY (SHENZHEN) LTD. established
July 2006	BROTHER INDUSTRIES (SLOVAKIA) s.r.o. established in Slovakia as a toner recycling and manufacturing company
October 2006	Industry classification of BROTHER INDUSTRIES, LTD. on stock markets changed from "machinery" to "electric applications"
April 2007	Sales started of color laser printers and multi-purpose machines using internally-manufactured color laser engines
October 2007	Internal Audit Department established
March 2008	CS B2012—Medium-term business strategy “Turning Global Vision 21 into Reality” formulated
April 2008	Procurement Policy and CSR Procurement Standards formulated
June 2008	Mobile printer business acquired from HOYA CORPORATION and printing sector reinforced
January 2010	XING INC. acquired all issued shares of BMB Corporation and made it into a wholly-owned subsidiary Online karaoke business reinforced
May 2010	BROTHER MACHINERY SHANGHAI LTD. established in China as an industrial sewing machine and machine tool sales company
June 2010	BROTHER SOFTWARE DEVELOPMENT (HANGZHOU) LTD. established (name changed to BROTHER SYSTEM TECHNOLOGY DEVELOPMENT (HANGZHOU) LTD. in September 2011 due to business expansion) Software development in China reinforced
June 2010	BROTHER SEWING MACHINE XIAN CO., LTD. merged with XIAN BROTHER INDUSTRIES, CO., LTD (made into a wholly-owned subsidiary and name changed in October 2009) and changed its name to BROTHER MACHINERY XIAN CO., LTD.
July 2010	XING INC. and BMB Corporation. merged

<2010s - Strengthening the Business Portfolio and Expanding B to B Business>

February 2011	Delisted from the First Section of the Osaka Stock Exchange
March 2011	CS B2015—Medium-term business strategy “Back to Growth” formulated
April 2011	BROTHER INDUSTRIES SAIGON, LTD. established in Vietnam as a home sewing machine manufacturing company
October 2011	Sales of compact, lightweight mobile scanners started
January 2012	The Brother Group Principles of Social Responsibility established
March 2012	BROTHER INDUSTRIES (PHILIPPINES), INC. established in the Philippines as an inkjet product manufacturing company
August 2012	BROTHER INDUSTRIES, LTD. selected for the first time for the SNAM Sustainability Index, a social responsibility fund index
January 2013	NISSEI CORPORATION became a consolidated subsidiary as a result of a tender offer for shares Industrial parts business reinforced
April 2013	BROTHER MACHINERY VIETNAM CO., LTD. established in Vietnam as an industrial sewing machine manufacturing company
April 2015	TEICHIKU ENTERTAINMENT, INC. became a consolidated subsidiary of XING INC. Music entertainment field reinforced
June 2015	The Group entered the industrial printing field by acquiring all issued shares of U.K.-based DOMINO PRINTING SCIENCES PLC and making it into a consolidated subsidiary
June 2015	Nomination Committee and Compensation Committee established as advisory bodies of the Board of Directors
November 2015	Corporate Governance Basic Policy established
January 2016	DOMINO PRINTING TECHNOLOGY (CHANGSHU) CO., LTD. established in China as a manufacturing company
March 2016	CS B2018—Medium-term business strategy “Transform for the Future” formulated
October 2016	BROTHER INDUSTRIES (SHENZHEN) LTD., a manufacturing company, merged with BROTHER TECHNOLOGY (SHENZHEN) LTD.
February 2017	Selected for the first time by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a Health & Productivity Management Outstanding Organization
April 2018	Brother Group Environmental Vision 2050 formulated FY2030 medium-term targets set as milestones for the environmental vision
July 2018	FY2030 medium-term targets set as science-based targets in accordance with the Science Based Targets (SBT) international initiative established to encourage achievement of greenhouse gas emissions reduction targets
March 2019	CS B2021—Medium-term business strategy “Towards the Next Level” formulated
April 2019	Domino business in Japan acquired from Cornes Technologies Ltd. and business started as BROTHER INDUSTRIAL PRINTING (JAPAN), LTD. Sales of Domino products reinforced in Japan
February 2020	Support expressed for Task Force on Climate-related Financial Disclosures (TCFD) recommendations
February 2020	United National Global Compact signed

3. Description of business

The Group (the Company and its affiliated companies) operates six main businesses, consisting of the Printing & Solutions Business, Personal & Home Business, Machinery Business, Network & Contents Business, Domino Business and Other Business, and handles a wide range of products.

The details of each business and positioning of the Company and its affiliated companies within each business are as follows.

The following six businesses are categorized in the same manner as the reporting segment categories set forth in 5. Financial Information, 1. Consolidated Financial Statements, (1)Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 6. Segment Information.

During the current consolidated fiscal year, Domino Coding (Hong Kong) Ltd. was liquidated and removed from the scope of consolidation.

Business	Details of Principal Business Activities
Printing & Solutions Business	Manufacture and sale of printers, all-in-ones, electronic stationery, and scanners
Personal & Home Business	Manufacture and sale of home sewing machines
Machinery Business	Manufacture and sale of industrial sewing machines, garment printers, machine tools, reducers, and gears
Network & Contents Business	Manufacture, sale, and lease of commercial online karaoke systems, provision of content services relating to online karaoke, operation of karaoke clubs, and provision of content distribution services
Domino Business	Manufacture and sale of industrial printing equipment
Other Business	Manufacture and sale of products other than those indicated above and sale and leasing of real estate

Information on main affiliated companies is set forth in the Business Organization Chart.

Business Organization Chart

Customers

	Printing & Solutions Business	Personal & Home Business	Machinery Business	Network & Contents Business	Domino Business
Sales	BROTHER INDUSTRIES, LTD. BROTHER INTERNATIONAL CORPORATION (U.S.A.) BROTHER INTERNATIONAL CORPORATION (CANADA) LTD. BROTHER INTERNATIONAL EUROPE LTD. BROTHER U.K. LTD. BROTHER INTERNATIONAL G.M.B.H. BROTHER FRANCE S.A.S. BROTHER INTERNATIONAL (AUST.) PTY. LTD. BROTHER INTERNATIONAL SINGAPORE PTE. LTD. BROTHER (CHINA) LTD. BROTHER SALES, LTD. and others	BROTHER INTERNATIONAL CORPORATION (U.S.A.) BROTHER SEWING MACHINES EUROPE G.M.B.H. BROTHER INTERNATIONAL (AUST.) PTY. LTD. BROTHER SALES, LTD. and others	BROTHER INDUSTRIES, LTD. BROTHER INTERNATIONAL CORPORATION (U.S.A.) BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH BROTHER MACHINERY SHANGHAI LTD. BROTHER MACHINERY (ASIA) LTD. NISSEI CORPORATION and others	XING INC and others	DOMINO U.K. LTD. DOMINO AMJET INC. and others
Manufacture	BROTHER INDUSTRIES, LTD. ZHUHAI BROTHER INDUSTRIES CO., LTD. BROTHER TECHNOLOGY (SHENZHEN) LTD. BROTHER INDUSTRIES (VIETNAM) LTD. BROTHER INDUSTRIES (PHILIPPINES),INC BROTHER INDUSTRIES (U.K.) LTD. BROTHER INDUSTRIES (U.S.A.) INC. and others	TAIWAN BROTHER INDUSTRIES, LTD. BROTHER INDUSTRIES SAIGON, LTD. and others	BROTHER INDUSTRIES, LTD. BROTHER MACHINERY XIAN CO., LTD. NISSEI CORPORATION and others	BROTHER INDUSTRIES, LTD. and others	DOMINO U.K. LTD. DOMINO AMJET INC. and others
R&D	BROTHER INDUSTRIES, LTD.	BROTHER INDUSTRIES, LTD.	BROTHER INDUSTRIES, LTD. NISSEI CORPORATION	BROTHER INDUSTRIES, LTD. XING INC	DOMINO U.K. LTD. and others

4. Subsidiaries and other affiliated entities

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
(Consolidated Subsidiaries)										
BROTHER INTERNATIONAL CORPORATION (U.S.A.) *1	Somerset, Massachusetts, U.S.A.	U.S. dollars 7,034,000	P&S, P&H Machinery	100.0	-	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONAL CORPORATION (CANADA) LTD.	Montreal, Quebec, Canada	Canadian dollars 11,592,000	P&S, P&H	-	100.0	-	-	No	Sales of Brother products	No
BROTHER INTERNATIONAL DE MEXICO, S.A. DE C.V.	Mexico City, Mexico	Mexican pesos 125,926,000	P&S, P&H	-	100.0	-	1	No	Sales of Brother productse	No
BROTHER INDUSTRIES (U.S.A.) INC.	Bartlett, Tennessee, U.S.A.	U.S. dollars 14,000,000	P&S Machinery	-	100.0	-	3	No	Manufact ure of Brother products	No
BROTHER INTERNATIONAL CORPORATION DO BRASIL, LTDA. *1	Sao Paolo, Brazil	Reals 49,645,000	P&S, P&H	-	100.0	-	2	No	Sales of Brother products	No
BROTHER SEWING MACHINES EUROPE GmbH	Bad Vilbel, Germany	Euros 25,000	P&H	100.0	-	-	2	No	Sales of Brother products	No
BROTHER NORDIC A/S	Copenhagen, Denmark	Danish Kroner 42,000,000	P&S	-	100.0	-	3	No	Sales of Brother products	No
BROTHER INTERNATIONAL EUROPE LTD. *1	Manchester, United Kingdom	British pounds 145,198,000	P&S	100.0	-	-	2	No	Sales of Brother products	No
BROTHER U.K. LTD. *1	Same as above	British pounds 17,400,000	P&S	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH	Emmerich, Germany	Euros 9,000,000	Machinery	100.0	-	-	3	No	Sales of Brother products	No
BROTHER FRANCE SAS *1	Paris, France	Euros 12,000,000	P&S	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONAL GmbH *1	Bad Vilbel, Germany	Euros 25,000,000	P&S	-	100.0	-	2	No	Sales of Brother products	No
BROTHER ITALIA S.p.A.	Milano, Italy	Euros 3,700,000	P&S	-	100.0	-	2	No	Sales of Brother products	No
DOMINO PRINTING SCIENCES PLC	Cambridge, United Kingdom	British pounds 5,733,000	Domino	100.0	-	2	2	No	No	No
DOMINO U.K. LTD.	Cambridge, United Kingdom	British pounds 100	Domino	-	100.0	-	-	No	No	No
DOMINO AMJET INC.	Chicago, Illinois, U.S.A.	U.S. dollars 1,000	Domino	-	100.0	-	-	No	No	No

Company name	Address	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
BROTHER INDUSTRIES (U.K.) LTD. *1	Wrexham, Wales, United Kingdom	British pounds 9,700,000	P&S	100.0	-	-	2	No	Manufacture of Brother products	No
BROTHER FINANCE (U.K.) PLC	Manchester, United Kingdom	British pounds 2,500,000	Other (Financial business)	100.0	-	-	3	No	No	No
BROTHER INDUSTRIES (SLOVAKIA) s.r.o.	Krupina, Slovakia	Euros 5,817,000	P&S	-	100.0	-	1	No	Manufacture of Brother products	No
TAIWAN BROTHER INDUSTRIES, LTD.	Kaohsiung City, Taiwan	New Taiwan dollars 242,000,000	P&H	100.0	-	-	4	No	Manufacture of Brother products	Yes
ZHUHAI BROTHER INDUSTRIES, CO., LTD.	Zhuhai City, Guangdong Province, China	U.S. dollars 7,000,000	P&S, Domino	100.0	-	-	6	No	Manufacture of Brother products	Yes
BROTHER INTERNATIONAL (HK) LTD.	Kowloon, Hong Kong	U.S. dollars 11,630,000	P&S	100.0	-	-	4	No	Procurement of Brother application parts and sale of Brother products	Yes
BROTHER INTERNATIONAL (AUST.) PTY. LTD.	Eastern Creek, New South Wales, Australia	Australian dollars 2,500,000	P&S, P&H	100.0	-	-	2	No	Sales of Brother products	No
BROTHER INTERNATIONAL SINGAPORE PTE. LTD.	Singapore	Singapore dollars 15,100,000	P&S, P&H	-	100.0	-	1	No	Sales of Brother products	No
BROTHER MACHINERY (ASIA) LTD. *1	Kowloon, Hong Kong	U.S. dollars 37,000,000	Machinery	100.0	-	-	5	No	Sales of Brother products	No
BROTHER MACHINERY XIAN CO., LTD. *1	Xian City, Shanxi Province, China	U.S. dollars 47,000,000	Machinery	100.0	-	-	5	No	Manufacture of Brother products	No
BROTHER (CHINA) LTD. *1	Shanghai, China	U.S. dollars 20,500,000	P&S, P&H	100.0	-	-	4	No	Sales of Brother products	No
BROTHER INDUSTRIES (VIETNAM) LTD. *1	Hai Dung Province, Vietnam	U.S. dollars 80,000,000	P&S	100.0	-	-	7	No	Manufacture of Brother products	Yes
BROTHER TECHNOLOGY (SHENZHEN) LTD. *1	Shenzhen City, Guangdong Province, China	U.S. dollars 42,000,000	P&S	-	100.0	-	5	No	Manufacture of Brother products	Yes

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
BROTHER MACHINERY SHANGHAI LTD.	Shanghai, China	Renminbi 50,000,000	Machinery	-	100.0	-	5	No	Sales of Brother products	No
BROTHER INDUSTRIES SAIGON, LTD. *1	Dong Nai Province, Vietnam	U.S. dollars 28,000,000	P&H	100.0	-	-	4	No	Manufacture of Brother products	Yes
BROTHER INDUSTRIES (PHILIPPINES), INC. *1	Batangas Province, Philippines	Philippine pesos 5,626,250,000	P&S	100.0	-	-	6	No	Manufacture of Brother products	Yes
NISSEI GEAR MOTOR MFG. (CHANGZHOU) CO., LTD.	Changzhou City, Jiansu Province, China	U.S. dollars 17,200,000	Machinery	-	100.0	-	2	No	No	No
BROTHER INTERNATIONAL CORPORATION *1	Mizuho-ku, Nagoya	Millions of yen 630	P&S, P&H	100.0	-	-	4	No	Sales of Brother products	Yes
BROTHER REAL ESTATE. LTD.	Mizuho-ku, Nagoya	Millions of yen 300	Other (Real estate industry)	100.0	-	-	2	Yes	Management of BIL real estate	Yes
XING INC. *1	Mizuho-ku, Nagoya	Millions of yen 7,122	N&C	100.0	-	2	2	Yes	Sales of Brother products	Yes
BROTHER SALES, LTD. *1	Mizuho-ku, Nagoya	Millions of yen 3,500	P&S, P&H	100.0	-	-	4	No	Sales of Brother products	Yes
TEICHIKU ENTERTAINMENT, INC.	Minato-ku, Tokyo	Millions of yen 123	N&C	-	96.1	-	-	No	No	No
NISSEI CORPORATION *1, *3	Anjo-shi, Aichi	Millions of yen 3,475	Machinery	60.2	-	1	-	No	Manufacturing outsourcing and purchasing Brother parts	No
STANDARD CORP.	Minato-ku, Tokyo	Millions of yen 90	N&C	-	100.0	-	-	No	No	No
72 other companies	-	-	-	-	-	-	-	-	-	-
(Entities accounted for using the equity method)										
BM Kogyo Co., Ltd. *2	Midori-ku, Nagoya	Millions of yen 100	Other (Other manufacturing industry)	16.7	-	-	1	No	Manufacturing outsourcing and purchasing Brother parts	No

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
Mizunami Seiki Co., Ltd. *2	Mizunami-shi, Gifu	Millions of yen 72	Other (Other manufacturing industry)	14.9	- [16.9]	-	1	No	Manufacturing outsourcing and purchasing Brother products	No
Mizuho Sewing Co., Ltd. *2	Mizuho-ku, Nagoya	Millions of yen 76	Other (Other manufacturing industry)	18.9	- [11.6]	-	1	No	Same as above	No
Showa Seiki Co., Ltd. *2	Mizuho-ku, Nagoya	Millions of yen 100	Other (Other manufacturing industry)	18.0	- [14.9]	-	1	No	Same as above	No
3 other companies	-	-	-	-	-	-	-	-	-	-

Notes

1. Segment titles are abbreviated in main business details as follows.
   P&S: Printing & Solutions Business
   P&H: Personal & Home Business
   N&C: Network & Contents Business
2. Figures in brackets under the ratio of voting rights held are the ratio of holdings by close persons or persons with whom the Company has an agreement and are not included.
3. *1. Specified subsidiary
   *2. The holding ratio is less than 20%, but the Company has substantive influence and consequently, the company in question is listed as an affiliate.
   *3. Files securities reports.
4. Revenue (excluding internal revenue among consolidated subsidiaries) of BROTHER INTERNATIONAL CORPORATION (U.S.A.) and BROTHER INTERNATIONAL EUROPE LTD. each account for more than 10% of consolidated revenue.

Main Profit and Loss Information

	BROTHER INTERNATIONAL CORPORATION (U.S.A.)	BROTHER INTERNATIONAL EUROPE LTD.
Revenue (Millions of yen)	155,155	97,646
Income before tax (Millions of yen)	12,633	20,028
Profit for the period (Millions of yen)	9,386	18,645
Total equity (Millions of yen)	71,974	37,694
Total assets (Millions of yen)	92,849	50,751

5. Employees

(1) Information about group

As of March 31, 2021

Segment titles	Number of employees
Printing & Solutions	23,451 [4,999]
Personal & Home	4,007 [55]
Machinery	2,746 [205]
Network & Contents	3,775 [18]
Domino	2,893 [40]
Other	1,227 [107]
Corporate (shared)	642 [17]
Total	38,741 [5,441]

Notes

1. The number of employees includes part-time, fixed-term, and other such employees.
2. The number of temporary employees (mostly dispatched temp employees) is indicated in brackets, and such employees are not included in the average number of employees for the current consolidated fiscal year.
3. The number of employees in the Personal & Home Business increased by 997 compared to the previous consolidated fiscal year; the main reason was due to changes in production volume. The number of employees in the Machinery Business decreased by 497 compared to the previous consolidated fiscal year; the main reason was a review of production systems at some consolidated subsidiaries. The number of employees in the Network & Contents Business decreased by 825 compared to the previous consolidated fiscal year; the main reason was a decrease in the number of part-time positions at karaoke clubs.

(2) Information about reporting company

As of March 31, 2021

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
3,803 [385]	43.0	15.5	7,703,110

Segment titles	Number of employees	
Printing & Solutions	2,067	[164]
Personal & Home	240	[21]
Machinery	751	[148]
Network & Contents	33	[6]
Domino	16	[-]
Other	184	[38]
Corporate (shared)	512	[8]
Total	3,803	[385]

Notes

1. The number of employees includes part-time, fixed-term, and other such employees.
2. Average annual salary includes bonuses and non-standard wages, and it is calculated with seconded employees excluded.
3. The number of temporary employees (mostly dispatched temp employees) is indicated in brackets, and such employees are not included in the average number of employees for the fiscal year.
4. The number of employees is the number of employed persons including employees seconded from other companies (18) but excluding employees seconded to other companies (382).
5. The Company has adopted a 60-year-old retirement age system.

(3) Status of labor union

The labor union at the Company is the Brother Industries Labor Union. It is not affiliated with a higher-level organization. As of March 31, 2021, membership was 2,698 employees (including 78 employees seconded in Japan).

In addition, BROTHER SALES, LTD., a consolidated subsidiary, has a labor union known as the UA Zensen Brother Sales Labor Union. As of March 31, 2021, membership was 321 employees.

There are no particular matters to be noted concerning labor-management relations.

2. Overview of Business

1. Management policy, management environment, issues to address

This section contains forward-looking statements, which are based on the Group's judgments as of the end of the current consolidated fiscal year (March 31, 2021).

(1) Basic business policies

The Brother Group strives to be a business enterprise that is trusted by all stakeholders and that employees can be truly proud of. Global Vision 21, the medium- to long-term vision adopted in 2002, sets the following three objectives to be pursued by the Brother Group, and we have incorporated these objectives into our business activities.

- 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

(2) Medium- to long-term management strategies

CS B2021 Medium-Term Business Strategy

In our CS B2021 Medium-Term Business Strategy, which comes to a conclusion in FY2021, we set "Towards the Next Level" as the theme for growth and we implemented reforms and are building the foundations for growth with a focus on the following four priority business issues with the aim of accelerating three transformations: business, operations, and talent.

1 Printing - win to survive

- Maintain scale and raise profitability by acquiring high-PV*1 users and improving hardware profitability
- Accelerate shift to new business models to secure stable profits and closer customer relations

2 Machinery/FA*2 - accelerate growth

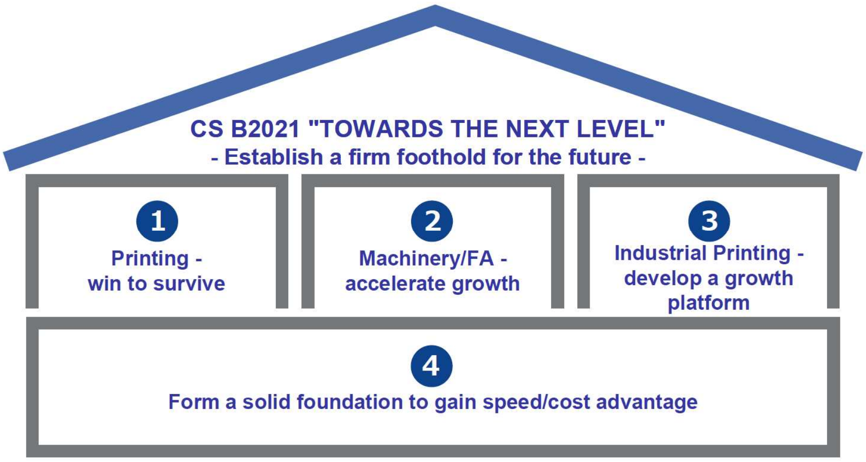
- Achieve significant growth in Industrial Equipment with focus on auto/general machine market
- Increase FA business through capturing a surge in labor-saving/automation needs

3 Industrial Printing - develop a growth platform

- Re-accelerate Domino's growth with synergy realization/ reinforcement
- Expand Industrial Printing area by inkjet-centered printing technologies

4 Form a solid foundation to gain speed/cost advantage

- Thorough operational transformation across the board by leveraging IT
- Maximize organizational performance by cultivating the talent pool and optimizing talent deployment
- Revitalize unprofitable/low-profit businesses



With respect to the initial performance targets for FY2021 —revenue of 750 billion yen and operating profit of 75 billion yen—the business environment has changed drastically including the spread of the COVID-19 pandemic and disruption in global supply chains, making it difficult to achieve these targets, but we have reinforced our resilience to change and continue our efforts to build growth platforms.
Moreover, as a member of global society, we have undertaken CSR management with a focus on the environment, society, and governance (ESG) in all aspects of our business activities, and we seek to sustainably enhance corporate value by preserving the global environment, maintaining employee health, securing diversity in human resources, reinforcing corporate governance, and taking other actions.

(3) Changes in the management environment
During the current fiscal year, the global economy underwent a rapid slowdown in the first half of the fiscal year due to the global spread of COVID-19, followed by signs of moderate recovery. As for individual regions, the Chinese economy is showing signs of steady recovery, while in Europe and other regions experiencing resurgences of COVID-19, restrictions on economic activities have become protracted and the future outlook remains uncertain.
In addition, the emergence of a variety of supply chain-related risks including a worldwide shortage of semiconductors and disruption of maritime transport made it a year when companies engaged in global business were asked how they can quickly respond to sudden change.

Changes in the Group’s business environment (effects from COVID-19)

Business	Business field	Changes in the business environment
P&S Business	Communications and Printing equipment	・ Demand for small-size All-in-Ones and printers for home and SOHO[*3] use increased as a result of people working from home ・ Print volume in offices has declined due to diversification of workstyles such as working from home ・ The spread of infection in production sites has led to delays in production and supply ・ Label printing demand increased with the expansion of e-commerce and delivery services
	Electronic stationery	
P&H Business		・ Special demand for home sewing machines has occurred as many people stay home and enjoy handcrafts and other hobbies
Machinery Business	Industrial sewing machines	・ Industrial sewing machine: Capital investment demand is sluggish in conjunction with a fall in the operation rate of customer sewing factories ・Garment Printer: Demand continues to grow, especially in the U.S.
	Industrial equipment	・ Orders are recovering in all regions, especially from the automotive and general machinery industries in China
	Industrial parts	・ Despite moves to curb capital investment across manufacturing industries, demand is recovering as the needs for automation and manpower reduction have increased
N&C Business		・ The number of karaoke users has decreased substantially due to the closure and shortened business hours of karaoke locations
Domino Business		・ Demand for digital printing equipment is weak due to ongoing moves to curb capital investment

(4) Measures by segment

The Group is taking action based on the CS B2021 Medium-Term Business Strategy while responding to the changes in the external environment caused by the spread of COVID-19.

◆Printing & Solutions Business

Sales of laser All-in-Ones and printers increased due to the increase in opportunities for working and studying from home. Demand for inkjet multi-function printers similarly increased, but factory operations were suspended for a period due to effects of the spread of COVID-19. Consequently, the Group was not able to adequately supply products and the sales volume of these products was down sharply.
With regard to consumables, office printing volumes decreased due to customers continuing to work from home, and similar to printers, there were restrictions on production activities, and as a result, sales were down.
Measures relating to production included a decision to reorganize the sites of consolidated subsidiaries in order to raise productivity. Meanwhile, we moved forward with measures for stable supplies of consumables including development of a system that can produce and supply consumables at multiple sites. In addition, construction of a new building at the Vietnam Factory was completed in January and operations commenced.
Going forward, we will respond appropriately to increases in demand for All-in-Ones and printers due to the diversification of printing opportunities including the normalization of working from home and expansion of the need for distributed printing, and we will work to maintain and expand business scale.

Demand for electronic stationery for home offices temporarily declined as a result of lockdowns, office closures, and other measures in numerous countries, but demand bottomed out in the first quarter and has generally recovered to the level of the previous year. Furthermore, in the specialty printing solutions business, in conjunction with the rapid expansion of e-commerce markets and the appearance of food delivery and other new services, we expanded the lineup of products for the auto-ID market including barcode printers and reinforced our solution proposal capabilities.

◆Personal & Home Business

With the increase in people engaged in handcrafts as well as people making masks by hand at home as a result of staying at home, sales of home sewing machines were strong, particularly in the low-end price range. In addition, people who started a second job increased, primarily in Europe and the U.S., and demand for mid- to high-end sewing and embroidery machines increased.

With regard to sale activities, in response to restrictions on face-to-face sales, we held online events for dealers, conducted marketing activities using video distribution, opened virtual showroom on websites, and took other active measures using new formats.

In the future, we will reinforce online sales activities even further and work to expand sales of mid- to high-end sewing and embroidery machines with the aim of maintaining and expanding our customer bases.

◆Machinery Business

Sales in the industrial sewing machine field declined as a result of curtailed capital expenditure in response to lower operating rates at sewing factories due to lower demand for apparel. In light of this deterioration of the business environment, we reviewed production systems to cut fixed costs and raise productivity. With regard to garment printers, the digital printing market is growing, mainly in the U.S., and we successfully captured new demand with new products that support high-capacity ink.

In the future, we will seek to expand sales of industrial sewing machines in non-apparel markets and enhance our presence regarding garment printers for high-volume printing applications using digital printing.

In the Industrial Equipment field, in addition to U.S.-China trade friction, effects of the COVID-19 pandemic resulted in a global slump in demand for machine tools, but orders hit bottom in the first quarter and have continued to recover since then. In individual regions, orders for the automobile, general machine-related, and IT industries were up in China in particular, and orders for China as a whole have been strong since the second quarter. With regard to products, we launched new products equipped with new controllers manufactured in-house, reinforcing our product lineup.

In terms of manufacturing, we increased capacity at BROTHER MACHINERY XIAN CO., LTD., a consolidated subsidiary in China, to prepare for increased machine tool demand in China in the future. As a result, our machine tool production capacity in China approximately doubled. Regarding sales, we established the Brother Technology Center, a new machine tool showroom, on the grounds of the Kariya Factory (Kariya City, Aichi). In addition to the functions of a conventional showroom, the new facility features enhanced technical proposal functions including processing and automation and can propose wide-ranging solutions to customers.

Going forward, we will seek to expand our automotive and general machine-related industry customer bases centered on increased sales in Asia including China as well as the Japanese market.

In the Industrial Parts field, demand slumped due to curtailed production activities and capital expenditure in manufacturing industries across the board, but demand is recovering at a moderate pace. With regard to reducers, we developed high-rigidity reducers for the industrial robot and factory automation equipment markets. We also updated our existing heat treatment equipment for gears, reducing environmental impact,

and started construction of a heat treatment factory that will make it possible to manufacture high-precision gears.
In the future, we will work to increase the pace of market release of high-rigidity reducers and acquire new orders for precision gears with the aim of expanding sales in the robot and factory automation markets.

◆Network & Contents Business
Due to the COVID-19 pandemic, the number of karaoke users was down substantially throughout the year, and business performance slumped. In response to this business environment, we focused our efforts on creating environments where customers can use karaoke with a sense of reassurance. We developed and introduced "Mask Effect," a feature that allows users to sing while wearing a mask and be heard clearly without muffling of the voice, and we took measures regarding online karaoke distribution so that users can enjoy karaoke at home. However, use of karaoke clubs was restricted and hours were reduced in response to requests from local governments due to a resurgence of COVID-19, and the challenging business environment became protracted. In conjunction with this deterioration of profits, we reduced fixed costs by reducing selling, general and administrative expenses throughout the fiscal year, setting conditions for continued operation of karaoke clubs, and closing unprofitable clubs. Along with the closure of unprofitable clubs, we recorded impairment losses for some club assets.
Going forward, we will work to restore profitability by focusing on creating karaoke club environments that users can enjoy with a greater sense of security, promoting other uses of karaoke rooms such as for viewing videos and live online performances and as conference rooms, and actively developing appealing content through closer collaboration with entertainment industries including music.

◆Domino Business
Despite a temporary decline in demand for products, primarily in Europe, as a result of effects of lockdowns in various countries, demand for daily necessities, such as foods, beverages, and pharmaceuticals, remained firm, and sales of C&M[*4] products were solid. In contrast, sales of DP[*5] products were sluggish due to effects from restrictions on sales activities imposed in response to the COVID-19 pandemic. Sales of consumables in both the C&M and DP fields were solid.
In the DP field, we launched the N730i, a digital printer equipped with a printhead manufactured by Brother. In addition, we entered the corrugated cardboard printing field with the X630i corrugated cardboard printing press.
We will pursue sales growth and seek to improve profitability by expanding sales of products in both the C&M and DP fields and reinforcing our service solutions.
As a result of a review of our future business plans with more cautious assumptions in response to the COVID -19 pandemic, we recorded a portion of goodwill as impairment losses in the fourth quarter of the consolidated fiscal year ended March 31, 2021.

◆Form a solid foundation to gain speed/cost advantage
In order to effectively use limited resources and continuously enhance our abilities to make value proposals to customers, we will comprehensively review business processes throughout the group and promote business automation using IT including RPA and AI.
In addition, we set targets in the CS B2021 Medium-Term Business Strategy to improve the profitability of unprofitable and low-profit businesses and we undertook various measures to achieve those targets, but with the substantial deterioration of the business environment due to the COVID-19 pandemic, for the time being, we will prioritize business continuity and continue our efforts to improve profitability.

(5) ESG initiatives

We undertake management with an emphasis on the environment, society, and governance (ESG) with the aim of creating a society that can undergo sustainable development. We formulated the Brother Group Environmental Vision 2050 so that we can contribute to solving social environmental problems, and we are taking measures to reduce CO2 emissions, promote resource circulation, and conserve biodiversity as priority topics. In addition, in February 2020 we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), analyzed the business risks and opportunities resulting from climate change, and are working to reflect these in management and disclose relevant information. Moreover, we joined the RBA*6 with the aim of being a company trusted by all stakeholders, and we are reinforcing systems to assess and mitigate risks throughout the supply chains including measures to reduce impacts on human rights, labor, health and safety, and the global environment.

We see the good health of each employee is an essential asset for the Brother Group, and accordingly, we take measures to maintain and enhance the health of employees, promote diversity, and support various workstyles so that we can maximize organizational capabilities. By undertaking these initiatives globally, we will continuously enhance corporate value.

*1: Print Volume.

*2: Factory Automation (automation of various factory tasks and processes by using machinery or information systems).

*3: Small Office/Home Office (businesses and business formats that work at home or in a small office).

*4: Coding & Marking (coding & marking equipment).

*5: Digital Printing.

*6: The Responsible Business Alliance (an international organization that promotes CSR).

2. Business risks

Of the matters relating to the business circumstances, accounting situation, and so on set forth in this annual securities report, the main risks that management has identified as likely to have a material impact on the company's consolidated financial position, business results, and cash flow status (referred to as "business results") are as follows.

Forward-looking statements in this report are based on the Group's judgments as of the end of the current consolidated fiscal year.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
1. Risks relating to international circumstances	The Group engages in business activities globally, has manufacturing facilities located primarily in China and other parts of Asia, and has sales companies in multiple regions throughout the world. As a result, U.S.-China trade friction, Brexit, and other developments relating to international circumstances are recognized as a major risk that could have an impact on business. With regard to U.S.-China trade friction, the impact of additional tariffs has been relatively limited, but import and export restrictions imposed by the U.S. and China could have an impact on future business activities, and we are closely monitoring regulatory developments. With respect to Brexit, the trade and cooperation agreement entered into just prior to expiration of the Brexit transition period has not given rise to any impact on tariffs and the like. We will continue to monitor whether withdrawal from the EU by the U.K. will cause a deterioration of economic conditions in the U.K. or the EU as a whole and whether there will be indirect impact on business.	In response to U.S.-China trade friction, we are collaborating with local subsidiaries in the U.S. and have taken measures including reviewing price strategies and examining consumable production countries in order to minimize the impacts of additional tariffs. Going forward, we will continue to gather information on regulatory developments in both the U.S. and China and respond promptly. We will take appropriate measures in response to Brexit concerning trade and regulatory aspects while closely monitoring circumstances in the U.K. and EU.
2. Contraction of the printing market	Printing volumes in the office and home printing markets are decreasing in conjunction with advances in digital printing and changes in work styles, and the printing market continues to contract at a moderate pace. As working from home expands and becomes more established, printing volumes by office equipment may decrease. The Printing & Solutions Business revenue and operating profit account for more than half of the companywide totals, and therefore, if the Group is unable to provide products and services adapted to market trends, there may be an impact on the business results of the Group as a whole.	As working from home becomes well-established and distributed office printing accelerates, demand for SOHO products has been increasing. We will work to acquire high-printing volume customers by adapting to changing market needs and increasing sales of high-end models. In addition, we are securing stable profits and reinforcing ties with customers by accelerating the shift to new business models including contract-based models. Moreover, we are focusing on the specialty printing and solution areas, the markets for which are expected to expand in the future, with the aim of maintaining and expanding the scale of business.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
3. Competition with other companies	The Group is exposed to intense competition with other companies in numerous markets including in the Printing & Solutions Business. We anticipate situations where the Group will face competition with companies that have greater management resources as well as the appearance of local manufacturers in emerging countries and collaboration among our competitors resulting in even fiercer market competition. As competition with other companies intensifies, lower sales prices or the inability to maintain current market shares may have an adverse impact on the Group’s business results.	We will work to provide products and services that achieve customer value in each market, promote higher business efficiency, practice development with little reworking, and reduce manufacturing costs to build business foundations with speed and cost competitiveness.
4. Changes in global economic circumstances	The Group engages in business globally, and therefore, if relevant market trends change due to changes in global economic conditions, an impact on the Group’s business results can be anticipated. The Company’s products in the printing area are used by customers for office and home applications and specialized commercial applications such as commercial printing needs. Also, machinery and factory automation area and industrial printing area products are used by customers as equipment in manufacturing industries including apparel, IT, automobiles, and consumer goods. If changes in global economic conditions have an impact on the management status of customers and their investment in these products is curtailed, there could be an impact on the Group’s business results.	In order to remain a brand that is chosen by customers despite short-term changes in global economic conditions, we are reinforcing development, manufacturing, sales, marketing, after-sales service, and maintenance through the provision of products and services that achieve customer value. In the printing area, we provide product lineups and services that meet customer needs from input to output by integrating All-in-Ones with scanners compatible with mobile devices and cloud networks. In addition, we are expanding our customer bases to the SMB market, proposing solutions to customer problems and optimal products and setups for offices, and expanding contract-type business including print management and automated delivery of consumables, helping customers improve productivity and achieve cost optimization. In the machinery and FA area and the industrial printing area, we continuously bring to market products that meet automation and labor-saving needs and strengthen our ability to make proposals involving the provision of products and services that achieve customer value, contributing to higher customer productivity. Moreover, we are continuously decreasing fixed costs and raw material costs and building revenue structures that are resilient against changes in global economic conditions.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
5. Security trade	The machine tools handled in the Group's industrial equipment business are classified as restricted goods by international security trade control schemes. In light of regulatory trends relating to security trade control, we anticipate that the restrictions on machine tools will be made even stricter in the future. If regulations concerning machine tools are strengthened, it is expected that many of the machine tools that the Group sells will be subject to restrictions. As a result of such strengthening of restrictions, even more rigorous management will become necessary in our transaction with overseas customers relating to the production, sale, and service of machine tools to ensure proper legal compliance procedures and that the Company's machine tools are not used for applications of concern, and consequently, increases in management manhours and expenses are anticipated. Also, if amended laws come into effect, it is likely that the risk of legal violations will increase beyond current levels. If legal violations occur, the Company may be not only subject to penalties pursuant to laws and regulations or administrative guidance like review of management or ban of export of regulated items over a period by regulatory authorities, but it may affect our business management by loss of social reputation and so on.	In order to mitigate these risks we evaluate and improve of management status and implement of well-known education for employess.Besides, while maintaining appropriate legal compliance structures, we are working to strengthen our security trade control systems and rebuild them into more efficient control systems for all Group subsidiaries and companies that comprise the supply chains, centered on the industrial equipment business.
6. Risks relating to parts and materials	There is a risk that the difficulty procuring the resin materials and electronic components made primarily of semiconductors used in Group products will continue due to tight demand. There are also risks that prices for the resin materials and electronic components mentioned above will increase and that prices for raw materials, such as steel plate and copper, will rise, becoming a factor pushing up manufacturing costs. If it is not possible to transfer these impacts to product sale prices or costs cannot be adequately absorbed through improvements in efficiency, a certain degree of impact on future profitability may expect.	We are taking measures to prepare for shortages of resin materials and electronic components made primarily of semiconductors by investigating procurement sources as well as alternate products that can be used by modifying product designs. We are also reducing impacts on expected profits by incorporating the risks of high prices for raw materials including resin materials, electronic components, steel plate, and copper at the time of planning.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
7. Supply chains ・ Supply chain disruption ・ CSR procurement	・ Supply chain disruption The Group operates manufacturing and sales facilities globally. The main manufacturing facilities are located in China, Vietnam, the Philippines, and other countries, and sales facilities are located in countries around the world. If social disorder spreads as a result of natural disasters that exceed anticipated scale, such as epidemics, massive earthquakes, or abnormal weather in conjunction with global climate change and war, terrorism, large-scale fires, there may be an adverse impact on production and logistics including parts procurement systems. The results may be a loss of sales opportunities due to parts shortages in markets and in impact on business results due to loss of customers. ・ CSR procurement The Group has numerous overseas manufacturing facilities, with the main manufacturing facilities located in China, Vietnam, the Philippines, and other countries. These facilities have trading relationships with parts suppliers, but if human rights problems, such as problems concerning overwork, or other such problems occur at these suppliers, the Company may lose the trust of its customers and there could be an impact on transactions with customers. Furthermore, tracing materials beyond the suppliers will lead to the raw materials. In cases where there are improper labor practices, such as severe labor environments in raw material extraction, in conflict zones in Africa or other regions in relation to these raw materials, this could similarly lead to a loss of the trust of customers.	・ Supply chain disruption With respect to production systems, we are responding to these risks by conducting manufacturing at multiple facilities, particularly for consumables. We also implement risk countermeasures such as ownership of spare production equipment and maintenance of inventories of parts. We conduct risk mitigation activities by strategically investigating parts suppliers and their upstream suppliers. We will also review inventory levels to avoid shortages at sales facilities. In addition, we have implemented disaster preparedness measures and certain measures in preparation for natural disasters including earthquakes and storms as disaster prevention activities at facilities. In Japan, the location of our Headquarters, we have established disaster preparedness and crisis management systems in anticipation of a Nankai Trough earthquake. ・ CSR procurement The Company formulated a CSR Procurement Policy as a means of risk mitigation and has posted the policy on its website. We also explain the policy to suppliers by conducting supplier briefings and through other means. We joined the Responsible Business Alliance (RBA), a global economic group, in January 2019 and are reinforcing systems to assess and correct risks in supply chains to reduce impacts on human rights issues as well as health and safety and the global environment. With regard to conflict minerals, we formulated a Conflict Minerals Response Policy and posted it on our website. We also require our suppliers to engage in procurement measures for avoiding the use of conflict minerals.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
8. M&A (impairment risks)	The Group has established a policy of accelerating investment in growth including M&A with the aims of further expanding its industrial areas and creating and developing new business. When implementing M&A and so on, there is a risk that investment effects will not be achieved as intended as a result of business integration burdens that are greater than initially anticipated or the inability of the investment target to develop business as anticipated at the time of investment. As of March 31, 2021, the Group has recorded 75,845 million yen in goodwill (10.2% of total assets) in its consolidated financial statements, and of that amount, goodwill relating to the Domino Business acquired in 2015 accounts for 74,657 million yen. If the above risks occur and estimates of future cash flows change or if interest rates or long-term market growth rates and so on change in the future, impairment losses of this goodwill, tangible non-current assets, or intangible non-current assets may occur, resulting in an impact on the Group's business results. As a result of a review of our future business plans with more cautious assumptions in response to the COVID-19 pandemic, we recorded impairment losses of 27,197 million yen with respect to a portion of the Domino Business goodwill in the current consolidated fiscal year.	The Group has positioned "re-acceleration of Domino growth by achieving synergies" as a priority strategy in CS B2021, the current medium-term business strategy, and we are working to reinforce development and sales capabilities in the Domino Business. In addition, we compare estimates of future cash flows with book value in relation to goodwill at least once annually, regardless of whether there are signs of impairment, to confirm the value of goodwill assets and record appropriate valuation amounts.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
9. Foreign exchange fluctuation risks	Overseas business accounts for large proportions of the Group’s manufacturing and sales, and foreign exchange fluctuation risks relating to transactions denominated in foreign currencies occur on a regular basis. Group sales denominated in euros have the greatest impact, and a trial calculation of the impact of an increase in the value of the yen against the euro based on results in the fiscal year ended March 31, 2021 indicates that profit decreases by approximately 900 million yen annually for each one yen increase in value. In addition, if currencies in the regions where the Group’s main manufacturing facilities are located including China and southeast Asia increase in value, this could be a factor pushing up manufacturing and procurement costs, and medium- to long-term fluctuations in foreign exchange rates are expected to have a certain degree of impact on business results. Assets held by foreign subsidiaries in local currencies (net amount after deducting liabilities) will decrease in value after conversion to yen if these local currencies increase in value against the yen. This will not immediately have an impact on consolidated profit and loss, but other comprehensive income will decrease and this will become a factor pushing down net asset value.	To mitigate these risks, we are taking measures to increase the rate of linkage between receipts and payments in foreign currency transactions. Furthermore, we efficiently manage and avoid short-term risks by conducting foreign exchange forwards and through other means.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
10. Environment ・ Social demands relating to the environment ・ Environmental regulations and environmental pollution	・ Social demands relating to the environment Climate change entails risks of human injury and death, suspension of business operations, disruption of supply chains, and so on caused by disasters and physical risks that can cause substantial damage to production and sales activities. Besides, tighter laws and regulations and regulations with a rapid shift to a decarbonized society entail risks of corresponding cost increases in conjunction , such as loss of sales opportunities, from delayed responses. For the Group, which conducts business activities globally, this is currently and will remain into the future an extremely important issue and may have a significant impact on business management. ・ Environmental regulations and environmental pollution The Group, which conducts business globally, is subject to the application of various environment regulations in each country and region where it conducts business. Regulations on chemical substances in products such as the EU RoHS Directive are being established and are frequently amended in countries and regions around the world. If a violation of these regulations occurs, product recalls, suspension of production and sales, imposition of fines or criminal penalties, loss of social trust, and other repercussions could have a significant impact on the Group's business management.	・ Social demands relating to the environment In order to reduce emissions of greenhouse gasses, a cause of climate change, the Group set a medium-term target for 2030 (reduction of 30% compared to 2015) and has set Science Based Targets (SBT). In order to achieve these targets, we are focusing our efforts on reducing parts and materials procurement, using recycled materials, enhancing the energy efficiency and recyclability of products, and other measures so that we can reduce emissions in the parts and materials procurement, use, and disposal stages of products, which account for more than 80% of total product greenhouse gas emissions. In addition, in February 2020 the Company declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. In FY2020, we also conducted an analysis of the financial impact of climate change on the Group's main businesses. Based on the analysis results, we will implement appropriate countermeasures including reviews of business strategies and conduct appropriate information disclosures. ・ Environmental regulations and environmental pollution The Group has identified chemical substances that should be prohibited or subject to management in the Brother Group Green Procurement Standards and strives to reliably comply with laws and regulations by obtaining compliance guarantees concerning parts and materials from suppliers, providing composition information, conducting supplier audits, and conducting sampling testing of delivered goods. Departments responsible for environmental matters collaborate with Group sites to gather up-to-date information on environmental laws in each country and region, propose measures necessary for Brother products, and cooperate with departments that handle development, purchasing, manufacturing, marketing and so on in relation to product design changes so that countermeasures can be reflected in products promptly.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
11. Information systems ・ Information security ・ Information networks	・ Information security If personal information and confidential information are leaked due to some cause, there may be an adverse impact on the Group's business activities and business results including loss of the trust of customers and a deterioration of brand image. We provide product information and support information to customers on websites with the aim of enhancing customer service. We strive to maintain safe information security levels on these websites, but in the event of an unforeseen external attack results in alteration of websites, direction of users to unauthorized websites, or other such conduct could have an adverse impact on business activities. In addition, the threat of cyberattacks targeting IoT products has been increasing in recent years, and if customer personal information and confidential information were leaked from Brother products, the result could be a loss of the trust of customers, deterioration of brand image, and adverse impact on the Group's business activities or business results. National governments are more actively enacting laws intended to improve the security of IoT products and protect personal information, and it is possible that sales of non-compliant products will not be possible in the relevant countries.	・ Information security The Group has adopted information management rules, established the Information Management Committee, and created information security operational rules. We have also established rules on the use of social media. We work to prevent leaks of personal information and confidential information by conducting internal education based on these operational and use rules. It has also recently become possible to access some internal information using smartphones and other such devices, and we are reinforcing control systems by limiting the terminals that can be used, encrypting information, and taking other measures. With regard to access to personal and confidential information, we control access and perform access log management to prevent improper handling. The Group established the Product Information Security Basic Policy and is working to enhance the product security throughout the Group so that customers can use our products with reassurance. We also take measures to minimize risks by establishing internal rules on reporting lines and product information security incident responses systems and establishing structures for cases where vulnerability risks relating to products occur. To ensure legal compliance in each country, we collaborate with foreign subsidiaries to acquire information on the enactment and amendment of laws and regulations, and after gaining a full understanding of the statutory details, we work to promptly reflect them in Group business as well as products and services.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
	・ Information networks The Group manages production management, sales management and financial and other information using networks. In addition, the Group has come to use external data centers and cloud services in recent years, utilizing information systems located not only within the Company, but also externally via networks. If networks are disrupted, system operation interrupted, or other such events occur, this would impede the implementation of these business activities. Furthermore, in the event of an unforeseeable intrusion or attack from outside such as infection by a computer virus or hacking, depending on the particulars and scale, there could be an adverse impact on business activities. In addition, given the need to maintain and enhance the reliability of financial reports, the occurrence of unforeseeable control issues could give rise to a situation where the reliability of financial reports cannot be guaranteed.	・ Information networks We take all possible measures such as storing information and performing equipment maintenance, and in the case of key systems that impact supply chains, we have created systems that can minimize downtime and be restored quickly in the event of an incident. We implement security measures based on multi-tier defenses to protect against unforeseeable external intrusion and attacks and periodically review those measures. We respond to increasingly advanced cyber threats by conducting security monitoring 24 hours a day, 365 days a year, to rapidly detect suspicious behavior on PCs and servers and eliminate threats. We take measures with the best possible responsible mechanisms as described above, and to respond to the constant advances in information technology, we enhance the skills of personnel involved in system operation and use by conducting ongoing education. To prepare for the occurrence of an incident, we have long conducted drills in the corresponding internal organizations, and we strive to minimize any damage by responding promptly. As measures concerning internal control systems, we will maintain quality enhancement activities in the development, maintenance, and operation of information systems from the perspective of overall IT control and we will work to achieve appropriate IT operations.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
12. Human resources ・ Occupational accidents, human injury ・ Recruiting human resources	・ Occupational accidents, human injury The Group operates business sites around the world, and awareness regarding diversity, the environment, and safety as well as the laws that must be complied with vary among the countries and regions where these business sites are located. Under these labor conditions, there are various risks in the labor environment ranging from the minor to serious disasters that can result in disability. In addition, damage caused by recent natural disasters that exceeded expectations and accidents involving fire, explosion, and so on caused by machinery and equipment can result not only in a suspension of operations at manufacturing sites, but also a failure to fulfill our social responsibilities, and this could have an impact on the Group business results. ・ Recruiting human resources Competition to secure human resources in labor markets is fierce, and if it becomes difficult to recruit and retain talented human resources, the inability to invest adequate resources in research and development could lead to a deterioration of product competitiveness and the lack of labor capacity could impede the stable supply of products, resulting in impacts on the Group's business results. Although the likelihood of occurrence is currently low, this can be expected to occur, particularly in the case where brand image is substantially harmed, and the impact will depend on the particulars of the matter.	・ Occupational accidents, human injury The secretariat of the Central Safety, Health, and Disaster Prevention Committee collects accident and disaster status information from each Group site on a monthly basis, shares information on the identification of accident causes and measures to prevent reoccurrence so that they can be implemented at other sites to prevent the occurrence of the same or similar types of accidents. The secretariat also supports safety and disaster prevention activities conducted at each site and confirms implementation status by conducting factory audits. In 2017, we adopted the Regulations on Systems and Control for Disaster Prevention of the Brother Group to address the risks of fire and explosion, establishing Group standards that go beyond the requirements of fire-related laws and regulations in each country, and we conduct compliance audits. ・ Recruiting human resources The Group works to recruit the human resources needed for each function carried out globally including planning, development, design, manufacturing, sales, and service. To promote human resource retention, we take measures to develop human resources systems so employees can remain active over the long term and to continuously improve workplace environments. We also formulate succession plans for key personnel. To maintain and enhance brand image, we conduct employee education in accordance with the Brother Group Global Charter and work to reinforce corporate public relations.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
13. Laws and regulations ・ Compliance in general ・ Taxation	・ Compliance in general The Group is subject to various laws and regulations in the countries and regions where it conducts business. The enactment of new laws and the amendment of laws and regulations in each country and region could severely restrict the Group's business activities, and the Group may incur large expenditures responding to laws and regulations. In the event of an unintended violation of laws and regulations, there could be an adverse impact on the Group's business results. Furthermore, improper conduct by employees could cause harm to the Group and have an adverse impact on the Group's business activities.	・ Compliance in general Legal and ethical compliance supports the foundations of the Group's CSR management, and we believe they are essential for avoiding various risks. To ensure thorough compliance throughout the Group, we established conduct standards for employees based on "ethics and morality," one of the Codes of Practice of the Brother Group Global Charter, and the Brother Group Principles of Social Responsibility, which clearly defines and promotes acting on our responsibilities as a business enterprise. We established the Compliance Committee and set up an Employee Hotline for Compliance Issues (helplines), and we work to prevent, quickly identify, and prevent reoccurrence of improper conduct. All Group companies including overseas companies have established their own Compliance Committee and compliance helplines. In the event of a serious compliance incident, notice is provided not just to the Compliance Committee or department of the relevant Group company, but also to the BIL Compliance Committee, and we have established systems for the Group to work together in responding.
	・ Taxation The Group engages in business activities around the world and is subject to the tax systems of each country and region where it has business sites. If the tax systems or tax rates in these countries and regions change, there could be a negative impact on the Group's business results. To address issues of tax base erosion and profit shifting (BEPS), tax authorities in many countries and regions are stepping up their efforts, and if legal systems are changed or tax enforcement becomes stricter in the future, there is a risk that the Group will be subject to additional taxation or international double taxation.	・ Taxation Serious tax-related issues are reported to regional management companies and information is shared with the BIL tax department. Support is obtained from tax accountants and other external professionals, and we consult with tax authorities as necessary. In addition, with respect to transactions between Group companies, we appropriately manage transfer pricing with each country and region to ensure that arm's-length prices are maintained, and in the case of transactions that entail high transfer price taxation risks, we use an advance pricing agreement (APA) system to mitigate tax-related risks.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
14. Quality and product liability	There is no guarantee that all products are free of defects and that product safety issues or quality issues will not occur in the future. If major problems of these types occur, the possible outcomes include incurring massive costs, harm to brand image, deterioration of social evaluation, decreases in purchases of Brother products by customers, and impacts on the Group's business results.	In order to provide high-quality and appealing products, the Group has established production management systems and manufactures products in accordance with rigorous quality control systems. We also verify that quality levels are appropriate with regard to products that are supplied by manufacturing contractors. If an accident caused by a product were to occur, we would place the highest priority on responding to the injured party while disclosing information, reporting to governmental agencies, and taking measures to prevent any further damage.
15. Intellectual property	(1) Infringement of the Group's intellectual property by third parties such as sale of counterfeit goods by third parties could occur. The possible results of this include deterioration of the Group's business results and a decline in the Group's reputation. (2) There is a possibility of the institution of litigation by a third party against the Group in relation to the patent rights or other intellectual property rights of the third party. If the third party's claims were upheld, the Group may be enjoined from selling its products and may be required to pay compensatory damages. (3) The Group conducts its business activities while entering into license agreements relating to patents and other intellectual property rights with other companies as necessary. However, there could be an impact on business activities depending on the terms and conditions of such license agreements. (4) An inventor could institute litigation regarding rewards for an invention.	(1) The Group enforces intellectual property rights against infringing conduct by third parties while giving consideration to the degree of impact on business results and reputation. (2) The Group conducts business activities while respecting the patent rights and other intellectual property rights of other companies, but in the event that a third party institutes litigation on the grounds of infringement, after carefully investigating the details, the Group will take countermeasures such as defending against the litigation or reaching a settlement. (3) The Group acquires numerous patent rights as the result of research and development. The Group takes countermeasures, such as licensing some of the patent rights that it holds to other parties, while entering into agreements to minimize the impacts on business activities. (4) The Group has established rules on rewards for inventions and provides appropriate rewards to inventors.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
16. COVID-19	The Group conducts business activities globally, and there is a risk that the COVID-19 pandemic will result in an ongoing decline in production operations at Group business sites and by production parts suppliers due to national lockdowns and the like imposed by national governments. It is also possible that with regard to logistics, restrictions and disruptions could occur in international imports and exports and have an impact on procurement and shipments, and the impact on profits from the worldwide increase in marine freight rates caused by a container shortage could continue. With respect to sales, in the Network & Contents Business, which is centered in Japan, the decrease in customers visiting directly-managed karaoke clubs could become protracted due to the state of emergency declared by the government or other factors, and this could have a material impact on business results.	We have strived to maintain business activities after taking infection prevention measures with the highest priority on the health of customers, business partners, and all employees. We will continue production activities at manufacturing factories by taking comprehensive infection prevention measures in office and working in collaboration with production parts suppliers. We will also continue to flexibly employ measures such as working from home and staggered working hours at sales companies and offices under the restrictions imposed by each country. With regard to operation of directly-managed karaoke clubs in the Network & Contents Business, we will make determinations to resume operations after taking comprehensive measures to ensure the reassurance and safety of customers and employees according to the status of restrictions in each region.

3. Management analysis of financial position, operating results and cash flows

The Group's financial position and business results are set forth below. Forward-looking statements in this report are based on the Group's judgments as of the end of the current consolidated fiscal year.
Group performance management is conducted based on business segment profit and loss and operating profit and loss. Business segment profit and loss is calculated by deducting the cost of goods sold, and sales, general and administrative costs from revenue.

(1) Overview of business results, etc.

A summary of the financial position, business results, and cash flows of the Group (Brother, its consolidated subsidiaries, and entities accounted for using the equity method) during the current consolidated fiscal year (referred to as "business results") is set forth below.

1 Business results

During the current fiscal year, the global economy underwent a rapid slowdown in the first half of the fiscal year due to the global spread of COVID-19, followed by signs of moderate recovery. With regard to individual regions, the Chinese economy is showing signs of steady recovery, but restrictions on economic activities in Europe and other regions where there have been resurgences of COVID-19 have been drawn out, and the situation remains uncertain.
As for the business environment relating to the Group, in the printing market, effects from the spread of COVID-19 have resulted in substantial increases in demand for compact All-in-Ones and printers for use while working or studying from home. In contrast, printing in offices decreased in conjunction with effects from office closures and changes in workstyles including the shift to working from home in many countries. As a result of higher demand for hand-made items due to the increase in time that people are spending at home, demand for home sewing machines increased, primarily for low-end models. In areas relating to the Machinery Business, demand for machine tools is showing signs of recovery, mainly in China, but demand for industrial sewing machines remains sluggish as the trend towards curtailing new investment continues. In the karaoke market in Japan, the effects from the spread of COVID-19 caused a substantial decrease in karaoke users, and conditions remain adverse. In Domino Business related areas, demand for coding and marking equipment was firm, but new capital expenditures for large digital printing equipment and other equipment remain curtailed.
With regard to the Group's consolidated performance under these circumstances, in the Printing & Solutions Business, demand for use while staying at home remained firm and sales of laser printers were steady, but demand for office printing decreased and there were effects from an inkjet printer supply shortage, and as a result, revenue for the segment as a whole was down. In the Personal & Home Business, revenue was up substantially as a result of an increase in demand for handmade items such as masks. In the Machinery Business, capital expenditure for industrial sewing machines remained at low levels, but demand for machine tools is recovering, and revenue for the segment as a whole was up. In the Network & Contents Business, revenue was down sharply due to effects from the closure of karaoke clubs and shortened operating hours. The Domino Business was supported by steady demand for daily necessities and sales of coding and marking equipment was up, resulting in higher revenue.
As a result of these factors, revenue decreased 0.9% year-on-year to 631,812 million yen and business segment income increased 16.6% year-on-year to 78,076 million yen. Operating profit was 42,731 million yen, a year-on-year decrease of 36.5% due to goodwill impairment losses in the Domino Business, site reorganization expenses for some consolidated subsidiaries in the Printing & Solutions Business, impairment

losses relating to karaoke club assets in the Network & Contents Business, and other factors. Profit for the period attributable to owners of the parent company was down 50.5% year-on-year to 24,520 million yen.

* Average currency exchange rates (consolidated) were as follows.

Current fiscal year
U.S. dollar: 106.17 yen Euro: 123.73 yen

Previous fiscal year
U.S. dollar: 109.10 yen Euro: 121.14 yen

Performance by business segment was as follows.

1) Printing & Solutions Business

Revenue: 384,766 million yen (-1.5% year-on-year)

○ **Communications and printing equipment: 337,950 million yen (-1.1% year-on-year)**

Sales of laser All-in-Ones and printers increased due to the increase in opportunities for working and studying from home. Demand for inkjet multi-function printers was up substantially as a result of the increase in printing needs during work and study from home, but restrictions on supplies due to the suspension of operations at factories had an impact, and the printer sales volume was down sharply. In conjunction with the shift in workstyles such as working from home, office printing volumes decreased, and as a result, sales of consumables were down.

As a result of these factors, revenue in the sector as a whole was nearly flat from the previous year.

○ **Electronic stationery: 46,816 million yen (-4.4% year-on-year)**

Sales in the solutions field, driven primarily by sales of mobile printers, were steady as a result of the acquisition of large-scale orders. Demand for labeling systems and label printers recovered at a moderate pace, but revenue in the business as a whole was down due to effects from lockdowns in many countries in the first half of the fiscal year.

Business segment profit: 65,151 million yen (+14.1% year-on-year)

Operating profit: 60,989 million yen (+6.8% year-on-year)

Gross profit decreased in conjunction with the decline in sales of consumables, but business segment profit increased due to a reduction of sales-related expenses and other factors. Despite reporting temporary expenses in conjunction with site reorganization of some consolidated subsidiaries, operating profit for the business as a whole was up.

2) Personal & Home Business

Revenue: 53,668 million yen (+31.3% year-on-year)

The increase in the amount of time people spent at home spurred demand for handmade items, and sales of home sewing machines, particularly low-end models, were firm. In addition, demand for middle and high-end sewing and embroidery machines was up, mainly in Europe and the U.S., in conjunction with more people taking on second jobs. As a result, revenue was up substantially.

Business segment profit: 9,803 million yen (+213.3% year-on-year)

Operating profit: 9,641 million yen (+203.7% year-on-year)

As a result of higher demand from consumption by people staying at home and for use for second jobs, sales of home sewing machines were strong and revenue was up substantially, reaching a new record high for the segment.

3) Machinery Business

Revenue: 78,917 million yen (+5.5% year-on-year)

- **Industrial sewing machines: 24,154 million yen (-12.6% year-on-year)**
  Demand for garment printers continued to expand, but sales of industrial sewing machines were down due to curtailed capital expenditures resulting from lower sewing factory operating rates in conjunction with falling demand for apparel. As a result, revenue for the segment as a whole was down.
- **Industrial equipment: 38,714 million yen (+29.8% year-on-year)**
  Demand for the automotive and general machinery markets in China recovered, and in the IT area, demand for laptop PCs and other devices grew in response to the increase in working from home. As a result, revenue was up.
- **Industrial parts: 16,047 million yen (-7.5% year-on-year)**
  Demand had slumped due to sluggish production activities in manufacturing industries in general, particularly in Japan, and curtailed capital expenditures. Although there was a moderate recovery, revenue for the segment as a whole was down.

Business segment profit: 4,120 million yen (+493.4% year-on-year)

Operating profit: 3,303 million yen (+439.2% year-on-year)

Although there were effects from sluggish demand for industrial sewing machines, demand for machine tools recovered and there were also effects from reduced selling, general, and administrative expenses, and as a result, business profit for the segment as a whole was up substantially. Despite recording temporary expenses in conjunction with a review of industrial sewing machine production systems, operating profit for the segment as a whole was up substantially.

4) Network & Contents Business

Revenue: 31,044 million yen (-36.8% year-on-year)

Due to the temporary closure of all directly-managed karaoke clubs and compliance with requests for reduced operating hours in response to the effects of COVID-19 as well as other factors, the number of karaoke users was down sharply, and karaoke club business revenue slumped. In addition, new demand for commercial karaoke systems was down, and revenue fell sharply.

Business segment loss: 5,159 million yen (business segment profit in the previous fiscal year: 2,087 million yen)

Operating loss: 7,348 million yen (operating profit in the previous fiscal year: 1,864 million yen)

Despite lower selling, general and administrative expenses throughout the fiscal year, revenue was down due to the closure of karaoke clubs and effects from shortened operating hours as well as sluggish sales of karaoke machines, and as a result, a substantial business segment loss was reported. Although there were positive effects from employment adjustment subsidies (novel coronavirus exceptions), due to reporting asset impairment losses in conjunction with the deterioration of profitability of the karaoke club business and other factors, substantial operating losses were recorded.

5) Domino Business

Revenue: 69,824 million yen (+3.4% year-on-year)

Although demand for devices decreased, particularly in Europe, in response to lockdowns in each country, business was supported by solid demand for daily necessities including foods, beverages, and pharmaceuticals, and sales of coding and marking equipment was firm starting in the second quarter. In contrast, sales of digital printing equipment slumped due to curtailed capital expenditures by customers and restrictions on operating activities. Sales of coding and marking equipment and digital equipment were firm, and as a result, revenue from consumables was up.

Business segment profit: 4,753 million yen (+25.5% year-on-year)
Operating loss: 23,940 million yen (operating profit in the previous fiscal year: 3,918 million yen)

Business segment profit was up due to the recovery of revenue. As a result of a careful review of future business plans due to the effects of COVID-19, impairment losses were recorded for some goodwill, and consequently, a substantial operating loss was reported.

2 Financial position

Goodwill and intangible assets decreased due to the recording of impairment losses and other factors, while cash and cash equivalents and inventories increased, and as a result, total assets were 743,896 million yen, an increase of 12,424 million yen compared to the end of the previous consolidated fiscal year.

Trade and other payables increased, while corporate bonds and borrowings decreased due to the redemption of corporate bonds and repayment of loans using cash on hand borrowed at the end of the previous consolidated fiscal year in order to respond to changes in business and the financial environment caused by the COVID-19 pandemic, and as a result, total liabilities were 244,189 million yen, a decrease of 42,111 million yen compared to the end of the previous consolidated fiscal year.

Total equity was 499,707 million yen, an increase of 54,535 million yen compared to the end of the previous consolidated fiscal year.

Currency exchange rates at the end of the period were as follows.

U.S. dollar: 110.71 yen Euro: 129.80 yen

3 Cash flows

With respect to cash flows, cash and cash equivalents (referred to as “Cash”) were 191,002 million yen, an increase of 22,580 million yen compared to the end of the previous consolidated fiscal year as a result of a 109,265 million yen increase from operating activities, a 25,080 million yen decrease from investing activities, and a 74,038 million yen decrease from financing activities.

The status of each category of cash flows during the current fiscal year and their main factors were as follows.

1) Cash flows provided by operating activities

Cash flows from operating activities were 109,265 million yen after deducting 16,945 million yen in income taxes paid as a result of 42,944 million yen in income before tax, 38,252 million yen in depreciation and amortization, increases in assets from non-monetary losses including 30,787 million yen in impairment losses, a 7,484 million yen increase in funds from reduction of trade and other receivables, a 3,953 million yen increase in funds from a decrease in inventories, a 1,232 million yen increase in funds from higher trade and other payables and other factors.

2) Cash flows from investing activities

Cash flows used in investing activities were 25,080 million yen as a result of expenditures of 20,655 million yen for acquisition of tangible fixed assets, expenditures of 6,859 million for acquisition of intangible fixed assets, and other expenditures.

3) Cash flows from financing activities

Cash flows used in financing activities were 74,038 million yen as a result of expenditures of 30,012 million yen for repayment of short-term loans acquired at the end of the previous consolidated fiscal year to respond to changes in business and the financial environment caused by COVID-19, expenditures of 8,798 million yen for repayment of lease liabilities, expenditures of 14,830 million yen for dividends, expenditures of 20,140 million yen for redemption of corporate bonds, and other expenditures.

4 Production, orders, and sales

1) Production performance

The Group's production performance is omitted since the details are similar to the sales performance.

2) Orders received

Orders received by the Group is omitted since much of the Group's production activities is anticipatory production.

3) Sales performance

For information on the Group's sales performance, refer to "5. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated financial statements" and Notes to the Consolidated Financial Statements, 6. Segment Information".

(2) Analysis of business results from the perspective of management and matters for consideration

The understanding, analysis, and discussion of the Group's business results and so on from the perspective of management are described below.

1 Significant accounting policies and estimates

The Group's consolidated financial statements were prepared in accordance with Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) and IFRS.

In preparing the consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that have an effect on the application of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. The Group believes that management's judgments, estimates, and assumptions are reasonable, but actual results may differ from these estimates.

The significant accounting policies and estimates adopted in the Group's consolidated financial statements are described in 5. Financial Information, 1. Consolidated Financial Statements, (1)Consolidated financial statements and Notes to the Consolidated Financial Statements, 3. Significant Accounting Policies and 5. Financial Information, 1. Consolidated financial statements, (1)Consolidated financial statements and Notes to the Consolidated financial statements, 4. Significant Accounting Estimates and Judgments involving estimations.

2 Understanding, analysis, and discussion of business results for the current consolidated fiscal year

1) Business results for the current consolidated fiscal year

Refer to (1) Overview of business results, etc., 1 Business results for information on business results.

2) Factors that have a material impact on business results

The Group conducts a majority of its business activities overseas including sale of products and services and manufacture of products. Consequently, management is aware that Group performance could be affected by various factors such as market developments in each country, trends in foreign exchange rates, and maintenance and reinforcement of manufacturing capabilities at overseas factories.

First, to respond to foreign exchange risks, the Group enters into foreign currency contracts for euros, which have a major impact on profits, in accordance with certain criteria to control the impact on performance of sudden changes in foreign exchange rates.
With respect to manufacturing aspects, we are shifting each business from a structure centered on China to one centered in other parts of Asia including Vietnam and the Philippines with the aims of reducing costs and hedging against various risks. By distributing manufacturing sites, we are mitigating the risks associated with disasters, accidents, and so on to achieve stable product supplies.
Looking to individual segments, the Printing & Solutions Business accounts for 60.9% of revenue and 83.5% of business segment profit. Consequently, trends concerning performance in the Printing & Solutions Business is a major factor that has a significant impact on business results. The Group holds a high share of the global market for laser All-in-Ones and printers for SOHO use, particularly in developed countries such as the U.S. and Europe, and with respect to profitability, the business segment profit ratio is 16.9%, achieving high profitability. In this area, there are effects from business reorganization among competitors, and the competitive environment remains comparatively calm. Accordingly, this segment will achieve continuous growth as a business that supports the profits of the Group as a whole in the future. Furthermore, there are steady changes in the business environment such as the spread of digital devices, advances in technologies centered on the Internet, changes in office workstyles, and changes in customer purchasing methods, and therefore, achieving sustainable growth requires the ability to adapt to change.
To respond to these circumstances, the Brother Group formulated the CS B2021 Medium-Term Business Strategy, which ended in FY2021 (FY2019 – FY2021) and is working to build growth platforms with “Towards the Next Level” as the theme of the strategy.

3) Objective indicators for determining the status of attainment of management policies, management strategies, and management targets

We set the following performance targets in the CS B2021 Medium-Term Business Strategy.

	FY2020 Performance	CS B2021 Performance Targets
Revenue	631.8 billion yen	750.0 billion yen
Operating profit	42.7 billion yen	75.0 billion yen

4) Understanding, analysis, and discussion of financial position and business results by segment

For information on business results by business segment, refer to (1)Overview of business results, etc., 1 Business results.

5) Group capital resources and liquidity

The Group’s policy on financial activities is to keep liquidity at an appropriate level for current and future business activities and to ensure flexible and efficient funding. In accordance with this policy, the Group establishes and manages a cash management system to efficiently utilize the Group's funding. We established systems to minimize the uneven distribution of funds and to reduce borrowing as much as possible throughout the Group.

Liquidity management

The Group positions cash and cash equivalents as on-hand liquidity. As of the end of the current consolidated fiscal year, the Group had 191,002 million yen in cash and cash equivalents, equal to approximately four months of revenue.
The Group seeks to increase capital efficiency and ensure liquidity by employing a cash management system through funds procurement sources including the Company and financial subsidiaries.

As a result, management believes that it has ensured adequate on-hand liquidity throughout the fiscal year while giving due consideration to seasonal fluctuations in demand for funds, borrowings that will come due in less than one year, and business environment risks such as risks arising from COVID-19.

Financing

The Group's basic policy on financing is to procure short-term funds such as working capital in local currency by securing short-term loans that, in principle, are due in less than one year and to secure long-term funds such as funds needed for manufacturing facilities and so on from internal reserves, long-term loans with fixed interest rates, and corporate bonds. As of the end of the current consolidated fiscal year, the balance of long-term borrowings to be repaid within one year was 19,167 million yen. These borrowings are denominated in U.S. dollars and Japanese yen. The balance of long-term borrowings was 38,290 million yen, and they are denominated in U.S. dollars and Japanese yen.

The Company has acquired a rating from Rating and Investment Information, Inc. As of the end of the current consolidated fiscal year, the Company's issuer rating was A, and its rating for commercial paper was a-1. Management believes that maintaining ratings at a certain level is important for securing access to financial and capital markets.

The Group believes that it can secure necessary working capital and funds for capital expenditures and R&D by making use of its ability to generate cash flows from operating activities as well as on-hand liquidity and its sound financial position.

Capital demand trends

The CS B2021 Medium-Term Business Strategy sets an investment fund of 50,000 million yen, and the Group is accelerating growth investment in further expansion including industrial areas, creation and development of new business, reinforcement of inkjet-related facilities, and M&A.

In addition to making investments in building the growth platforms for achieving further growth, we will provide returns to shareholders in accordance with our basic policies written in "4. Information about Reporting Company 3. Dividend policy".

To respond to these capital demands, we will secure operating cash flows and flexibly procure funds for long-term investment as necessary.

4. Material contracts, etc.

Technology contracts

Contracting company	Counterparty (Country)	Details	Contract term
BIL	Canon Inc. (Japan)	Grant of licenses to patents relating to electronic photographs and facsimiles	From June 27, 2009 until the relevant patents expire
Same as above	Ricoh Company, Ltd. (Japan)	Grant of licenses to patents relating to electronic photography technology and facsimile devices	Five years from October 1, 2019
Same as above	Lemelson Medical, Education and Research Foundation (U.S.)	Grant of licenses to patents relating to image processing technology, bar code technology, and other technologies	From April 2, 1998 until the relevant patents expire
Same as above	Seiko Epson Corporation (Japan)	Grant of licenses to patents relating to printers and other devices	From June 28, 2018 until the relevant patents expire

5. Research and development activities

At the Brother Group, we consider true technical capabilities to be the utilization of our unique technologies to create products and services that customers demand. This is because we believe that excellent technologies can provide value to people only when they are utilized in products. In order to offer products valued and chosen by customers, the Group's engineers obtain and evaluate customers' feedbacks. In addition, they devote themselves to value creation by constantly thinking about what technologies they can apply to satisfy customers and what kind of products will be useful to customers.

The Group has a total of 2,182 employees engaged in research and development.
The Group's total R&D expenditures during the current consolidated fiscal year were 43,080 million yen.

The main details of R&D, the results of R&D, and R&D expenditures in each segment during the current consolidated fiscal year are as follows.

(1) Printing & Solutions Business

We pursue laser, inkjet and other printing technologies and proposed workstyle reforms. Representative products include printers that pursue compactness, All-in-Ones that incorporate multiple functions including printing, faxing, copying, and scanning, and labeling systems that focus on ease of use. These information and communications devices respond to wide-ranging needs in the SOHO (small office/home office) and SMB (small and medium business) fields.

Amid the trend of accelerating overseas production, we develop production technologies that support manufacturing to reinforce our foundations as a manufacturing company, and we promote process reforms and ultrahigh-precision processing technologies with the aim of building in performance and quality from the earliest stages of manufacturing.

Key results during the current consolidated fiscal year include launch of the DCP-J987N-W, a new PRIVIO inkjet printer that enhances the convenience of printing from a smartphone.

In the area of electronic stationery, we launched the new TJ-4T series, Brother's first industrial label printers that achieve high-speed, high-volume printing.

R&D expenses in this segment were 28,281 million yen.

(2) Personal & Home Business
Brother has industry-leading development capabilities that allow it to provide highly functional products with high added value. In particular, we lead the market by offering customers state-of-the-art features that are also easy to operate, utilizing our forte of electronic technologies.
Key results during the current consolidated fiscal year include launch of the LUMINAIRE XP1, our highest-end home embroidery machine and the industry's first that includes a projector to perform simulations before embroidering.
R&D expenses in this segment were 2,007 million yen.

(3) Machinery Business
We promote higher productivity and new value creation by proposing to customers industrial sewing machines that achieve usability, high-quality sewing and energy savings and machine tools optimized for processing components of IT devices like smartphones, automobiles, and motorcycles and by providing close support. In the reducer and gear area, our objective is to develop products that more closely meet user needs.
Key results during the current consolidated fiscal year include launch of the NEXIO S-7780A, industrial sewing machine with direct-drive automatic thread trimming and electronically-fed stitch cutting.
With regard to machine tools, we launched the SPEEDIO W1000Xd1 compact machining center, which boasts that largest class processing area among #30 vertical machining centers.
In the area of reducers, we completed development of a hollow type high-rigidity reducer that features high rigidity, high torque, and a large diameter hollow space.
R&D expenses in this segment were 5,091 million yen.

(4) Network & Contents Business
In the Online Karaoke Business, we provide commercial online karaoke systems and leverage content and distribution technologies accumulated through online karaoke to pursue new customer value by providing services in healthcare areas and distributing video content.
R&D expenses in this segment were 872 million yen.

(5) Domino Business
By providing integrated services from the sale of diverse coding and marking equipment to after-sales services, we are responding to customer needs for enhanced quality management and traceability.
In addition, we respond to demand for various types of label and other package printing in small quantities and with short delivery times through integrated provision of inkjet digital printers and after-sales service.
R&D expenses in this segment were 4,007 million yen.

(6) Other Business
R&D expenses in this segment were 2,819 million yen.

3. Information about Facilities

1. Overview of capital expenditures

The Group's capital expenditures for the current consolidated fiscal year were 28,266 million yen, the breakdown of which is shown below.

The capital expenditures include investment in property, plant and equipment and intangible assets.

Segment titles	Capital expenditures (Millions of yen)	Major investments
Printing & Solutions	13,519	Manufacturing facilities for communications and printing equipment, etc.
Personal & Home	960	Manufacturing facilities related to home sewing machines
Machinery	3,018	Manufacturing facilities related to industrial sewing machines, machine tools, reducers, and gears
Network & Contents	1,947	Investments related to online karaoke systems and telecommunications systems
Domino	2,140	Manufacturing facilities related to industrial printing equipment
Other Business and Corporate	6,679	Construction of and improvements to buildings, investment related to information systems

There was no disposal of facilities that would have a material impact on the Company's production capacity in the current consolidated fiscal year.

2. Major facilities

(1) The company

As of March 31, 2021

Facility (location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m^2)	Other	Total	
Mizuho Factory (Mizuho-ku, Nagoya, Aichi)	Printing & Solutions, Personal & Home, Others	Research and development facilities for communications and printing equipment, electronic stationery, and home sewing machines	4,548	1,072	337 (42)	5,649	11,608	2,426 [185]
Hoshizaki Factory (Minami-ku, Nagoya, Aichi)	Printing & Solutions	Processing facilities for printer heads	966	867	10 (32)	1,232	3,077	182 [42]
Momozono Factory (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	387	217	12 (4)	103	720	31 [10]
Kariya Factory (Kariya-shi, Aichi)	Printing & Solutions, Machinery	Manufacturing facilities for electronic stationery, garment printers, and machine tools	6,363	1,655	160 (133)	1,066	9,246	730 [152]
Logistics Center (Minami-ku, Nagoya, Aichi) *1	Other	Logistics facilities	784	8	135 (22)	10	939	- [-]
Research & Development Center (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	718	89	396 (4)	197	1,401	98 [6]
Head office (Mizuho-ku, Nagoya, Aichi)	——	Other facilities	1,720	21	71 (4)	4,500	6,313	293 [4]

(2) Domestic subsidiaries

As of March 31, 2021

Facility (location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m²)	Other	Total	
NISSEI CORPORATION Head office factory (Anjo-shi, Aichi) Four other sites *2	Machinery	Manufacturing facilities for reducers and gears, etc	5,058 [528]	4,629	2,906 (97)	236	12,830	842 [50]
BROTHER REAL ESTATE. LTD. B 9 Sakae rental buildings and parking lots (Naka-ku, Nagoya, Aichi) 14 other sites *3	Other	Stores for rent and parking lots	964	-	3,020 (6) [5]	691	4,676	- [-]

(3) Overseas subsidiaries

As of March 31, 2021

Facility (location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m^2)	Other	Total	
BROTHER INTERNATIONAL CORPORATION (U.S.A.) (New Jersey etc., U.S.A.)	Printing & Solutions, Personal & Home, Machinery	Logistics facilities, office buildings, etc.	1,901	126	1,575 (416)	5,418	9,021	680 [155]
BROTHER INDUSTRIES (U.S.A.) INC. (Tennessee, U.S.A.) *3	Printing & Solutions, Machinery	Manufacturing facilities for OEM products (mailing printers), etc.	2	128	- (-) [18]	113	244	103 [65]
BROTHER INDUSTRIES (U.K.) LTD. (Wrexham, Wales, U.K.) *3	Printing & Solutions	Manufacturing facilities for consumables for printers and All-in-Ones, etc.	74	95	- (-) [42]	107	278	157 [5]
BROTHER TECHNOLOGY (SHENZHEN) LTD. (Shenzhen City, Guangdong Province, China) *3	Same as above	Manufacturing facilities for printers and All-in-Ones	447	269	- (-) [126]	4,147	4,864	2,055 [91]
BROTHER INDUSTRIES (VIETNAM) LTD. (Hai Duong Province, Vietnam) *3	Same as above	Same as above	4,455	1,506	- (-) [184]	837	6,799	10,768 [-]
BROTHER INDUSTRIES (PHILIPPINES), INC. (Batangas Province, Philippines) *3	Same as above	Manufacturing facilities for printers, All-in -Ones, and electronic stationery	7,293	1,483	- (-) [134]	239	9,016	3,868 [4,533]
ZHUHAI BROTHER INDUSTRIES, CO., LTD. (Zhuhai City, Guangdong Province, China) *3	Printing & Solutions, Domino	Manufacturing facilities for electronic stationery, scanners, and industrial printing equipment	191	143	- (-) [30]	447	782	716 [329]

Facility (location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m²)	Other	Total	
TAIWAN BROTHER INDUSTRIES, LTD. (Kaohsiung City, Taiwan) *3	Personal & Home	Manufacturing facilities for home sewing machines	164	19	- (-) [9]	126	309	354 [-]
BROTHER INDUSTRIES SAIGON, LTD. (Dong Nai Province, Vietnam) *3	Personal & Home	Manufacturing facilities for home sewing machines	1,020	441	- (-) [56]	448	1,909	2,977 [-]
BROTHER MACHINERY XIAN CO., LTD. (Xian City, Shaanxi Province, China) *3	Machinery	Manufacturing facilities for industrial sewing machines and machine tools	2,955	1,674	- (-) [79]	1,282	5,911	636 [8]
DOMINO U.K. LTD. (Liverpool, Cambridge, U.K.) *3	Domino	Manufacturing facilities for industrial printing equipment and consumables	1,267	2,045	2,586 (26) [184]	4,452	10,352	836 [30]
DOMINO AMJET INC. (Illinois, U.S.A.)	Same as above	Manufacturing facilities for consumables for industrial printing equipment	257	104	767 (32)	717	1,847	287 [-]

Note

1. "Others" included in the book value represents the total amount of tools, furniture and fixtures, construction in progress, right-of-use assets, and intangible assets (excluding goodwill).
2. *1: Includes buildings and structures of 625 million yen that have been loaned to BROTHER LOGITEC LTD., a consolidated subsidiary.
   *2: Of the buildings and structures, those leased out are shown in brackets.
   *3: The area of land held on lease is indicated in brackets, separately from the area of land.
3. The number of temporary employees is indicated in brackets, separately from the number of employees.
4. There are no major facilities whose operations are currently suspended.

3. Plans for new additions and disposals

Plans for the addition, retirement etc. of facilities by segment for one year after the current consolidated fiscal year are shown below. The Group engages in a variety of businesses in Japan and overseas, and it is difficult to indicate plans for the addition and expansion of facilities for individual projects. Accordingly, the value by segment is disclosed.

(1) New additions

Segment titles	Planned amount for the fiscal year ending March 31, 2022 (Millions of yen)	Descriptions and objectives of facilities, etc.	Financing method
Printing & Solutions	19,900	Manufacturing facilities related to printers, All-in-Ones, electronic stationery, and scanners	Own capital
Personal & Home	1,400	Manufacturing facilities for home sewing machines	Own capital
Machinery	5,200	Manufacturing facilities for industrial sewing machines and machine tools, manufacturing facilities for reducers and gears	Own capital
Network & Contents	2,800	Commercial online karaoke systems, etc.	Own capital
Domino	3,400	Manufacturing facilities for industrial printing equipment	Own capital
Other Business and Corporate	9,300	IT-related investment and construction of and improvements to buildings	Own capital
Total	42,000		

Note The planned amounts do not include consumption taxes, etc.

(2) Disposals of significant facilities

There is no disposals of significant facilities planned, except for retirement or sale for ordinary facility renovation.

4. Information about Reporting Company

1. Company's shares, etc.

(1) Total number of shares

1 Authorized shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	600,000,000
Total	600,000,000

2 Issued shares

Class	Number of issued shares as of fiscal year end (Shares) (March 31, 2021)	Number of issued shares as of filing date (Shares) (June 24, 2021)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	262,220,530	262,220,530	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)	Number of shares per unit = 100 shares
Total	262,220,530	262,220,530	-	-

(2) Share acquisition rights

1. Employee stock option plans

The Company has adopted a stock option plan. The plan uses a method of issuing stock options to the eligible individuals indicated in the table below pursuant to Article 238 of the Companies Act. The plan was resolved at the 114th Ordinary General Meeting of Shareholders held on June 23, 2006.

The details of the plan are as follows:

Date for resolution	June 23, 2006
Classification and number of eligible individuals	Directors, Executive Officers The number of individuals and other details shall be decided by the Board of Directors. (Note) 1
Number of stock options*	Up to 1,300 options for Directors (Note) 2
Type, details, and number of shares underlying stock options*	Up to 130,000 common shares for Directors (Note) 2
Amount to be paid in when exercising stock options (yen)*	(Note) 3
Period to exercise stock options*	For 30 years from the day following the date of allotment of stock options on which the subscription requirements for stock options are resolved
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options	-
Conditions to exercise stock option*	Individuals to whom stock options have been allotted may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights.
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.
Matters related to the granting of stock options in conjunction with organizational realignment*	-

* The state as of the end of the fiscal year (March 31, 2021) is reflected. As of the end of the preceding month of the filing date (May 31, 2021), there were no changes from the end of the fiscal year.

Notes

1. Including Executive Officers in the scope of eligible individuals was resolved at the Board of Directors meeting held on February 25, 2010.
2. When it is appropriate for the Company to change the number of shares due to a stock split (including gratis allotment of shares), a reverse stock split, or the like, or when the Company undertakes a merger, company split, share exchange, or share transfer, the Company may be able to adjust the number of shares deemed necessary.

3. The value of property to be contributed upon the exercise of stock options shall be the amount calculated by multiplying the exercise price of 1 yen by the number of shares underlying each stock option.

The stock options issued pursuant to the Companies Act are as follows:

Date for resolution	Resolution at the Board of Directors meeting on February 22, 2007	Resolution at the Board of Directors meeting on February 28, 2008
Classification and number of eligible individuals	The Company's Directors 6	The Company's Directors 6
Number of stock options*	7 (Note) 1	188 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 7,000 (Note) 2	Common shares 18,800 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 20, 2007 To March 19, 2037	From March 25, 2008 To March 24, 2038
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 1,000 shares for the plan resolved at the Board of Directors meeting on February 22, 2007 and 100 shares for the plan resolved at the Board of Directors meeting on February 28, 2008.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.
Number of shares after adjustment = Number of shares before adjustment × Ratio of stock split/reverse stock split
Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within

a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.

4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").

   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (ⅰ), (ⅱ), and (ⅲ) during the period set forth in the respective cases.

   (ⅰ) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.

   (ⅱ) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.

   (ⅲ) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.

   (3) Partial exercise of one stock option is not allowed.

   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on February 26, 2009	Resolution at the Board of Directors meeting on February 25, 2010
Classification and number of eligible individuals	The Company's Directors 5	The Company's Directors 4 The Company's Executive Officers 14
Number of stock options*	359 (Note) 1	386 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 35,900 (Note) 2	Common shares 38,600 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 24, 2009 To March 23, 2039	From March 24, 2010 To March 23, 2040
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as “Stock Option Holders”) may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company’s subsidiaries, or companies in which the Company or the Company’s subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the “Right Exercise Start Date”).
(2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (ⅰ), (ⅱ), and (ⅲ) during the period set forth in the respective cases.
(ⅰ) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
(ⅱ) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company’s General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company’s General Meeting of Shareholders: for 10 days from the day following the date of approval.
(ⅲ) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
(3) Partial exercise of one stock option is not allowed.
(4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on February 28, 2011	Resolution at the Board of Directors meeting on February 29, 2012
Classification and number of eligible individuals	The Company's Directors 4 The Company's Executive Officers 13	The Company's Directors 3 The Company's Executive Officers 16
Number of stock options*	336 (Note) 1	454 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 33,600 (Note) 2	Common shares 45,400 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 24, 2011 To March 23, 2041	From March 24, 2012 To March 23, 2042
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").
   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (i), (ii), and (iii) during the period set forth in the respective cases.
      (i) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
      (ii) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.
      (iii) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
   (3) Partial exercise of one stock option is not allowed.
   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on February 25, 2013	Resolution at the Board of Directors meeting on March 4, 2014
Classification and number of eligible individuals	The Company's Directors 2 The Company's Executive Officers 16	The Company's Directors 3 The Company's Executive Officers 16
Number of stock options*	561 (Note) 1	510 [485] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 56,100 (Note) 2	Common shares 51,000 [48,500] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 22, 2013 To March 21, 2043	From March 28, 2014 To March 27, 2044
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").
   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (ⅰ), (ⅱ), and (ⅲ) during the period set forth in the respective cases.
      (ⅰ) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
      (ⅱ) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.
      (ⅲ) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
   (3) Partial exercise of one stock option is not allowed.
   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on February 23, 2015	Resolution at the Board of Directors meeting on March 1, 2016
Classification and number of eligible individuals	The Company's Directors 6 The Company's Executive Officers 13	The Company's Directors 5 The Company's Executive Officers 18
Number of stock options*	464 [426] (Note) 1	848 [804] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 46,400 [42,600] (Note) 2	Common shares 84,800 [80,400] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 19, 2015 To March 18, 2045	From March 25, 2016 To March 24, 2046
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as “Stock Option Holders”) may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company’s subsidiaries, or companies in which the Company or the Company’s subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the “Right Exercise Start Date”).
   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (ⅰ), (ⅱ), and (ⅲ) during the period set forth in the respective cases.
      (ⅰ) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
      (ⅱ) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company’s General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company’s General Meeting of Shareholders: for 10 days from the day following the date of approval.
      (ⅲ) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
   (3) Partial exercise of one stock option is not allowed.
   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on March 1, 2017	Resolution at the Board of Directors meeting on March 1, 2018
Classification and number of eligible individuals	The Company's Directors 5 The Company's Executive Officers 21	The Company's Directors 6 The Company's Executive Officers 20
Number of stock options*	604 [596] (Note) 1	591 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 60,400 [59,600] (Note) 2	Common shares 59,100 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 25, 2017 To March 24, 2047	From March 27, 2018 To March 26, 2048
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").
   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (ⅰ), (ⅱ), and (ⅲ) during the period set forth in the respective cases.
      (ⅰ) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
      (ⅱ) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.
      (ⅲ) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
   (3) Partial exercise of one stock option is not allowed.
   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on June 26, 2018	Resolution at the Board of Directors meeting on June 24, 2019
Classification and number of eligible individuals	The Company's Directors 6 The Company's Executive Officers 18	The Company's Directors 6 The Company's Executive Officers 16
Number of stock options*	735 (Note) 1	768 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 73,500 [73,500] (Note) 2	Common shares 76,800 [76,800] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From July 20, 2018 To July 19, 2048	From July 18, 2019 To July 17, 2049
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.

   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split

   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.

   The fractions less than 1 share arising from the adjustment described above shall be rounded down.

3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.
4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").
(2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (i), (ii), and (iii) during the period set forth in the respective cases.
(i) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.
(ii) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.
(iii) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.
(3) Partial exercise of one stock option is not allowed.
(4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

Date for resolution	Resolution at the Board of Directors meeting on June 24, 2020
Classification and number of eligible individuals	The Company's Directors 6 The Company's Executive Officers 16
Number of stock options*	747 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 74,700 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share
Period to exercise stock options*	From July 18, 2020 To July 17, 2050
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3
Conditions to exercise stock options*	(Note) 4
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.
Matters related to the granting of stock options in conjunction with organizational realignment*	-

* The state as of the end of the fiscal year (March 31, 2021) is reflected. With respect to the matters changed over the period from the end of the fiscal year to the end of the preceding month of the filing date (May 31, 2021), the state as of the end of the preceding month of the filing date is indicated in brackets. For other matters, there are no changes from the end of the fiscal year.

Notes

1. The number of shares underlying each stock option is 100 shares.
2. When the Company conducts a stock split or reverse stock split after the date on which stock options are issued (hereinafter referred to as the "Issuance Date (Allotment Date)," the number of shares underlying the stock options shall be adjusted using the formula below; provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time. provided, however, that the relevant adjustment be made to the number of shares underlying the stock options in question that have not been exercised as of the relevant time.
   Number of shares after adjustment = Number of shares before adjustment×Ratio of stock split/reverse stock split
   Also, when the Company undertakes a merger, company split, share exchange, or share transfer (hereinafter collectively referred to as "Merger, etc."), conducts a gratis allotment of shares, or needs to adjust the number of other shares, the Company may be able to adjust the number of shares within a reasonable scope in consideration of the conditions and other factors for the Merger, etc. and gratis allotment of shares.
   The fractions less than 1 share arising from the adjustment described above shall be rounded down.
3. The increase in capital stock associated with the issuance of shares upon the exercise of stock options shall be the amount obtained by multiplying the maximum amount of increase in stated capital

calculated pursuant to Article 17, Paragraph 1 of the Rules of Corporate Accounting by 0.5, and if fractions less than 1 yen occur as a result of the calculation, such fractions shall be rounded up. The increase in capital reserve shall be the maximum amount of increase in stated capital from which the increase in capital stock is subtracted.

4. (1) Individuals to whom stock options have been allotted (hereinafter referred to as "Stock Option Holders") may exercise their stock options no later than the day five years after the day on which one year elapsed from the day following the day on which they lost their position as Director, Corporate Auditor, Executive Officer, or Executive Director at the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights (hereinafter referred to as the "Right Exercise Start Date").

   (2) Irrespective of the above (1), Stock Option Holders may exercise their stock options in the cases set forth in (i), (ii), and (iii) during the period set forth in the respective cases.

      (i) When the Stock Option Holder does not begin the exercise period by the day before one year prior to the exercise period expiration date: from the following day to the expiration date of the exercise period.

      (ii) When a proposal to approve a merger agreement in which the Company becomes an absorbed company was approved at the Company's General Meeting of Shareholders, or when a proposal to approve a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary was approved at the Company's General Meeting of Shareholders: for 10 days from the day following the date of approval.

      (iii) When the Stock Option Holder has deceased: exercisable by the heir for three months from the day following the date on which the Stock Option Holder has deceased.

   (3) Partial exercise of one stock option is not allowed.

   (4) Other conditions shall be as set forth in the stock option allocation agreement executed between the Company and each Stock Option Holder based on a resolution of the Board of Directors.

2 Rights plans

Not applicable.

3 Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
May 31, 2017 (Note)	(15,315,336)	262,220,530	-	19,209	-	16,114

Note: The decrease is due to the retirement of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2021

Categories	Status of shares (Number of shares constituting one unit = 100 shares)								Status of shares less than one unit (Shares)
	National and local governments	Financial institution	Financial service providers	Other corporations	Foreign individual investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	-	64	38	252	670	10	12,925	13,959	-
Number of shares held (number of units)	-	924,048	70,606	247,022	944,342	77	434,493	2,620,588	161,730
Percentage of shareholdings	-	35.26	2.69	9.43	36.04	0.00	16.58	100.00	-

Notes

1. Of 1,948,421 treasury shares, 19,484 units are included in “Individuals and others” and 21 shares in “Status of shares less than one unit.”
   The 1,948,421 treasury shares represent the number of such shares recorded on the shareholders' register. The actual number of treasury shares as of March 31, 2021 is 1,947,421 shares.
2. The above “Other corporations” and “Status of shares less than one unit” columns include 29 units and 50 shares held in the name of Japan Securities Depository Center, Inc.

(6) Major shareholders

As of March 31, 2021

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	22,075	8.48
SSBTC CLIENT OMNIBUS ACCOUNT (Standing agent: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	12,034	4.62
Nippon Life Insurance Company (Standing agent: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo Securities Management Department, Nippon Life Insurance Company (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	11,798	4.53
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	11,189	4.30
Sumitomo Mitsui Financial Group, Inc.	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	6,058	2.33
Sumitomo Life Insurance Company (Standing agent: Custody Bank of Japan, Ltd.)	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,499	1.73
The Brother Group Employee Stock Ownership Association	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467 -8561, Japan	4,492	1.73
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	3,796	1.46
Custody Bank of Japan, Ltd. (Trust account 5)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	3,751	1.44
Custody Bank of Japan, Ltd. (Trust account 7)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	3,687	1.42
Total	-	83,383	32.04

Notes

1. The number of shares less than 1,000 is rounded down. The percentages of shareholdings are rounded off to two decimal places.
2. The shares held by The Master Trust Bank of Japan, Ltd. (trust account), SSBTC CLIENT OMNIBUS ACCOUNT, Custody Bank of Japan, Ltd. (trust account), Custody Bank of Japan, Ltd. (Trust account 5), and Custody Bank of Japan, Ltd. (Trust account 7) are all shares related to the trust business of each company.

3. The Report of Possession of Large Volume made available for public inspection as of December 4, 2020 indicates that Sumitomo Mitsui Trust Bank, Limited and two joint holders hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2021, their shareholdings are not included in the above major shareholders. The details of the Report of Possession of Large Volume are as follows:

Name	Address	Number of stocks, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Bank, Limited	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	479,100	0.18
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shiba 1-chome, Minato-ku, Tokyo	8,317,400	3.17
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	4,592,200	1.75
Total	-	13,388,700	5.11

(7)Voting rights

1. Issued shares

As of March 31, 2021

Categories	Number of shares		Number of voting rights	Description
Shares with no voting rights		-	-	-
Shares with restricted voting rights (Treasury shares, etc.)		-	-	-
Shares with restricted voting rights (Other)		-	-	-
Shares with full voting rights (Treasury shares, etc.)	Common shares	1,947,400	-	Number of shares per unit = 100 shares
Shares with full voting rights (Other)	Common shares	260,111,400	2,601,104	The same as above
Shares less than one unit	Common shares	161,730	-	-
Total number of issued shares		262,220,530	-	-
Number of voting rights held by all shareholders		-	2,601,104	-

Notes

1. The “Shares with full voting rights (Other)” column includes 2,900 shares (29 voting rights) held in the name of Japan Securities Depository Center, Inc.
2. The number of shares in the “Shares with full voting rights (Other)” column includes the 1,000 shares that are recorded in the name of the Company on the shareholders' register but not effectively held by the Company. The number of voting rights in the column does not include the 10 voting rights associated with such shares.

2. Treasury shares, etc.

As of March 31, 2021

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding as a percentage of total issued shares (%)
(Treasury shares) BROTHER INDUSTRIES, LTD.	15-1 Naeshiro-cho, Mizuho-ku, Nagoya City, Aichi Prefecture	1,947,400	-	1,947,400	0.74
Total	-	1,947,400	-	1,947,400	0.74

Notes

1. In addition to the above shares, there are 1,000 shares that are recorded in the name of the Company on the shareholders' register but not effectively held by the Company.
2. The percentages of shareholdings are rounded off to two decimal places.

2. Acquisition and disposal of treasury shares

[Class of shares, etc.] Acquisition of common shares based on Article 155, Item 7 of the Companies Act

(1) Acquisitions by resolution of shareholders' meeting
Not applicable.

(2) Acquisitions by resolution of board of directors' meeting
Not applicable.

(3) Acquisition not based on resolution of shareholders meeting or board of directors meeting
Acquisition pursuant to Article 155, Item 7 of the Companies Act (demand for the purchase of shares less than one unit)

Categories	Number of shares	Total amount (Yen)
Treasury shares acquired during the fiscal year	3,054	6,329,864
Treasury shares acquired during the current period	514	1,232,406

Note The number of treasury shares acquired during the current period does not include the shares less than one unit purchased from June 1, 2021 to the filing date of this Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Categories	Current fiscal year		Current period	
	Number of shares	Total amount of disposal (Yen)	Number of shares	Total amount of disposal (Yen)
Acquired treasury shares which were offered to subscribers	-	-	-	-
Acquired treasury shares which were canceled	-	-	-	-
Acquired treasury shares which were transferred in association with a merger, stock exchange, stock issuance or company split	-	-	-	-
Other (Sale due to demand for the sale of shares from shareholders holding shares less than one unit)	85	136,680	-	-
(Exercise of stock options)	96,700	117,565,098	11,500	15,548,090
Total number of treasury shares held	1,947,421	-	1,936,435	-

Notes

1. The number of treasury shares handled during the current period does not include shares involved in sale to shareholders holding shares less than one unit or the exercise of stock options from June 1, 2021 to the filing date of this Securities Report.
2. The number of treasury shares held during the current period does not include shares involved in purchase from or sale to shareholders holding shares less than one unit or the exercise of stock options from June 1, 2021 to the filing date of this Securities Report.

3. Dividend policy

With regard to the policy on the determination of matters such as distribution of dividends from surplus, the Company has a basic policy of providing stable shareholder returns while taking into account the cash flow status and securing internal reserves necessary for investment to achieve future growth.

In principle, the Company distributes dividends from surplus twice a year as an interim dividend and a year-end dividend and specifies in its Articles of Incorporation that the Company may determine matters set forth in each item of Article 459 Paragraph 1 of the Companies Act by resolution of its Board of Directors.

Under the new CS B2021 Medium-Term Business Strategy that ends in FY2021, the Company is making investment for building a growth platform for further growth. At the same time, the Company intends to carry out stable distribution of profits with a target consolidated payout ratio of 35%. The minimum annual dividend has also been set at 60 yen per share with the exception of terms with severely deteriorated performance resulting from a sudden worsening of the management environment.

With regard to internal reserves, in accordance with the management strategies set forth in the new CS B2021 Medium-Term Business Strategy, the Company will advance financial measures to build a growth platform for further growth. The Company will also flexibly acquire treasury shares when such an acquisition is deemed to be necessary to improve capital efficiency.

The distribution of dividends from surplus related to the fiscal year is as follows:

Date for resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
November 9, 2020 Board of Directors resolution	7,025	27.0
May 19, 2021 Board of Directors resolution	8,589	33.0

4. Corporate governance

(1) Overview of corporate governance

The corporate governance of the Company is described below.

* Fundamental ideas of corporate governance

The Company has established the Brother Group Basic Policies on Corporate Governance. As the fundamental ideas of the Company's corporate governance, the Policies set out matters such as enhancement of corporate value over the long term by optimizing management resources and creating customer value and development of long-term trustful relationships with shareholders by enhancement of corporate transparency through active provision of corporate information to shareholders.

1 Overview of corporate governance system and the reason for adopting this system

1) Overview of corporate governance system

The Company adopts a corporate audit system, putting in place a structure where Corporate Auditors audit the execution of duties by Directors. In addition to the Board of Directors, the Audit & Supervisory Board, and the Independent Auditor, strategy meetings that mainly consist of titled Executive Officers, and a range of committees for enhancing the internal control and risk management systems have also been established.

Moreover, the Company has introduced an executive officer system as an internal organization, whereby business execution and supervision are separated in an effort to ensure swift decision-making and strengthen governance.

2) Reason for adopting this system

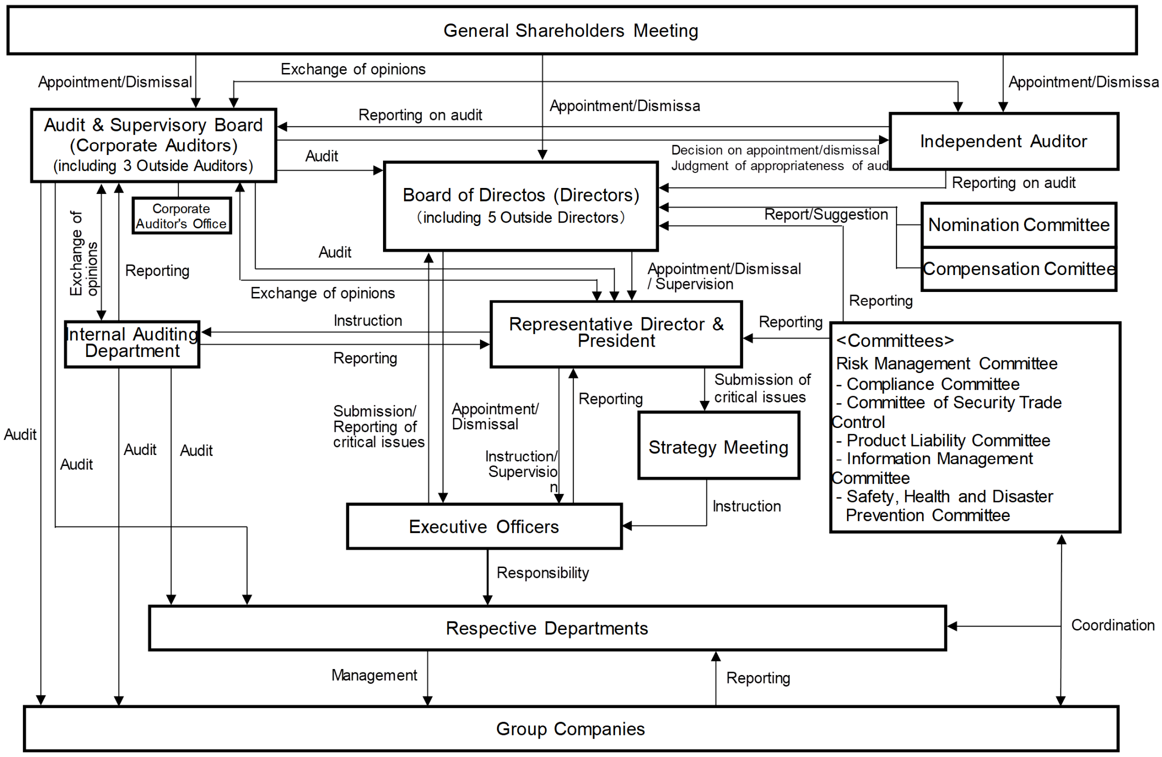
The Company believes that objective and neutral management supervisory function from an external standpoint that is important in corporate governance. Based on the idea that supervision by more than one Independent Director is appropriate as a framework to strengthen management supervisory function, in addition to auditing by Corporate Auditors, who supervise the management in a way that does not depend on the majority-vote principle, five of the Company's 11 Directors are currently Outside Directors.

The Company has established the Nomination Committee and 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 and remuneration of Directors and Executive Officers. Each Committee consists of all Outside Directors (a total of five: Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, Mr. Naoki Hidaka, and Mr. Masahiko Miyaki), Representative Director and Chairman (Mr. Toshikazu Koike) and Representative Director and President (Mr. Ichiro Sasaki), and an Outside Director chairs each Committee (the Nomination Committee: Mr. Keisuke Takeuchi; the Compensation Committee: Mr. Kazunari Uchida).

The Nomination Committee deliberates on proposals concerning the appointment of Directors and Executive Officers to be placed on the agenda of the General Meeting of Shareholders in a fair, transparent and strict manner before such proposals are finalized, and submits a report to the Board of Directors, and report to the Board of Directors the outcome of such deliberations, as well as the details of the Independence Standards and plans of successors to the management such as Chief Executive Officer.

The Compensation Committee discusses matters such as the details of internal rules concerning the standard for calculating the remuneration for Directors and Executive Officers, and the details of remuneration by individual, and reports the outcome to the Board of Directors.

3) Relationship between corporate organizations and internal control



4) Corporate organizations

The Board of Directors consists of 11 Directors (including five Outside Directors) and is chaired by the Representative Director and Chairperson. The Board of Directors decides on important management matters and supervises business execution at the monthly Board of Directors meetings and ad-hoc Board of Directors meetings held as necessary.

Moreover, the Company has introduced an executive officer system as an internal organization, whereby business execution and supervision are separated in an effort to ensure swift decision-making and strengthen governance. Executive Officers are appointed by the Board of Directors after consultation with the Nomination Committee and assume the responsibility for business execution in the departments that they oversee.

Strategy meetings that mainly consist of titled Executive Officers, are also held each month. These meetings, chaired by the President, develop strategies concerning the scope of business covered by the Group as a whole and deliberate on business execution.

The Company also receives advice from Japanese and international law firms as necessary in order to prevent or resolve problems.

5) Status of development of an internal control system

Based on the corporate behavior charter “Brother Group Global Charter” and the Group's ideas for CSR management, the Company has established basic policies regarding systems to secure the appropriateness of the Brother Group’s business, as shown below, in order to continuously improve corporate value and build the foundation of a corporate group respected by all stakeholders. These basic policies shall be revised according to changes in the business environment and other factors, and constantly reviewed for continuous improvement, in an effort to establish more appropriate and efficient systems.

1. Compliance System
   - With respect to the compliance with laws by officers and employees, the Company established the corporate behavior charter and the Brother Group Principles of Social Responsibility. In addition, the Company established a system to ensure the duties performed by Directors and employees are in compliance and consistent with laws and regulations and the Articles of Incorporation, through setting forth the rules on the Board of Directors and other internal rules.
   - The Company formed a Compliance Committee, chaired by the Representative Director & President (or an Executive Officer nominated by the President), and appointed a person in charge of compliance, who supervises the compliance activities (education programs and activities, operation of an Employee Hotline for Compliance Issues) of the Group.
   - The Company provides compliance joint training for officers and employees at group companies, in order to further raise their awareness about compliance.
   - The Compliance Committee operates an Employee Hotline for Compliance Issues, which receives calls for consultation from officers and employees at group companies and takes action according to the degree of importance and urgency.
   - In addition, when a compliance risk that would have material impact on the Group's business operations arises or is expected to arise, the Compliance Committee determines the policy for the actions to be taken and quickly executes these actions.
   - The basic policies on elimination of anti-social groups or organizations are provided in the compliance code of conduct, and a system is in place to confront unjustified demands in a resolute manner with help from external experts.
   - The Company has designated Legal Departments and persons in charge of legal affairs at major group subsidiaries, in addition to the applicable departments at its head office, and also conducts education programs and activities on compliance as necessary for Directors and employees, etc.
2. System for the Storage and Management of Information on the Execution of Duties by Directors
   Information on the execution of duties by Directors is stored in the form of documents, etc. (including electronic data), and the Information Management Committee appropriately stores and manages such documents, etc. in accordance with its internal rules. In addition, such documents, etc. may be examined or copied by the Corporate Auditors or Internal Auditing Department upon request.
3. Risk Management System
   - The Risk Management Committee is headed by the Representative Director & President and was formed to establish a comprehensive risk management system for the Group. In addition, the status of its implementation is reported to the Board of Directors on a regular basis.
   - The Company has built a system to evaluate and respond to business risks by each department and by each person in charge of risk management at the group subsidiaries. In addition, the Risk Management Committee evaluates and manages the status of measures against major risks related to the whole Group.
   - Under the Risk Management Committee, the Company has established subcommittees for individual risks such as compliance, product safety, export management, information management, the environment, as well as safety, health, and disaster prevention. In the Company's risk management system, the subcommittees, for which the Representative Director & President (or an Executive Officer nominated by the President) is responsible for responding to, identifying and mitigating the risk, and also for taking measures when the risk

event occurs. In particular, with regard to product safety, the Company has established the Basic Product Safety Policies and Voluntary Action Plans on Product Safety in order to deliver safer products to customers.

- The Company has built a crisis-management system to be able to respond flexibly under the instruction of the chairman of the Risk Management Committee, in the event of an unforeseen situation that would have a material effect on the Company's operations.
- Under the instruction of the Representative Director & President, the Internal Auditing Department verifies the status of measures against risks at each of the Company's departments and group subsidiaries, and reports the results to the Representative Director & President and the Corporate Auditors.

4. System to Ensure the Efficient Execution of Duties by Directors
    - The Company has established the Executive Officer System, whereby executive operations and supervision are separated in an effort to strengthen governance. The Company also has adopted a department system to ensure swift decision-making and executive operations.
    - The Board of Directors decides on important management matters and supervises executive operations at monthly Board of Directors meetings and extraordinary Board of Directors meetings held as necessary.
    - Strategy meetings, which mainly consist of titled Executive Officers, are also held each month. Strategy meetings are for developing the management strategies and budgets of the Brother Group, and for flexibly deliberating on important executive operations.
    - The Company ensures the efficient execution of duties by Directors, by setting forth the rules on the Board of Directors and other internal rules and by making the delegation of authority and scope of duties clear.
    - By setting forth the internal rules and the group regulations, the Company ensures the efficient execution of duties by Directors of the group subsidiaries by defining the matters to be submitted for prior approval and to be reported by group subsidiaries.
5. Group Governance System
    - The Company has set forth the corporate behavior charter, the group regulations and the internal rules to ensure a uniform group governance system, and put in place a system that the administrative department can use to keep track of the status of important operations executed by the respective group subsidiaries.
    - In order to ensure the reliability of financial reporting of the consolidated financial statements, the Company promotes the establishment of frameworks and operations at the Group level. The Company also continues to maintain and improve such frameworks and operations on an annual basis.
    - The Company manages and oversees group subsidiaries through assigning the Company's officers, Executive Officers and employees, etc. as the officers of major group subsidiaries.
    - The Company has built a system where the Corporate Auditors and Internal Auditing Department conduct regular audits of group subsidiaries.
    - In order to establish a governance system at group subsidiaries, the Company requires them to establish an organization and to set forth the internal rules.
6. Matters relating to Employees who Support the Duties of the Audit & Supervisory Board
    The Company designated the Corporate Auditors' Office and several employees under direct control of the Corporate Auditors to, upon request, support the duties of the Audit & Supervisory Board.

7. Matters relating to Employees' Independence from Directors Mentioned in the Preceding Provision and Matters relating to the Effectiveness of Instructions to Employees Mentioned in the Preceding Provision Any decision on the Corporate Auditors' Office's personnel affairs requires prior consent of the Corporate Auditors, and the assessment of such employees by the Corporate Auditors.
8. Systems to Ensure Reporting to the Corporate Auditors and to Ensure that Reporting Persons are not Subject to Unfair Treatment because of Such Reporting
   The Company shall timely report to the Corporate Auditors on wrongful acts, violation of laws or the Articles of Incorporation and the facts indicating such acts of the Directors and employees, etc., as well as other matters that the Audit & Supervisory Board considers that it should receive a report for in order to fulfill its duties. In addition, the Company ensures that the reporting persons are not subject to unfair treatment because of such reporting.
9. Matters relating to Expenses Arising from the Execution of Duties by the Corporate Auditors
   Expenses are paid in advance or reimbursed by the Company as appropriate, according to the budget plan for expenses necessary to undertake the auditing activities developed by the Corporate Auditors. When an expense exceeding the amount in the budget plan is required, the appropriate amount will be added upon request from the Corporate Auditors to Representative Director & President or the Board of Directors.
10. Other Systems to Ensure Effective Auditing by the Corporate Auditors
    ･Standing Corporate Auditors attend strategy meetings as well as other important meetings and committees.
    ･The Corporate Auditors regularly exchange opinions with the Representative Director & President,other directors, executive officers, the Independent Auditor, and the Internal Auditing Department. They also regularly hold communication meetings and exchange information as necessary with the Corporate Auditors of group subsidiaries.

2 Overview of limited liability contract

In accordance with Article 427, Paragraph 1 of the Companies Act as well as the Articles of Incorporation, the Company has entered into contracts with each Outside Director and Outside Auditor, to limit their liabilities for damages with respect to the acts mentioned in Article 423, Paragraph 1 of the same Act. These contracts limit the amount of liabilities for damages to the amount set forth by laws and regulations. However, the aforementioned liability limitation shall be applied only in cases where such Outside Director or Outside Auditor performed their duties in good faith and without gross negligence.

3 Overview of directors’ and officers’ liability insurance contract

To secure outstanding human resources and prevent the management from becoming unable to fully execute their duties, the Company has entered into a directors’ and officers’ liability insurance contract as provided for in Article 430-3 Paragraph 1 of the Companies Act with an insurance company. The insurance contract compensates for damages, litigation and other expenses the insured is to assume in the event that shareholders or third parties file a claim for damages.

The insured persons under the insurance contract are the Directors, Corporate Auditors, Executive Officers, and employees engaging in management and supervisory work at the Company and certain subsidiaries of the Company including listed subsidiaries of the Company. The insurance premiums have been paid fully by the Company and its listed subsidiaries, and each insured person has not made premium payments.

4 Number of Directors and requirements for resolutions on appointment

The Company's Articles of Incorporation stipulate that the number of the Company's Directors is limited to not more than 11.

Also, with regard to a resolution to appoint Directors, the Company's Articles of Incorporation stipulate that shareholders holding at least one-third of the voting rights of the shareholders entitled to vote be present and that the resolution be passed by majority vote of the shareholders present.

Moreover, the Articles of Incorporation stipulate that a resolution to appoint Directors not be passed by cumulative voting.

5 Matters to be resolved at a shareholders meeting that may be resolved by the Board of Directors

1) Decision-making organization for distribution of dividends from surplus

The Company's Articles of Incorporation stipulate that the distribution of dividends from surplus and other matters set forth in each item of Article 459 Paragraph 1 of the Companies Act be determined by resolution at the Board of Directors unless otherwise provided for in laws and regulations. This is aimed at giving the Board of Directors the authority to decide on matters such as the distribution of dividends from surplus and thereby flexibly returning profits to shareholders.

2) Acquisition of own shares

The Company's Articles of Incorporation stipulate that the Company may, by resolution at the Board of Directors, acquire its own shares through market transactions or other means pursuant to Article 165 Paragraph 2 of the Companies Act This is aimed at flexibly improving capital efficiency when deemed necessary.

3) Exemption of Directors and Corporate Auditors from liability

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company specifies in its Articles of Incorporation that the Company may, by resolution at the Board of Directors, exempt Directors (including former Directors) and Corporate Auditors (including former Corporate Auditors) from liability for damages as stipulated in Article 423, Paragraph 1 of the said Act to the extent of the amount obtained by deducting the minimum liability amount provided for in laws and regulations. This is aimed at ensuring that Directors and Corporate Auditors can fully demonstrate their expected roles.

6 Requirements for special resolutions at General Meeting of Shareholders

With regard to a special resolution at a General Meeting of Shareholders set forth in Article 309 Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that shareholders holding at least one-third of the voting rights of the shareholders entitled to vote be present and that the resolution be passed by two-thirds or more of the voting rights of the shareholders present. This is aimed at easing the quorum requirement for special resolutions at General Meetings of Shareholders and thereby ensuring the smooth operation of General Meeting of Shareholders.

(2) Information about officers

1 Directors, Corporate Auditors, and Executive Officers

15 males, 1 female (female ratio of 6.3%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director & Chairman	Toshikazu Koike	October 14, 1955	April 1979	Joined the Company	(Note 4)	28
			August 1982	Brother International Corporation (U.S.A.)		
			October 1992	Director of Brother International Corporation (U.S.A.)		
			January 2000	Director & President of Brother International Corporation (U.S.A.)		
			June 2004	Director of the Company		
			January 2005	Director & Chairman of Brother International Corporation (U.S.A.)		
			April 2005	Director & Managing Executive Officer of the Company		
			April 2006	Director & Senior Managing Executive Officer of the Company		
			June 2006	Representative Director & Senior Managing Executive Officer of the Company		
			June 2007	Representative Director & President of the Company		
			June 2018	Representative Director & Chairman of the Company (current position)		
			June 2020	Outside Director of Toyo Seikan Group Holdings, Ltd. (current position)		
			May 2021	Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation (current position)		
Representative Director & President*	Ichiro Sasaki	April 30, 1957	April 1983	Joined the Company	(Note 4)	41
			January 2005	Managing Director of Brother U.K. Ltd.		
			April 2008	General Manager of NID Research & Development Dept. of the Company		
			April 2009	Executive Officer of the Company		
			April 2013	Managing Executive Officer of the Company		
			June 2014	Director & Managing Executive Officer of the Company		
			June 2016	Representative Director & Managing Executive Officer of the Company		
			April 2017	Representative Director & Senior Managing Executive Officer of the Company		
			June 2018	Representative Director & President of the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director & Vice President* Supervision of P&S Business Division Supervision of N&C Business Division Responsible for: MIS Dept.	Tadashi Ishiguro	June 21, 1960	April 1984 May 1987 January 2005 April 2011 April 2013 April 2014 June 2014 January 2015 April 2017 June 2017 April 2021	Joined the Company Brother International Corporation (U.S.A.) Director & President of Brother International Corporation (U.S.A.) Group Executive Officer of the Company Group Managing Executive Officer of the Company Director and Chairman of Brother International Corporation (U.S.A.) Director & Group Managing Executive Officer of the Company Director & Managing Executive Officer of the Company Director & Senior Managing Executive Officer of the Company Representative Director & Senior Managing Executive Officer of the Company Representative Director & Vice President of the Company (current position)	(Note 4)	27
Director & Managing Executive Officer* Responsible for: Corporate Planning Dept.	Yuichi Tada	August 15, 1959	April 1982 August 1994 April 2006 April 2007 April 2012 April 2017 June 2017 June 2020	Joined the Company Brother International Corporation (U.S.A.) 2006 General Manager of Corporate Planning Dept.of Printing & Solutions Company of the Company Executive Vice President of Printing & Solutions Company of the Company Group Executive Officer of the Company, Managing Director of Brother Holding (Europe) Ltd., and Chairman & Managing Director of Brother International Europe Ltd. Managing Executive Officer of the Company Director & Managing Executive Officer of the Company (current position) Director of Nissei Corporation (current position)	(Note 4)	9

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director & Managing Executive Officer* Responsible for: Human Resources Dept. and CSR & Corporate Communication Dept.	Kazufumi Ikeda	August 29, 1962	April 1985 April 2003 April 2009 April 2013 April 2014 April 2015 April 2019 April 2020 June 2021	Joined the Company Director & Vice President of Brother International GmbH General Manager of Corporate Planning Dept. of the Company Director & Executive Vice President of Brother International Corporation (U.S.A.) Director & President of Brother International Corporation (U.S.A.) Group Executive Officer of the Company, Director & President of Brother International Corporation (U.S.A.) Director & Chairman of Brother International Corporation (U.S.A.) Managing Executive Officer of the Company Director & Managing Executive Officer of the Company (current position)	(Note 4)	6
Director & Managing Executive Officer* Head of P&S Business Division Responsible for: LE Development Dept., LC Development Dept., IDS Development Dept., Printing Application Development Dept., Labeling & Mobile Solutions Development Dept., Production Dept., Quality Management Dept. of P&S Business Division	Satoru Kuwabara	November 21, 1962	April 1987 October 2004 April 2008 April 2009 April 2010 April 2014 October 2014 April 2015 April 2019 June 2021	Joined the Company General Manager of Development Dept.1 of Information & Document Company General Manager of Development Dept.1 of the Company General Manager of Development Planning Dept. of the Company CEO of BROTHER TECHNOLOGY (Shenzhen) LTD. General Manager of Development Planning Dept. of the Company General Manager of LE Development Dept. of the Company Executive Officer of the Company Managing Executive Officer of the Company Director & Managing Executive Officer of the Company (current position)	(Note 4)	11

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Keisuke Takeuchi	November 18, 1947	April 1970	Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation)	(Note 4)	4
			June 2000	Director of JGC Corporation (now JGC Holdings Corporation)		
			June 2001	Managing Director of JGC Corporation		
			June 2002	Senior Managing Director of JGC Corporation		
			June 2006	Director and Vice President of JGC Corporation		
			March 2007	President and Representative Director of JGC Corporation		
			June 2009	Chairman and Representative Director of JGC Corporation		
			June 2014	Principal Corporate Advisor of JGC Corporation		
			June 2017	Outside Director of the Company (current position)		
			June 2019	Outside Director of Japan Post Bank Co., Ltd. (current position)		
Director	Aya Shirai	May 23, 1960	April 1979	Joined All Nippon Airways Co., Ltd.	(Note 4)	2
			June 1993	Member of Amagasaki City Council		
			December 2002	The Mayor of Amagasaki City		
			June 2011	Outside Director of Gunze Limited		
			April 2013	Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation		
			June 2015	Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. (current position) Outside Director of Sumitomo Precision Products Co., Ltd.		
			June 2018	Outside Director of Sanyo Chemical Industries, Ltd. (current position)		
			June 2019	Outside Director of the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Kazunari Uchida	October 31, 1951	April 1974 January 1985 June 2000 April 2006 February 2012 June 2012 August 2012 December 2013 June 2014 February 2015 March 2016 June 2020	Joined Japan Airlines Co., Ltd. Joined Boston Consulting Group Japan Representative of Boston Consulting Group Professor of Faculty of Commerce at Waseda University (current position) Outside Auditor of Kewpie Corporation Outside Director of Lifenet Insurance Company Outside Director of Mitsui-Soko Co., Ltd. (now Mitsui-Soko Holdings Co., Ltd.) Outside Director of Japan ERI Co., Ltd. Outside Director of ERI Holdings Co., Ltd. Independent Advisory Committee Member of the Company Outside Director of Kewpie Corporation (current position) Outside Director of Lion Corporation (current position) Outside Director of the Company (current position)	(Note 4)	0
Director	Naoki Hidaka	May 16, 1953	April 1976 April 2001 April 2007 April 2009 April 2012 June 2013 April 2015 June 2018 June 2019 June 2020 March 2021	Joined Sumitomo Corporation General Manager of Chicago Office, Sumitomo Corporation of America Executive Officer, General Manager of Metal Products for Automotive Industries Div. of Sumitomo Corporation Managing Executive Officer, General Manager of Chubu Regional Business Unit of Sumitomo Corporation Senior Managing Executive Officer, General Manager of Kansai Regional Business Unit of Sumitomo Corporation Representative Director, Senior Managing Executive Officer, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation Representative Director, Executive Vice President, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation Special Advisor of Sumitomo Corporation) Advisor of Sumitomo Corporation Director of the Company (current position) Outside Director of Nabtesco Corporation (current position)	(Note 4)	0

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Masahiko Miyaki	December 12, 1953	April 1977 June 2004 June 2007 June 2010 June 2011 January 2012 June 2013 April 2015 April 2017 June 2017 June 2021	Joined NIPPONDENSO Co., LTD. (now DENSO Corporation) Managing Officer, Fuel Injection Engineering Dept. of DENSO Corporation Managing Officer, Powertrain Control Systems Business Group of DENSO Corporation Director & Senior Executive Officer, Electric System Business Group of DENSO Corporation Director of TOYOTA BOSHOKU Corporation Director & Senior Executive Officer, Powertrain Control Systems Business Group of DENSO Corporation Representative Director & Vice President, Overall R&D, Engineering Research & Development Center, China Region of DENSO Corporation Representative Director & Vice President, Quality, Safety, & Environmental Center of DENSO Corporation Director of DENSO Corporation Advisor to DENSO Corporation Outside Director of the Company (current position)	(Note 4)	-
Standing Corporate Auditor	Kazuyuki Ogawa	March 7, 1960	April 1982 June 1993 April 2003 June 2007 May 2009 April 2018 June 2018	Joined the Company Taiwan Brother Industries, Ltd. Brother International Corporation General Manager of Planning and General Affairs Division of Brother International Corporation Director and General Manager of Management Control of Brother International Corporation General Manager of Corporate Auditors' Office (current position) Corporate Auditor of the Company (current position)	(Note 5)	3
Standing Corporate Auditor	Keizo Obayashi	July 14, 1962	April 1986 March 2004 April 2017 April 2020 June 2020	Joined the Company Brother International Europe, Ltd. General Manager of Treasury Dept. of the Company General Manager of Corporate Auditors' Office of the Company (current position) Corporate Auditor of the Company (current position)	(Note 6)	3

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Akira Yamada	May 16, 1953	April 1986 June 1991 January 1992 March 1994 January 2015 June 2015 December 2015 January 2017 June 2018	Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki (now Miyake, Ushijima & Imamura) Registered as an attorney in New York (current position) Partner of Miyake & Yamazaki (now Miyake, Ushijima & Imamura) Resident Partner of Bangkok Office of Miyake & Yamazaki Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position) External Audit & Supervisory Board Member of Denyo Co., Ltd. (current position) Representative of Three Fields L.L.C. (current position) Counsel of Miyake, Ushijima & Imamura (current position) Corporate Auditor of the Company (current position)	(Note 5)	0
Corporate Auditor	Masaaki Kanda	October 1, 1951	April 1976 November 1989 February 1999 January 2011 June 2014 June 2019	Registered as an attorney at the Nagoya Bar Association (now Aichi Bar Association) The Mayor of Ichinomiya City The Governor of Aichi Prefecture President of Aichi Arts Center (current position) Outside Director of Ogaki Kyoritsu Bank Ltd. (current position) Corporate Auditor of the Company (current position)	(Note 7)	1

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Kazuya Jono	December 10, 1954	April 1977	Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation	(Note 7)	1
			June 2005	Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")		
			April 2007	Managing Executive Officer of SMBC		
			April 2009	Managing Executive Officer of Sumitomo Mitsui Financial Group ("SMFG") Director and President of Sumitomo Mitsui Card & Credit, Inc.		
			April 2010	Director and Senior Managing Executive Officer of SMBC Senior Managing Executive Officer of SMFG		
			June 2011	Director of SMFG		
			June 2012	Director and President, CEO of Citibank Japan Ltd.		
			June 2015	Outside Auditor of The Japan Steel Works Ltd. Outside Auditor of Toray Industries, Inc. (current position)		
			June 2019	Corporate Auditor of the Company (current position)		
Total						144

Notes

1. Shareholdings of the Brother Employees Shareholding Plan are included; the number of shares less than 1,000 is rounded down.
2. Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, Mr. Naoki Hidaka, and Mr. Masahiko Miyaki are Outside Directors.
3. Mr. Akira Yamada, Mr. Masaaki Kanda, and Mr. Kazuya Jono are Outside Auditors.
4. For one year from the closing of the Ordinary General Meeting of Shareholders held on June 23, 2021
5. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 26, 2018
6. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 24, 2020
7. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 24, 2019
8. The Company has introduced an executive officer system to ensure swift decision-making and revitalize the Board of Directors. There are 15 Executive Officers and 5 Group Executive Officers. The five Directors to whom an asterisk is affixed in the table above concurrently serve as Executive Officers.
   The executive officers are composed of five Directors; six Managing Executive Officers (Mr. Mitsuyasu Kyuno, Mr. Taizo Murakami, Mr. Tsuyoshi Suzuki, Mr. Makoto Hoshi, Mr. Tetsuro Koide, and Mr. Toshihiro Itou); four Executive Officers (Mr. Yasuyuki Hasegawa, Mr. Tatsuya Sato, Mr. Yoshiichi Sugimoto, and Mr. Yumiko Iwadare); one Group Managing Executive Officer (Mr. Isao Noji); and four Group Executive Officers (Mr. Susumu Takeda, Mr. Tsutomu Mishima, Mr. Donald Cummins, and Mr. Robert Pulford).

The Group Executive Officers are Executive Officers who assume the responsibility for business execution by the Company's major subsidiaries.

2 Outside Directors and Outside Auditors

The Company has five Outside Directors and three Outside Auditors.

1) Outside Directors

The Company has appointed Mr. Keisuke Takeuchi as an Outside Director. He has been involved in management as Representative Director and President and Representative Director and Chairman of JGC Corporation (currently JGC Holdings Corporation). Based on his extensive experience, insight, and achievements as a manager of a global corporate group, he provides advice regarding the Company's management, makes important decisions, and supervises the Company's business execution from a standpoint that is independent of the Company's managing executives.

The Company has appointed Ms. Aya Shirai as an Outside Director. She has been engaged in the management of various manufacturing companies for years as an outside director. She has also served as the top management of a local government and actively promoted the diversification of organizations. Based on such extensive experience, insight, and achievements, she provides advice regarding the Company's management, makes important decisions, and supervises the Company's business execution as an Outside Director from a standpoint that is independent of the Company's managing executives.

The Company has appointed Mr. Kazunari Uchida as an Outside Director. He has a range of knowledge of corporate management as Japan Representative of Boston Consulting Group. He has also been engaged in the management of various companies for years as an outside director and an outside auditor. Based on such extensive experience, insight, and achievements, he provides advice regarding the Company's management, makes important decisions, and supervises the Company's business execution.

Mr. Uchida served as a member of an independent advisory panel set up based on the policy of responding to large-scale purchases of the Company's shares until June 2018, and the Company paid compensation to him. In light of the nature of the panel and the amount of payment, the Company deems that this transaction will not affect Mr. Uchida's independence.

The Company has appointed Mr. Naoki Hidaka as an Outside Director. He has been involved in the management of a global corporate group as Executive Vice President of Sumitomo Corporation and in overseas offices of Sumitomo Corporation. Based on such extensive experience, insight, and achievements, he provides advice regarding the Company's management, makes important decisions, and supervises the Company's business execution.

The Company has appointed Mr. Masahiko Miyaki as an Outside Director. He has been involved in the management of a global corporate group mainly in the fields of technological development, quality, and the environment as Vice President of DENSO CORPORATION. Based on such extensive experience, insight, and achievements, he provides advice regarding the Company's management, makes important decisions, and supervises the Company's business execution.

The Company's capital relationship with each of its Outside Directors, Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, and Mr. Naoki Hidaka, is as indicated in the "Number of shares held" column of "1 Directors, Corporate Auditors, and Executive Officers."

Other than the capital relationship mentioned above, there are no personal, capital, or transactional relationships, or any other conflicting interests between the Outside Directors and the Company, and the Company deems Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, Mr. Naoki Hidaka, and Mr. Masahiko Miyaki to be outside officers who will not have a conflict of interests with general shareholders.

2) Outside Auditors

The Company has appointed Mr. Akira Yamada as an Outside Auditor. He has been involved in both domestic and international corporate legal affairs for years as an attorney at law. Based on such extensive experience, insight, and achievements, he audits the Company's management from a standpoint that is independent of the Company's managing executives.
Mr. Yamada served as a member of an independent advisory panel set up based on the policy of responding to large-scale purchases of the Company's shares until June 2018, and the Company paid compensation to him. In light of the characteristic of the panel and the amount of payment, the Company deems that this transaction will not affect Mr. Yamada's independence.
The Company has appointed Mr. Masaaki Kanda as an Outside Auditor. In addition to his professional career as an attorney at law, Mr. Kanda has been engaged in the administrative operations of local governments for years. He has also been involved in the management of a private corporation as an outside director. Based on such extensive experience, insight, and achievements, he audits the Company's management from a standpoint that is independent of the Company's managing executives.
The Company has appointed Mr. Kazuya Jono as an Outside Auditor. He has been involved in the management of financial institutions for years, and based on such extensive experience, insight, and achievements, he audits the Company's management from a standpoint that is independent of the Company's managing executives.
The Company has transactions with Sumitomo Mitsui Banking Corporation, for which Mr. Jono served as Director and Senior Managing Executive Officer. However, as more than nine years have passed since his resignation from the bank and Sumitomo Mitsui Financial Group, Inc., the parent company of the bank, the Company deems that these transactions will not cause a conflict of interests with general shareholders. Neither Sumitomo Mitsui Banking Corporation nor Sumitomo Mitsui Financial Group, Inc. is a major shareholder of the Company, and the Company has ongoing transactions with multiple financial institutions including Sumitomo Mitsui Banking Corporation. Therefore, the relationship between the bank and the Company does not affect decisions made by the Company.
The Company's capital relationship with each of its Outside Auditors, Mr. Akira Yamada, Mr. Masaaki Kanda, and Mr. Kazuya Jono, is as indicated in the "Number of shares held" column of "1 Directors, Corporate Auditors, and Executive Officers."
Other than the capital relationship mentioned above, there are no personal, capital, or transactional relationships, or any other conflicting interests between the Outside Auditors and the Company, and the Company deems Mr. Akira Yamada, Mr. Masaaki Kanda, and Mr. Kazuya Jono to be outside officers who will not have a conflict of interests with general shareholders as they perform their duties as Outside Auditors from a standpoint that is independent of the Company's managing executives.
The Company has established the Independence Standards for Outside Officers in the Brother Group Basic Policies on Corporate Governance as standards on independence for appointing Outside Directors and Outside Auditors. The Company's Outside Directors and Outside Auditors all satisfy the Standards, and the Company deems that they hold enough independence to perform their duties as outside officers from a standpoint that is independent of the Company's managing executives. The Company has also reported to the Tokyo Stock Exchange and Nagoya Stock Exchange all the Outside Directors and Outside Auditors as independent officers specified by each Exchange.

The Company's Independence Standards for Outside Officers are as follows:

<The Brother Industries, Ltd. Independence Standards for Outside Officers>

1. The Company determines that an individual who applies to one of the following does not hold independence from the Company.

(1) An incumbent or past Director, Executive Officer, manager or employee (including Executive Officer) of the Company and its subsidiaries (hereafter collectively referred to as the Company, etc.).

(2) An individual who is currently serving or has served within the past five years as a business executor (*1) of a corporation or any other organization (hereafter referred to as a corporation, etc.) that applies to one of the following:

- A corporation, etc. which is the major shareholder (*2) of the Company
- A corporation, etc. of which the Company, etc. is the major shareholder
- A corporation, etc., which paid the Company, etc. an amount of money that is more than 2% of the consolidated net sales of the Company during the business year concerned
- A corporation, etc. which received either 10 million yen of annual payment or a payment equal to 2% of the consolidated net sales of the said corporation, etc., whichever is larger, from the Company, etc. during the relevant business year
- A corporation/organization, etc. which obtained more than 10 million yen of annual payment, or a payment more than 2% of the gross income or recurring revenue of the said corporation/organization, etc., whichever is larger, from the Company, etc. as a donation or grant during the relevant business year

(3) An individual who currently serves or served within the past five years as a business executor of a company, at which an individual from the Company, etc. serves as its Director.

(4) A certified public accountant who currently serves or served within the past five years as an Accounting Auditor of the Company, etc., or currently belongs or belonged within the past five years to an auditing firm, which serves as the Accounting Auditor of the Company, etc.

(5) A consultant, accounting specialist, or a legal expert who currently receives or received within the past five years either a payment of more than 2% of the net sales of the business year or 10 million yen, whichever is higher, from the Company, etc. (excluding the remuneration of officers). (In the case of which the recipient of the said compensation is an organization, such as a corporation or guild, this applies to a consultant, accounting specialist or legal expert who belongs to the organization concerned.)

(6) An individual who is currently a close relative (*3) or was a close relative within the past five years of the individuals mentioned in (1)through (5)above respectively (excluding individuals who are not considered as important individuals (*4)).

2. In selecting nominees for Outside Officers, the Nomination Committee and Board of Directors must confirm their independence.

*1: A business executor is a Director in charge of executing a business operations or an Executive Officer of a corporation or any other organization, an officer or employee in charge of executing a business operation of any other corporation, etc., those who fulfill the duty stipulated in the Article 598, Paragraph 1 of the Companies Act or any other individual that has a similar responsibility: employees, Directors (excluding Outside Directors), a manager who has a similar responsibility, or those who execute the tasks of employees, etc.

*2: Refers to a shareholder who holds more than 10% of voting rights.

*3: As to 1. (1)through 1. (3)above, an important individual means Director, Executive Officer, or an employee who is a department manager or at a higher position (including Executive

Officer). As to 1. (4)above, it refers to certified public accountants belonging to respective auditing firms. As for 1. (5)above, it means Director, Executive Officer, an employee who is a department manager or at a higher position (including Executive Officer), certified public accountants belonging to respective auditing firms, or attorneys belonging to respective law firms.

*4: Refers to relatives within the second degree of kinship.

3 Mutual collaboration between supervision or auditing by Outside Directors or Outside Auditors and internal auditing and auditing by Corporate Auditors and Accounting Auditor, as well as relationship with internal control departments

To ensure that Outside Directors each conduct objective and neutral management supervision from an independent standpoint, the Company has put in place a system in which Outside Directors mutually collaborate with those serving as auditing function—Corporate Auditors, internal auditing departments, and the Accounting Auditor—as necessary in performing their duties. The Company has also implemented a system in which Outside Directors regularly receive financial reports, including consolidated financial statements, from financial departments through the Board of Directors, as well as a system allowing Outside Directors to receive reports as necessary.

To ensure that Outside Auditors each perform duties from an independent standpoint, the Company and the Audit & Supervisory Board have put in place a system in which Outside Auditors mutually collaborate with those serving as auditing function—Corporate Auditors, internal auditing departments, and the Accounting Auditor—as necessary. The Company has also implemented a system in which Outside Auditors regularly receive financial reports, including consolidated financial statements, from financial departments through the Board of Directors, as well as a system allowing Outside Directors to receive reports as necessary.

(3) Audits

1. Audits by Corporate Auditors

The Audit & Supervisory Board consists of five Corporate Auditors (including three Outside Auditors). Corporate Auditor Kazuyuki Ogawa and Corporate Auditor Keizo Obayashi have been engaged mainly in management planning and accounting at the Company and its group companies for years, and they have a considerable knowledge of finance and accounting. Corporate Auditor Kazuya Jono has accumulated experience in the financial business at financial institutions, and he has a considerable knowledge of finance and accounting.

The Company has also established an Audit & Supervisory Board office that has a certain level of independence from business departments and placed three dedicated staff members who appropriately possess capabilities required by Corporate Auditors. The Company has thereby ensured the effective operation of the Audit & Supervisory Board and functions that assist the duties of Corporate Auditors.

A total of 12 Audit & Supervisory Board meetings were held in FY2020. The attendance status of each Corporate Auditor is as follows:

	Name	Number of meetings held during tenure of office	Number of attendances
Standing corporate Auditors (Full-time)	Kazuyuki Ogawa	12	12
	Keizo Obayashi	10	10
Outside Auditors	Akira Yamada	12	12
	Masaaki Kanda	12	12
	Kazuya Jono	12	12

Note: The number of meetings held differs due to the difference in the timing of assuming office.

Corporate Auditors conduct mainly auditing activities described below in accordance with the audit standards prescribed by the Audit & Supervisory Board, audit the execution of duties by Directors, and audit the overall status of the Group’s development and operation of its internal control system.

- Attend Board of Directors meetings and state opinions
- Conduct on-site audits at group companies and hear reports from them
- Meet and exchange opinions with Directors
- Meet and exchange opinions with business departments
- Regularly exchange information and opinions with the Internal Auditing Department and Independent Auditor (three-party auditing communication meetings, financial results reporting meetings, etc.)

In FY2020, Corporate Auditors conducted audits with the items below designated as key audit items. They also had opportunities for reporting to the Board of Directors, presenting issues and proposals.

- Implementation status of governance at subsidiaries
- Control status of Group headquarters function
- Status of compliance with laws and regulations (labor, subcontracting, etc.)
- Implementation status of information management
- Efficiency of execution of duties by senior employees, etc.

Corporate Auditors held discussion with the Independent Auditor regarding key audit matters (KAMs).

The activities of full-time Corporate Auditors are attending important meetings, including Board of Directors meetings mentioned above, Strategy Meetings, various committee meetings, Executive and Officer communication meetings, and confirming business execution by business departments and exchanging opinions at these meetings. The results of such activities are reported to the Audit & Supervisory Board. The Company has also established opportunities for Corporate Auditors to hear reports from and exchange opinions with the management members of subsidiaries and regularly exchange opinions with the full-time Corporate Auditors and Internal Auditing Department of subsidiaries in efforts to further enhance the Group's internal control.
In FY2020, the impact of COVID-19 made it impossible for Corporate Auditors to conduct some of the face-to-face hearings and onsite audits they had previously conducted. Accordingly, the Company established an environment allowing all of its Corporate Auditors and staff members working for them to appropriately perform remote work, thereby enabling them to conduct desirable auditing activities equivalent to those in the past. Under this environment, Corporate Auditors conducted audits of subsidiaries in remote areas, including those overseas, while holding remote meetings with the management members of major overseas subsidiaries.
With regard to regular exchange of information and opinions with the Independent Auditor, they also held remote discussions and confirmed the appropriateness of audit services by the Independent Auditor.

2 Internal audits

The Company has established an Internal Auditing Department. Under the instructions of the Representative Director & President, the Internal Auditing Department (13 staff members) verifies the status of measures against risks at each of the Company's departments and group subsidiaries, and reports the results to the Representative Director & President and the Corporate Auditors.

3 Audits by Independent Auditor

a. Name of auditing firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

Since 1968

c. Certified public accountants executing work

Satoshi Kawashima
Akinori Masumi
Koji Kitaoka

d. Composition of assistants related to auditing

The assistants related to the Company's accounting audits consist of 17 certified public accountants and 17 others.

e. Policy on and reason for appointment, and evaluation of auditing firm

The Company's Audit & Supervisory Board has set appointment and dismissal standards for its Independent Auditor in accordance with the Audit & Supervisory Board rules and audit standards for Corporate Auditors. The Board has thus clearly established its policy on determining dismissal or non-reappointment of the Independent Auditor and standards for determining reappointment. If the Independent Auditor is deemed to fall under any of the items of Article 340 Paragraph 1 of the

Companies Act, the Audit & Supervisory Board will dismiss the Independent Auditor with agreement of all the Corporate Auditors. The Audit & Supervisory Board will also decide on the details of a proposal to dismiss or not to reappoint the Independent Auditor that will be submitted to the General Meeting of Shareholders if the Board deems it necessary to submit such a proposal due to reasons such as that there is a problem in the execution of duties by the Independent Auditor.

With regard to the audit methods and results of Deloitte Touche Tohmatsu LLC, the Audit & Supervisory Board grasps the details of auditing through audit reports by the auditing firm and other means. At the same time, the Board evaluates the auditing firm based on standards that take into account matters such as the firm's quality audit systems, the ensuring of independence, the results of inspections by the Certified Public Accountants and Auditing Oversight Board and other organizations, and the presence or absence of administrative sanctions. In addition, the Audit & Supervisory Board has comprehensively deliberated on and evaluated, among others, the appropriateness of audit fees, global organization systems that enable effective and efficient accounting audits of the Group, the auditing firm's quality management system and expertise, the results of evaluation by business departments, and the details of audit reports submitted to the Board. As a result, Deloitte Touche Tohmatsu LLC has been reappointed as Independent Auditor.

4 Details of audit fees

a. Fees paid to auditing certified public accountants

Categories	FY2019		FY2020	
	Fees paid for audit services (Millions of yen)	Fees paid for non-audit services (Millions of yen)	Fees paid for audit services (Millions of yen)	Fees paid for non-audit services (Millions of yen)
Reporting company	117	2	121	0
Consolidated subsidiaries	109	8	88	1
Total	226	10	209	2

(FY2019)

The non-audit services at the Company and its consolidated subsidiaries are mainly advisory services related to the strengthening and enhancing of internal control.

(FY2020)

The non-audit services at the Company and its consolidated subsidiaries are mainly advisory services related to "Accounting Standard for Revenue Recognition."

b. Fees paid to the same network (Deloitte Touche Tohmatsu Limited) as auditing certified public accountants (excluding a.)

Categories	FY2019		FY2020	
	Fees paid for audit services (Millions of yen)	Fees paid for non-audit services (Millions of yen)	Fees paid for audit services (Millions of yen)	Fees paid for non-audit services (Millions of yen)
Reporting company	-	354	-	350
Consolidated subsidiaries	551	147	551	163
Total	551	501	551	514

(FY2019)

The non-audit services at the Company and its consolidated subsidiaries are mainly market research expenses.

(FY2020)

The non-audit services at the Company and its consolidated subsidiaries are mainly market research expenses.

c. Fees paid for other important auditing and attestation services

Not applicable

d. Policy on determining audit fees

The Company examines matters such as the details of audit plans and the appropriateness of estimates of audit hours and determines audit fees paid to the auditing certified public accountants and others after obtaining prior consent of the Audit & Supervisory Board.

e. Reason that the Audit & Supervisory Board has agreed to audit fees

The Company's Audit & Supervisory Board has decided to agree to the amount of fees to the Independent Auditor after conducting necessary verification of whether the calculation basis for the fee estimates is appropriate in consideration of matters such as the details of the Independent Auditor's audit plans and the status of execution of duties by the Independent Auditor.

(4) Remuneration for directors (and other officers)

1 Total amount of remuneration by officer category and by remuneration type, and number of eligible officers

(For one year from April 1, 2020 to March 31, 2021)

Categories	Number of officers receiving remuneration	Amount of remuneration (Millions of yen)	Total amount by type of remuneration		
			Base remuneration (Millions of yen)	Performance - based remuneration (Millions of yen)	Stock options for the stock-linked compensation plan (Millions of yen)
Director (including Outside Directors)	13 (7)	365 (54)	239 (54)	61 (-)	64 (-)
Corporate Auditor (including Outside Auditors)	6 (3)	75 (26)	75 (26)	- (-)	- (-)
Total (including Outside Directors and Outside Auditors)	19 (10)	441 (80)	314 (80)	61 (-)	64 (-)

Notes

1. The amount of remuneration paid to Directors does not include the employee salary of the employees who also serve as Directors.
2. Taking seriously the challenging situation the Group is facing, such as deteriorating performance in some businesses due mainly to the spread of COVID-19, the Representative Director and Chairman, the Representative Director and President, and a Director have offered to return part of their remuneration for FY2020 as described below. The Company has accepted their offers. The total amount shown in the above table does not reflect this return.

Subject Directors	Details of return
Representative Director & Chairman Representative Director & President	Return 20% of base remuneration (for one year from July 2020)
Director (Head of N&C Business for FY2020)	Return 20% of base remuneration (for one year from July 2020)

3. The number of officers receiving remuneration shown in the above table includes two Outside Directors and one Corporate Auditor other than Outside Directors who retired during FY2020.

2 Policy on determining amounts or calculation methods of remuneration of officers and determination methods

1) Overview of remuneration system for officers

The Company has set its policy on determining remuneration for Directors based on resolution of the Board of Directors. The Company's policy is to establish an objective and transparent remuneration system based on the managerial responsibility clearly defined for officers, and to pay the appropriate amount of remuneration, taking into consideration the level of remuneration at other companies as well as the level of compensation and employee benefits.

The Company's director remuneration is composed of the following:

Type of remuneration	Eligible individuals	Objective of remuneration
Base remuneration	All Directors	Fixed remuneration (specified according to the position under the Company's Director Remuneration Rules)
Performance-based remuneration	Directors excluding Outside Directors and part-time Directors	Remuneration to reflect accountability for the financial performance for each fiscal year
Stock options for the stock-linked compensation plan	Directors excluding Outside Directors and part-time Directors	Incentive remuneration to align initiatives to enhance long-term corporate value with the Company's share price

The composition ratio of remuneration for Directors (excluding Outside Directors and part-time Directors) is "basic remuneration" : "performance-based remuneration" : "stock options for the stock-linked compensation plan" = roughly 6 : 2 : 2. The ratio of remuneration other than the basic remuneration somewhat increases in line with promotion.

On the other hand, remuneration for the Company's Corporate Auditors is specified in the corporate auditor remuneration rules prescribed by the Audit & Supervisory Board. With regard to the type of remuneration, only basic remuneration is paid to all Corporate Auditors.

2) Performance-based remuneration

Regarding performance-based remuneration paid to Directors (excluding Outside Directors and part-time Directors), the payment amount for each individual is determined by adding to the base amount by position provided in the Director Remuneration Rules, an amount that takes into account the level of achievement in performance indices for the current fiscal year relative to their targets, as well as the results of qualitative evaluations by Representative Directors for Directors excluding Representative Directors.

The indices used for the assessment of performance-based remuneration and their weights are as follows. These indices were selected so as to give well-balanced incentives for both the Group's growth and improving profitability. With intent to place emphasis on commitment to shareholders and investors, the business performance forecasts announced at the beginning of FY2020 are, in principle, used as target values for these indices.

Target		Types of indices (weight in assessment)
1 Representative Directors		Consolidated revenue on a group basis (50%) Consolidated profit for the year on a group basis (50%)
Non-Representative Directors	2 Head of Business Executive Officers or Directors serving as executive officers responsible for the business	Consolidated revenue on a group basis (30%) Consolidated profit for the year on a group basis (30%) Consolidated revenue of the business field (15%) Consolidated operating profit of the business field (15%) Qualitative evaluation by the Representative Directors (10%)
	3 Directors other than the above	Consolidated revenue on a group basis (45%) Consolidated profit for the year on a group basis (45%) Qualitative evaluation by the Representative Directors (10%)

Notes

1. "Profit for the period" in the above table refers to "profit for the period attributable to owners of the parent company."
2. Individuals eligible to receive performance-based remuneration for FY2020 are four persons falling under the above 1 and one person falling under the above 2 or 3. The one person falling under 2 is the Director concurrently serving as Executive Officer responsible for the N&C Business.

Performance-based remuneration for FY2020 has been assessed using the above-mentioned indices for FY2020 (business performance forecasts announced in August 2020 used as target values). The target and actual values for these indices are as follows:

Coverage of indices	Revenue Actual value/target value (Millions of yen)	Profit Actual value/target value (Millions of yen)
Group-wide	631,812/560,000	24,520/25,000
Network & Contents	31,044/33,500	-7,348/ -4,510

3) Stock options for the stock-linked compensation plan

Stock options for the stock-linked compensation plan provided to Directors (excluding Outside Directors and part-time Directors)

The details and main conditions, etc. are as follows:

Total amount of stock options (based on a fair evaluation amount at the time of determining issuance)	Up to 130 million yen per year (based on a fair evaluation amount in corporate accounting at the time of determining each issuance)
Number of stock options	up to 1,300 per year
Types, details, and number of shares underlying stock options	up to 130,000 common shares
Amount to be paid in upon the exercise of stock options	The amount of property contributed when exercising stock options is the amount calculated by multiplying the exercise value (1 yen) by the number of shares underlying stock options.
Period to exercise stock options	The period is 30 years from the day following the day of allotment of stock options on which the subscription requirements for stock options are determined.
Conditions to exercise stock options	Stock options may be exercised until five years have elapsed from the date one year after the day following the date on which the position of a Director, Corporate Auditor, or Executive Officer of the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights is lost.
Matters related to transfer of stock options	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.

Regarding the method of determining the payment amount, the base amount by position is provided in the Director Remuneration Rules. The number of stock options to be allotted to each recipient is calculated by dividing the base amount by a fair evaluation unit price, and the actual numbers of stock options allotted (the number by recipient and the total number) are determined by the Board of Directors. The fair evaluation unit price is calculated based on the generally accepted standard, the Black-Scholes Model.

4) Matters on remuneration decided at General Meetings of Shareholders

1 The maximum amount of base remuneration for Directors and Corporate Auditors, which is fixed remuneration, was set at 400 million yen and 140 million yen per year, respectively, by resolution at the 114th Ordinary General Meeting of Shareholders held on June 23, 2006.
Aside from base remuneration of 400 million yen per year, the provision of stock options for the stock-linked compensation plan to Directors (excluding Outside Directors) up to 130 million yen per year (based on a fair evaluation amount in corporate accounting at the time of determining each issuance), along with basic issuance conditions for such options, was decided by resolution at the 114th Ordinary General Meeting of Shareholders held on June 23, 2006 and the 129th Ordinary General Meeting of Shareholders held on June 23, 2021.
There were eight Directors (including one Outside Director) and four Corporate Auditors as of the closing of the 114th Ordinary General Meeting of Shareholders held on June 23, 2006. There were six Directors (excluding Outside Directors) as of the closing of the 129th Ordinary General Meeting of Shareholders held on June 23, 2021.

2 For the performance-based remuneration paid in FY2020 to Directors (excluding Outside Directors), a total amount of 71.59 million yen was decided by resolution at the 128th Ordinary General Meeting of Shareholders held on June 24, 2020. There were six Directors (excluding Outside Directors) as of the closing of the 128th Ordinary General Meeting of Shareholders held on June 24, 2020.

5) Reason that the Board of Directors deems remuneration for individual Directors in FY2020 to be consistent with policy on determining remuneration

As for the remuneration paid to individual Directors other than fixed remuneration, the remuneration calculation method and results have been confirmed for each individual at the Board of Directors meeting, and the payment has been resolved.

6) Compensation Committee's activities in the course of determining the amount of officer compensation

The Company has established the Compensation Committee as an arbitrary advisory committee to the Board of Directors in order to enhance the independence and objectivity of the functions of the Board of Directors. The Compensation Committee consists of all Outside Directors, as well as Representative Director and Chairman and Representative Director and President, and is chaired by an Outside Director. The Compensation Committee examines revisions to the Director Remuneration Rules and confirms the amount of performance-based remuneration, and reports the outcomes to the Board of Directors. Also, every year, the Company participates in an officer remuneration survey in which major domestic companies participate, and verifies the appropriateness of the Company's officer remuneration by using as benchmarks the levels of officer remuneration at other companies (focusing especially on the medium remuneration level of other companies with a business scale similar to the Company's). Information on these officer remuneration levels is reported to the Compensation Committee, which consolidates opinions regarding recommending that the Board of Directors review the officer remuneration levels.
As part of these activities, the Compensation Committee deliberated on agenda items below in FY2020.

May 11, 2020 Performance-based remuneration
August 4, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
August 27, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
Direction on review of part of the remuneration structure for full-time Directors and Executive Officers
March 2, 2021 Report on the officer remuneration levels
March 23, 2021 Review of the share-based compensation system

7) Board of Directors' activities in the course of determining the amount of officer compensation

The Board of Directors deliberated on and decided matters on officer remuneration for FY2020 as indicated below.

June 24, 2020 Performance-based remuneration
Allocation of stock options for the stock-linked compensation plan and granting of phantom stock
August 27, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
March 2, 2021 Policy on determining director remuneration

(5) Shareholdings

1) Standards and principles of classification of investment shares

The Company classifies securities held primarily for the purpose of profit from changes in stock value or dividend income as investments for pure investment purposes and other securities as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

a. Holding policy, methods of verifying the rationality of holdings, and details of verifications concerning the appropriateness of individual holdings by the Board of Directors

The Company holds the shares of listed companies when it is recognized that building good business relationships will contribute to enhancing the Company's medium- to long-term value. Specifically, in its business, the Company has invested in those companies in order to establish good business relationships in the areas of parts procurement, product sales in the Machinery Business, finance, insurance, transport trading, and so on. And the Company also has invested in an excellent unlisted company of infrastructure and development of investment in the Nagoya region, where the Company's headquarters are located, as well as in venture companies in Japan and overseas for the purpose of developing future business and exploring synergies.

In light of the intent of the Corporate Governance Code (Principle 1-4: Cross-Shareholdings), we have a policy that the Board of Directors verifies the appropriateness of each cross holding annually and we reduce the holdings that lack significance. Specifically, the Board of Directors has a policy of comprehensively verifying the purpose of holding shares, dividend yield, market value, other benefits, and risks for each issue and reducing holdings that are determined to lack significance.

b. Number of issues of investment shares held for purposes other than pure investment purposes and total amount recorded on the balance sheet

	Number of issues	Total amount recorded in balance sheets (Millions of yen)
Unlisted shares	21	825
Other than unlisted shares	15	17,959

(Issues whose holdings increased during the current fiscal year)

Not applicable.

(Issues whose holdings decreased in the current fiscal year)

	Number of issues	Total amount sold due to decrease in number of shares held (Millions of yen)
Unlisted shares	1	3
Other than unlisted shares	3	571

c. Information on the issues, the number of shares, and the amount of specified investment securities and deemed shareholdings recorded in the balance sheets

Specified investment securities

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
	Number of shares	Number of shares		
	Amount recorded on the balance sheet (Millions of yen)	Amount recorded on the balance sheet (Millions of yen)		
Nidec Corporation	654,000	654,000	Maintenance of relationships concerning parts procurement and hardware sales	Yes
	8,786	3,666		
Zeon Corporation	2,365,000	2,365,000	Maintenance of relationships concerning parts procurement	Yes
	4,183	1,925		
Toho Gas Co., Ltd.	200,000	200,000	Development of business relationship	Yes
	1,366	980		
Sanyo Denki Co., Ltd.	125,400	125,400	Maintenance and reinforcement of trading relationship	Yes
	738	546		
Citizen Watch Co., Ltd.	1,526,900	1,526,900	Maintenance of cooperative manufacturing and sales relationship	No
	577	586		
Okaya & Co., Ltd.	52,000	52,000	Maintenance of relationship concerning parts and materials procurement and hardware sales	Yes
	473	418		
MS&AD Insurance Group Holdings, Inc	131,700	131,700	Maintenance of comprehensive insurance trading relationship	No
	427	398		
Okuma Corporation	64,000	64,000	Maintenance of hardware sales and purchasing relationship	Yes
	406	223		
Yamazen Corporation	300,000	300,000	Maintenance of hardware sales and purchasing relationship	Yes
	312	270		
Ushio Inc.	120,300	120,300	Maintenance of relationships concerning parts procurement	Yes
	175	124		
Chiyoda Integre Co., Ltd.	87,800	87,800	Maintenance of relationships concerning parts procurement	Yes
	166	140		
Jichodo Co., Ltd.	22,200	22,200	Maintenance of hardware sales relationship	Yes
	156	138		
Ryosan Company, Limited	59,900	59,900	Maintenance of relationships concerning parts procurement	Yes
	135	143		

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
	Number of shares	Number of shares		
	Amount recorded on the balance sheet (Millions of yen)	Amount recorded on the balance sheet (Millions of yen)		
Yuasa Trading Co., Ltd.	11,000	11,000	Maintenance of hardware sales and purchasing relationship	Yes
	34	31		
Meiko Trans Co. Ltd.	16,000	16,000	Maintenance of transport service trading	Yes
	18	17		
Mitsubishi UFJ Financial Group, Inc.	-	601,100	Maintenance of comprehensive financial transaction relationship Results of verification of reasonableness of holdings and sales in the current fiscal year	No
	-	242		
ITFOR Inc.	-	230,000	Development of business relationship Results of verification of reasonableness of holdings and sales in the current fiscal year	Yes
	-	130		
Sumitomo Mitsui Financial Group, Inc.	-	29,272	Maintenance of comprehensive financial transaction relationship Results of verification of reasonableness of holdings and sales in the current fiscal year	No
	-	76		

Deemed Shareholdings

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
	Number of shares	Number of shares		
	Amount recorded on the balance sheet (Millions of yen)	Amount recorded on the balance sheet (Millions of yen)		
ITFOR Inc.	1,420,000	1,420,000	Restriction on excercising its voting rights	Yes
	1,178	803		
Mitsubishi UFJ Financial Group, Inc.	1,532,400	1,532,400	Restriction on excercising its voting rights	No
	906	617		
Sumitomo Mitsui Financial Group, Inc.	134,300	134,300	Restriction on excercising its voting rights	No
	538	352		

Notes

1. Specified investment securities and deemed holding securities are not combined at the stage of selecting top-ranked securities in terms of amounts recorded on the balance sheet.
2. The Company conducts a comprehensive verification of the purpose of holding securities, dividend yield, market value, other benefits, and risks for each issue.

3) Equity Securites Held for Pure Investment

Not applicable.

5. Financial Information

1. Basis of preparation of consolidated financial statements and financial statements

(1) The Company satisfies the requirements of a "specified company complying with designated international accounting standards" stipulated in Article 1-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance of Japan Order No. 28 of 1976), and accordingly, the Company's consolidated financial statements were prepared in accordance with Article 93 of the Regulation and International Financial Reporting Standards (IFRS).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; referred to as the "Regulation on Financial Statements").
In addition, the Company is a special company submitting financial statements, and its financial statements are prepared in accordance with Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the consolidated fiscal year from April 1, 2020 to March 31, 2021 and the non-consolidated financial statements for the fiscal year from April 1, 2020 to March 31, 2021 were audited by Deloitte Touche Tohmatsu LLC.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, and internal systems to prepare consolidated financial statements, fairly in accordance with IFRS

The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements, and establishes internal systems to prepare consolidated financial statements, fairly in accordance with IFRS. The details are as follows.

(1) In order to properly understand the details of the accounting standards, and to develop systems for the truthful reporting of the Company's financial position and business results, the Company has joined the Financial Accounting Standards Foundation to collect information and regularly participates in seminars and the like hosted by audit firms to understand the details of accounting standards.

(2) The Company from time to time obtains press releases and statements on standards issued by the International Accounting Standards Board to stay informed regarding the latest standards. In addition, the Group establishes group accounting standards in compliance with IFRS and performs accounting procedures in accordance with those policies so that it can prepare fair consolidated financial statements.

1. Consolidated financial statements

(1) Consolidated financial statements

Consolidated Statement of Financial Position

	Notes	Millions of yen FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets			
Current assets			
Cash and cash equivalents	8, 41	168,422	191,002
Trade and other receivables	9, 41	95,067	93,055
Other financial assets	10, 41	11,277	8,391
Inventories	11	117,858	120,186
Other current assets	12	15,554	16,070
Subtotal		408,179	428,705
Non-current assets classified as held for sale	13	601	45
Total current assets		408,780	428,751
Non-current assets			
Property, plant and equipment	14, 17	104,204	107,742
Right-of-use assets	17, 22	25,727	20,835
Investment property	15	8,122	8,248
Goodwill and intangible assets	16, 17	134,409	118,196
Investments accounted for using the equity method	18	1,594	1,772
Other financial assets	10, 19, 41	27,871	36,042
Deferred tax assets	20	14,533	14,842
Other non-current assets	12, 25	6,229	7,464
Total non-current assets		322,692	315,145
Total assets		731,472	743,896

	Notes	Millions of yen FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	23, 41	51,041	54,589
Bonds and borrowings	21, 41	50,361	19,167
Other financial liabilities	21, 22, 24, 41	8,482	9,887
Income tax payables		3,455	6,779
Provisions	26	3,349	4,015
Contract liabilities	30	4,413	5,636
Other current liabilities	27	48,813	51,412
Total current liabilities		169,918	151,489
Non-current liabilities			
Bonds and borrowings	21, 41	56,650	38,290
Other financial liabilities	21, 22, 24, 41	28,540	23,295
Retirement benefits liabilities	25	20,261	19,316
Provisions	26	2,986	2,848
Deferred tax liabilities	20	5,564	6,394
Contract liabilities	30	1,189	1,506
Other non-current liabilities	27	1,188	1,047
Total non-current liabilities		116,382	92,700
Total liabilities		286,300	244,189
Equity			
Capital stock	28	19,209	19,209
Capital surplus	28	17,632	17,652
Retained earnings		491,803	509,662
Treasury stock	28	(2,597)	(2,477)
Other components of equity		(97,526)	(60,998)
Equity attributable to owners of the parent company		428,520	483,050
Non-controlling interests		16,650	16,657
Total equity		445,171	499,707
Total equity and liabilities		731,472	743,896

Consolidated Statement of Income

	Notes	Millions of yen FY2019 (Year ended March 31, 2020)	Millions of yen FY2020 (Year ended March 31, 2021)
Revenue	6, 15, 30	637,259	631,812
Cost of sales	11, 14, 15, 16, 25, 31, 34	(354,987)	(345,209)
Gross profit		282,272	286,602
Selling, general and administrative expenses	14, 16, 25, 32, 40	(215,330)	(208,526)
Other income	33, 34, 41	3,264	6,107
Other expenses	17, 25, 33, 41	(2,876)	(41,451)
Operating profit	6	67,329	42,731
Finance income	35	2,289	2,209
Finance expenses	35	(2,700)	(2,231)
Share of profit/(loss) of investments accounted for using the equity method	18	128	235
Profit before income taxes		67,046	42,944
Income tax expenses	20	(17,347)	(18,285)
Profit for the year		49,699	24,659
Profit for the year attributable to:			
Owners of the parent company		49,566	24,520
Non-controlling interests		132	138
Profit for the year		49,699	24,659

	Notes	Yen FY2019 (Year ended March 31, 2020)	Yen FY2020 (Year ended March 31, 2021)
Earnings per share			
Basic earnings per share	36	190.80	94.36
Diluted earnings per share	36	190.21	94.07

Consolidated Statement of Comprehensive Income

	Notes	Millions of yen	
		FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Profit for the year		49,699	24,659
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Gains/(Losses) on investments in equity instruments designated as FVTOCI	37,41	(1,948)	6,128
Remeasurement of the net defined benefit liability (asset)	37	(1,933)	2,128
Share of other comprehensive income of investments accounted for using the equity method	18, 37	(17)	(7)
Total of items that will not be reclassified subsequently to profit or loss		(3,899)	8,248
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	37	(25,973)	36,565
Total of items that may be reclassified subsequently to profit or loss		(25,973)	36,565
Other comprehensive income for the year, net of income tax		(29,873)	44,814
Comprehensive income for the year		19,826	69,474
Comprehensive income for the year attributable to:			
Owners of the parent company		19,729	69,219
Non-controlling interests		96	255
Comprehensive income for the year		19,826	69,474

Consolidated Statement of Changes in Equity

FY2019 (Year Ended March 31, 2020)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains/(losses) on investments in equity instruments designated as FVTOCI
Balance as of March 31, 2019		19,209	17,577	462,244	(2,694)	(71,577)	–
Cumulative effect of adoption of the new accounting standards		–	–	(494)	–	–	–
Balance as of April 1, 2019		19,209	17,577	461,749	(2,694)	(71,577)	–
Profit for the year		–	–	49,566	–	–	–
Other comprehensive income/(loss)		–	–	–	–	(25,949)	(1,927)
Total comprehensive income/(loss) for the year		–	–	49,566	–	(25,949)	(1,927)
Acquisition of treasury stock		–	–	–	(10)	–	–
Disposal of treasury stock		–	(76)	(18)	107	–	–
Dividends paid	29	–	–	(15,607)	–	–	–
Share-based payment transaction	40	–	131	–	–	–	–
Reclassification to retained earnings		–	–	(3,887)	–	–	1,927
Total transactions with owners		–	54	(19,513)	97	–	1,927
Balance as of March 31, 2020		19,209	17,632	491,803	(2,597)	(97,526)	–

	Notes	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
		Other components of equity				
		Remeasurement of the net defined benefit liability (asset)	Total	Total		
Balance as of March 31, 2019		–	(71,577)	424,759	16,833	441,593
Cumulative effect of adoption of the new accounting standards		–	–	(494)	(8)	(503)
Balance as of April 1, 2019		–	(71,577)	424,264	16,825	441,090
Profit for the year		–	–	49,566	132	49,699
Other comprehensive income/(loss)		(1,959)	(29,836)	(29,836)	(36)	(29,873)
Total comprehensive income/(loss) for the year		(1,959)	(29,836)	19,729	96	19,826
Acquisition of treasury stock		–	–	(10)	–	(10)
Disposal of treasury stock		–	–	12	–	12
Dividends paid	29	–	–	(15,607)	(270)	(15,877)
Share-based payment transaction	40	–	–	131	–	131
Reclassification to retained earnings		1,959	3,887	–	–	–
Total transactions with owners		1,959	3,887	(15,474)	(270)	(15,744)
Balance as of March 31, 2020		–	(97,526)	428,520	16,650	445,171

FY2020 (Year Ended March 31, 2021)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains/(losses) on investments in equity instruments designated as FVTOCI
Balance as of April 1, 2020		19,209	17,632	491,803	(2,597)	(97,526)	—
Profit for the year		—	—	24,520	—	—	—
Other comprehensive income/(loss)		—	—	—	—	36,528	6,057
Total comprehensive income/(loss) for the year		—	—	24,520	—	36,528	6,057
Acquisition of treasury stock		—	—	—	(17)	—	—
Disposal of treasury stock		—	(100)	—	137	—	—
Dividends paid	29	—	—	(14,830)	—	—	—
Share-based payment transaction	40	—	120	—	—	—	—
Reclassification to retained earnings		—	—	8,170	—	—	(6,057)
Total transactions with owners		—	20	(6,660)	120	—	(6,057)
Balance as of March 31, 2021		19,209	17,652	509,662	(2,477)	(60,998)	—

	Notes	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
		Other components of equity				
		Remeasurement of the net defined benefit liability (asset)	Total	Total		
Balance as of April 1, 2020		—	(97,526)	428,520	16,650	445,171
Profit for the year		—	—	24,520	138	24,659
Other comprehensive income/(loss)		2,112	44,698	44,698	116	44,814
Total comprehensive income/(loss) for the year		2,112	44,698	69,219	255	69,474
Acquisition of treasury stock		—	—	(17)	—	(17)
Disposal of treasury stock		—	—	37	—	37
Dividends paid	29	—	—	(14,830)	(248)	(15,079)
Share-based payment transaction	40	—	—	120	—	120
Reclassification to retained earnings		(2,112)	(8,170)	—	—	—
Total transactions with owners		(2,112)	(8,170)	(14,689)	(248)	(14,938)
Balance as of March 31, 2021		—	(60,998)	483,050	16,657	499,707

Consolidated Statement of Cash Flows

	Notes	Millions of yen FY2019 (Year ended March 31, 2020)	Millions of yen FY2020 (Year ended March 31, 2021)
Cash flows from operating activities			
Profit before income taxes		67,046	42,944
Depreciation and amortization		40,197	38,252
Impairment losses		429	30,787
Finance expenses/(income)		411	22
Share of (profit)/loss of investments accounted for using the equity method		(128)	(235)
Losses/(gains) on sale or disposal of fixed assets		289	859
Decrease/(increase) in trade and other receivables		1,658	7,484
Decrease/(increase) in inventories		6,053	3,953
Increase/(decrease) in trade and other payables		(9,366)	1,232
Decrease/(increase) in retirement benefit assets		66	(831)
Increase/(decrease) in retirement benefit liabilities		3,161	(1,863)
Other		(1,323)	3,643
Subtotal		108,496	126,250
Interest received		1,028	877
Dividends received		360	312
Interest paid		(1,365)	(1,229)
Income taxes paid		(20,772)	(16,945)
Net cash provided by operating activities		87,748	109,265
Cash flows from investing activities			
Purchases of property, plant and equipment		(16,872)	(20,655)
Proceeds from sales of property, plant and equipment		1,172	1,674
Purchases of intangible assets		(9,212)	(6,859)
Purchases of investments in equity instruments		(834)	(238)
Proceeds from sales of investments in equity instruments		859	706
Purchases of investments in debt instruments		(7,537)	(7,299)
Proceeds from sales or redemption of investments in debt instruments		7,666	8,541
Payments for acquisition of business	7	(2,030)	－
Other		(1,166)	(950)
Net cash used in investing activities		(27,955)	(25,080)
Cash flows from financing activities			
Proceeds from short-term borrowings	38	29,873	－
Repayment of short-term borrowings	38	－	(30,012)
Proceeds from long-term borrowings	38	200	200
Repayment of long-term borrowings	38	(20,197)	(200)
Redemption of bonds	38	(92)	(20,140)
Repayment of lease obligations	38	(8,813)	(8,798)
Dividends paid	29	(15,607)	(14,830)
Dividends paid to non-controlling interests		(270)	(248)
Other		(8)	(6)
Net cash used in financing activities		(14,916)	(74,038)
Effect of exchange rate changes on cash and cash equivalents		(7,606)	12,434
Net increase/(decrease) in cash and cash equivalents		37,270	22,580
Cash and cash equivalents at the beginning of the year	8	131,152	168,422
Cash and cash equivalents at the end of the year	8	168,422	191,002

Notes to the Consolidated Financial Statements

1. Reporting Entity

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the “Company”) is a corporation located in Japan. The consolidated financial statements of the Company consist of the financial statements of the Company, its consolidated subsidiaries (collectively, the “Group”) and its share of interests in associates.
The Group operates six businesses, consisting of the Printing & Solutions Business, Personal & Home Business, Machinery Business, Network & Contents Business, Domino Business and Others Business. The details of the principal businesses of the Group are described in Note 6 “Segment Information.”

2. Basis of Preparation

(1) Compliance with IFRS
The Group meets all of the requirements for a “specified company complying with designated international accounting standards” to prepare its consolidated financial statements by applying the designated IFRSs as stipulated under Article 1-2 of the “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Regulation No. 28, 1976, hereafter “the Regulation”). Hence, in accordance with Article 93 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS. The Group's consolidated financial statements for the year ended March 31, 2021, were approved on June 23, 2021 by Ichiro Sasaki, Representative Director & President of the Company.

(2) Basis of measurement
The Group's consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:
- Derivative financial instruments are measured at their fair values.
- Non-derivative financial assets to be measured at fair value are measured at their fair values.
- Defined benefit pension plan assets and liabilities are measured at the present value of defined benefit obligations less the fair value of the plan assets.
- When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, its right to reimbursement is recognized as a separate asset and is measured at fair value.

(3) Functional currency and presentation currency
The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded down.

3. Significant Accounting Policies

Unless otherwise indicated, the accounting policies stated below have been consistently applied to all the periods reported in the consolidated financial statements.

(Changes in accounting policies)
The Brother Group early applied the practical expedient in paragraph 46A of IFRS "Leases" from the first quarter of the year ended March 31,2021.
The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:
(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
(c) there is no substantive change to other terms and conditions of the lease.
The impact of the amount recognized in profit or loss as variable lease payments, which is not treated as a change in lease terms, on the consolidated financial statements is minor.

(1) Basis of consolidation
<1> Subsidiaries
A subsidiary is an entity that is controlled by the Group. As a result of such control, the Group has exposures and rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over such entity.
The subsidiary is consolidated from the date of acquisition of the control to the date of loss of the control by the Group.
If accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are made to the subsidiary’s financial statements, if necessary. All intra-Group balances, transactions, unrealized gains and losses are eliminated in consolidation.
Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognized directly in equity and attributed to the owners of the parent company.
If loss in control of a subsidiary occurs, the Group recognizes in profit or loss the gains and losses arising from the transaction.

<2> Associates and joint ventures
An associate is an entity over which the Group does not have control or joint control but has significant influence over its financial and operating policies.
A joint venture is an entity based on contractual agreements in which two or more parties have been bounded to conduct significant economic activities through joint control.
Investments in associates are accounted for using the equity method. Under the equity method, the investments in an associate or a joint venture are initially recognized at acquisition cost and the carrying amount is increased or decreased to recognize the Group's share of the net assets of the associate or the joint venture after the date of acquisition. The amount of goodwill recognized at the date of acquisition has been included in the carrying amount of investments without any amortization.
The accounting policies for associates and joint ventures are adjusted as required in order to comply with the accounting policies adopted by the Group.

(2) Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group in exchange for control of the acquiree. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.
Acquisition-related costs including finder's fees, legal, due-diligence and other professional fees are recognized in profit or loss as incurred.
Non-controlling interests measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted during the 'measurement period' (which cannot exceed one year from the acquisition date) or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at the date.
Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized. When a business combination is achieved in stages, the Group's previously-held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:
- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard ("IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date; and,
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

(3) Foreign currencies
<1> Foreign currency transaction
Foreign currency transactions are translated into the functional currency of each company in the Group at the rates of exchange prevailing at the date of the transactions.
At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.
Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was originally determined.
Differences arising from the translation or settlement are recognized in profit or loss, as presented in “Other income” or “Other expenses” in the consolidated statement of income. However, differences relating to financial activities are presented in “Finance income” or “Finance expenses” in the consolidated statement of income. Also, differences arising from financial assets carried at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

<2> Financial statements of foreign operations
Assets and liabilities of foreign operations are translated into Japanese yen using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Foreign exchange differences arising from the translation are initially recognized as “Exchange differences on translating foreign operations” in other comprehensive income and accumulated in “Other components of equity”, which are reclassified from equity to profit or loss on disposal.
Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period. The exchange differences are recognized in “Exchange differences on translating foreign operations” in other comprehensive income and accumulated in “Other components of equity”.

(4) Financial instruments

<1> Financial assets

(ⅰ) Initial recognition and measurement

Financial assets are classified into financial assets measured at fair value through profit or loss or other comprehensive income and those measured at amortized cost. The classification is determined at the time of initial recognition.

All financial assets other than those measured at fair value through profit or loss are measured at fair value and transaction costs.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments are in principle irrevocably designated as measured at fair value through other comprehensive income (“FVTOCI”). Debt instruments measured at fair value are classified as financial assets measured at fair value through other comprehensive income if the objective of business model has been achieved by both collecting contractual cash flows and selling financial assets.

(ⅱ) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount. Interest income based on the effective interest method is recognized in profit or loss and included in “Finance income” in the consolidated statement of income. In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income.

(b) Financial assets measured at fair value

Changes in the fair value or gains or losses on disposal of financial assets measured at fair value other than derivatives are recognized in profit or loss and included in “Other income” or “Other expenses” in the consolidated statement of income. However, remeasurement of fair value and gains or losses on disposal of investments in equity instruments designated as at FVTOCI are recognized as other comprehensive income, and the accumulated amount is reclassified into retained earnings. Dividends from the financial assets are recognized in profit or loss as part of “Finance income” in the consolidated statement of income.

(iii) Impairment on financial assets

An allowance for doubtful accounts is recognized for expected credit losses for financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and lease receivables.

The Group assesses, at the end of each reporting period, whether the credit risk of financial instruments has increased significantly since initial recognition. If certain financial assets are deemed to have low credit risk as of the reporting date, the Group determines that the credit risk on the financial instruments has not significantly increased after the initial recognition.

If the credit risk on financial assets has significantly increased since the initial recognition, or with respect to the credit-impaired financial assets, a loss allowance is recognized for the lifetime expected credit losses. If such risk has not significantly increased, a loss allowance is recognized for the 12-month expected credit losses. Expected credit losses are measured based on the present value of the difference between the contractual cash flows to be received and the cash flows expected to be received.

The Group directly reduces the total carrying amount of financial assets if it does not reasonably expect to collect all or part of certain financial assets.

For operating receivables and lease receivables, lifetime expected credit losses are recognized since the initial recognition.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance is recognized in profit or loss and included in “Other expenses” or “Other income” in the consolidated statement of income.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, the Group recognizes its retained interest on the financial asset and an associated liability for amounts it may have to pay to the extent of its continuing involvement in the financial asset.

<2> Financial liabilities

(i) Initial recognition and measurement

The Group classifies all financial liabilities other than derivatives into financial liabilities measured at amortized cost.

All financial liabilities are measured at fair value at initial recognition. However, those other than derivatives are measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

Financial liabilities other than derivatives are measured at amortized cost using the effective interest method after the initial recognition. Interest expenses using the effective interest method are included in “Finance expenses” in the consolidated statement of income, and gains or losses on derecognition are recognized in profit or loss and included in “Other income” or “Other expenses,” respectively.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

<3> Presentation of financial assets and liabilities
Financial assets are offset against financial liabilities and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

<4> Hedge accounting and derivatives
Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.
The Group utilizes derivatives such as foreign exchange contracts to fix cash flows regarding the recognized financial assets and liabilities or the future transactions. The Group does not hold any derivatives for speculative or dealing purposes in accordance with the Group's rule.
The Group has derivatives that are held for hedging purposes but do not qualify for hedge accounting. The fluctuation of the fair value of these derivatives is recognized in profit or loss immediately, and included in "Other income" or "Other expenses" in the consolidated statement of income. However, the fluctuation of the fair value of derivatives related to financial activities are included in "Finance income" or "Finance expenses" in the consolidated statement of income. The effective portion of cash flow hedges is recognized in other comprehensive income.
To assess whether the hedging relationship qualifies for hedge accounting, the Group documents the relationship between the hedging instrument and the hedged item at the inception of the hedging relationship, along with its risk management objectives and its strategies for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in cash flows of hedged item attributable to the hedged risk.
Hedges are determined effective when all of the following requirements are met:
(ⅰ)There is an economic relationship between the hedged item and the hedging instrument;
(ⅱ)The effect of credit risk does not dominate the value changes that result from that economic relationship; and
(ⅲ)The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the Group actually hedges and the quantity of the hedging instruments that the Group actually uses to hedge that quantity of hedged items.

If a hedging relationship ceases to meet the hedge effectiveness requirements relating to the hedge ratio, but the risk management objective remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.
Cash flow hedge accounting is applied only for highly probable forecast transactions.

Hedging relationships that meet qualifying criteria for hedge accounting are accounted for as follows:
Cash flow hedges
The Group uses only cash flow hedges.
The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income, and any remaining gain or loss on the hedging instruments that is determined to be an ineffective hedge is recognized in profit or loss immediately in the consolidated statement of income.
If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group directly transfers the cash flow hedge reserve to the initial cost or other carrying amount of the asset or liability.

Cash flow hedge reserve on cash flow hedges other than those stated above is reclassified to profit or loss in the same period during which the hedged expected future cash flows affect profit or loss.
However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss.
When the Group discontinues hedge accounting, if the hedged future cash flows are still expected to occur, the unrealized gain or loss on the cash flow hedge remains as another component of equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur, the unrealized gain or loss on the hedge is immediately reclassified to profit or loss.

(5) Cash and cash equivalents
Cash and cash equivalents include cash in hand, demand deposit and other short-term, highly-liquid investments with original maturities of approximately three months or less and insignificant risk of changes in value.

(6) Inventories
Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined mainly using the weighted-average method.

(7) Property, plant and equipment
Property, plant and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.
The cost includes any costs directly attributable to the acquisition of the assets, any cost related to their dismantlement, removal or restoration of land and any borrowing costs eligible for capitalization.
Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over the estimated useful life of each component of the assets.
The estimated useful lives of major property, plant and equipment are as follows:
- Buildings and structures: 3 to 60 years
- Machinery and equipment: 3 to 20 years
- Tools, equipment and fixtures: 2 to 20 years

The estimated useful lives, residual values and depreciation methods for property, plant and equipment are reviewed at each year end and changed as necessary.
Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of property, plant and equipment is recognized in profit or loss when the item is derecognized and is included in “Other income” or “Other expenses” in the consolidated statement of income.

(8) Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation.

Investment properties are measured by using the cost model and are initially stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives:

Buildings and structures: 3 to 60 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end and changed as necessary.

(9) Goodwill and Intangible assets

<1> Goodwill

Goodwill is measured at the sum of the consideration transferred, the amount of non-controlling interest and the fair value of equity interests in the acquiree held previously by the Group, less the net amount of identifiable assets and liabilities at the acquisition date. Goodwill is recognized at acquisition cost less accumulated impairment losses.

Goodwill is not amortized, but instead tested for impairment annually or whenever there is any indication of impairment. An impairment loss on goodwill is included in "Other expenses" in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

<2> Capitalization of development cost

Expenditures on research activities to gain new scientific or technical knowledge are recognized as expenses as incurred. Expenditures on development activities are capitalized as internally-generated intangible assets only if the Group can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Initial recognition of the internally-generated intangible assets is the total expenditure incurred from the date when all the above conditions are satisfied to the date when the developments are finished. The internally-generated intangible assets are amortized using the straight-line method over a period in which the funds spent for the development are expected to be recovered (i.e., 2 to 5 years) and are presented in the consolidated statement of financial position at cost, net of accumulated amortization and accumulated impairment losses.

Expenditures on development activities that do not meet the conditions above and research activities are recognized as expenses as incurred.

<3> Other intangible assets
Separately acquired intangible assets are measured at the acquisition at the time of initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.
Intangible assets other than goodwill are amortized using the straight-line method over the estimated useful life of each component of the assets and are stated at the acquisition cost less any accumulated amortization and accumulated impairment losses. The estimated useful lives of major intangible assets are as follows:
- Software: 2 to 5 years
- Patents: 8 to 10 years
- Customer related assets: 15 years

The estimated useful lives, residual values and amortization methods are reviewed at each year-end and changed as necessary.
Intangible assets with indefinite useful lives are recognized at acquisition cost less accumulated impairment losses and are not amortized, but instead tested for impairment annually or whenever there is any indication of impairment.
Intangible assets are derecognized on disposal or when no future economic benefits are expected from their continued use or disposal. The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the item is derecognized and is included in “Other income” or “Other expenses” in the consolidated statement of income.

(10) Non-current assets held for sale
Non-current assets (or disposal groups) for which the carrying amount is expected to be recovered through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) held for sale when the following conditions are met: it is highly probable that the asset or disposal group will be sold within one year, the assets (or disposal groups) are available for immediate sale in their present condition, and the Group management commits to the sale plan. In such cases, they are not depreciated or amortized and are measured at the lower of their carrying amount or the fair value less costs to sell.

(11) Leases
(As lessee)
At inception of a contract, the Group assesses whether the contract is or contains a lease. It is determined that a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
When a contract is assessed to be or contain a lease, a right-of-use asset and a lease liability are recognized at the commencement date. Lease liabilities are measured at the present value of the total accrued lease payments. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any prepaid lease payments and any initial direct costs incurred by the lessee, plus any costs including restoration obligations under the lease contracts.
After initial recognition, right-of-use assets are depreciated on a straight-line basis over the shorter of their useful lives or lease terms.
Lease payments are apportioned between the finance expenses and the reduction of the outstanding liability using the interest method. Finance expenses are recognized in the consolidated statement of income.
For short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, right-of-use assets and lease liabilities are not recognized. Lease payments associated with these leases are recognized as expenses on either a straight-line basis or another systematic basis over the lease term.

(As lessor)
The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
In finance leases, at the commencement date, assets held under a finance lease are recognized in the consolidated statement of financial position and presented as a receivable at an amount equal to the net investment in the leases.
In operating leases, assets subject to an operating lease are recognized in the consolidated statement of financial position and lease payments are recognized as income on a straight-line basis over the lease term in the consolidated statement of income.

(12) Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amount of its non-financial assets, except for inventories and deferred tax assets, and assesses whether there is any indication of impairment regarding each asset or cash-generating unit (or group) to which the asset belongs. Impairment tests are performed if indications of impairment exist. The cash-generating unit (or group) to which an impairment test is performed is the smallest unit (or group) that is identified to generate cash inflows independently of cash inflows from other assets or asset groups. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Goodwill and intangible assets with indefinite useful lives are allocated to appropriate cash-generating units and tested for impairment at least annually, irrespective of whether there is any indication of impairment or whenever there is an indication of impairment.
The recoverable amount of assets or cash-generating units is the higher of the value in use and the fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In measuring fair value less costs of disposal, appropriate valuation models evidenced by available fair value indicators are used.
When the carrying amount of the asset or the cash-generating unit exceeds its recoverable amount, the exceeding amount is recognized as impairment losses in "Other expenses" in the consolidated statement of income. The impairment loss recognized in relation to the cash-generating unit (or group) is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to allocate the impairment loss that exceeds the carrying amount of goodwill to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit (or group).
An impairment loss is reversed if the indication that an impairment loss previously recognized may no longer exist and the recoverable amount exceeds the carrying amount as a result of an estimation of the recoverable amount.
The increased carrying amount by the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The impairment loss for goodwill is not reversed.

(13) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale are added to the costs of those assets, until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Employee benefits

<1> Post-employment benefits

The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans as employees' post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the companies pay fixed contributions into separate entities and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Company and certain consolidated subsidiaries calculate the present value and the service cost of defined benefit obligations mainly using the projected unit credit method.

The discount period is determined based on the period until the expected date of future benefit payment in each reporting period, and the discount rate is determined by reference to market yields on high quality corporate bonds at the fiscal year-end corresponding to the discount period.

Net defined benefit liabilities or assets are the present value of defined benefit obligations less the fair value of plan assets and presented as “Retirement benefit liabilities” or included in “Other non-current assets” in the consolidated statement of financial position. When there is a funding surplus, net defined benefit asset is recognized up to the ceiling of the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If it is virtually certain that some or all of the expenditure required to settle defined benefit obligations is expected to be reimbursed by another party, the right of such reimbursement is recognized as an asset and included as part of “insurance reserve funds” in “Other non-current assets” in the consolidated statement of financial position.

The differences arising from the remeasurement of net defined benefit liabilities (assets) are collectively recognized as other comprehensive income in the period in which they occur and are immediately reclassified from other components of equity to retained earnings.

Past service cost, which is the change in the present value of defined benefit obligations resulting from the amendment or curtailment of the plan, is recognized in profit or loss in the period in which it is incurred.

Contributions to the defined contribution plan are recognized as an expense when employees provide related services.

<2> Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Accruals are recognized as a liability when the companies have present legal or constructive obligations to pay as a result of past employee service and when reliable estimates of the obligation can be made.

<3> Other employee benefits

Long-term employee benefit obligations other than retirement benefit obligations are determined by discounting the estimated amount of future benefits obtained as a result of past and current employee service to its present value.

(15) Share-based payments

The Group has adopted a stock option scheme as an equity-settled share-based payment scheme. The fair value determined at the grant date is expensed over the vesting period in the consolidated statement of income, taking into account the estimated number of stock options that will eventually vest, and the same amount is recognized as an increase in capital in the consolidated statement of financial position. The fair value of the option granted is calculated using the Black-Scholes Model or other methods considering the terms and conditions.

(16) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle such obligations and reliable estimates can be made of the amounts. The amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation, discounting to the present value using a pre-tax discount rate that reflects the effect of the time value of money and risks specific to the obligation. Interest expense associated with the passage of time are recognized as finance expenses.

<1> Asset retirement obligations

When legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, the amount calculated by discounting expected future expenditures required for the retirement to the present value is recognized as a liability in the consolidated statement of financial position, and the amount corresponding to the liability is accounted for as part of property, plant and equipment and investment property. Estimated future expenses and the applied discount rate are reviewed annually and added to or subtracted from the respective accounts if adjustments are deemed necessary.

<2> Provision for product warranty

Provision for product warranty is estimated and recognized based on past experience of the occurrence of detective goods and the expected after-sales service costs in the warranty period. The provision of allowance for product warranty is included in “Selling, general and administrative expenses” in the consolidated statement of income.

<3> Other provisions

Other provisions include a provision for environmental measures.

(17) Revenue

With the adoption of IFRS 15, the Group recognizes revenue based on the following five-step model.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group mainly sells printers, communication/printing equipment (such as multifunctional machines), domestic sewing machines, industrial sewing machines, machine tools, reducers, gears and commercial online karaoke systems, as well as industrial printing equipment. For sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is satisfied, and revenue is therefore recognized, upon delivery of the products. Rendering of Services, such as content distribution services, maintenance and operation, relating to these products may be provided to the customer. Revenue is recognized based on the contractual period because the performance obligations relating to these services are generally satisfied with the passage of time. Also, revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returns and other items.

(18) Government grants

Government grants are recognized at fair value until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grant associated with an expense are recognized as revenue in the same accounting period when the expense is incurred. Government grant related to assets are recognized as deferred revenue and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(19) Income taxes

Income taxes represents the sum of the current taxes and deferred taxes. These income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current taxes are measured at the amount expected to be paid to or refunded from local taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group's operating activity in each country.

Deferred taxes are recognized over the temporary differences between the carrying amounts of assets and liabilities and their tax basis, unused tax losses and unused tax credits at the end of each reporting period. The deferred tax assets or liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in transactions that do not affect either accounting profit or taxable profit, except business combination;
- taxable temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable that the temporary difference will reverse in the foreseeable future; and
- deductible temporary differences arising from investments in subsidiaries and associates and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are only recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

The Group recognizes an asset or liability for the effect of uncertainty in income taxes measured at the reasonable estimate for uncertain tax positions when it is probable, based on the Group's interpretation of tax laws in which the tax positions will be sustained.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury stock. Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

(21) Equity

(Common stock)

The amount of common stock issued by the Company is recognized as "Capital stock" and "Capital surplus" in the consolidated statement of financial position. Direct costs related to the issuance of common stock and stock options are deducted from "Capital surplus."

(Treasury stock)

Treasury stock is measured at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury stock. Any difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(22) Dividends

Dividends to the shareholders of the Company are recognized as liabilities in the period in which the Board of Directors' meeting approves the distribution.

(23) Fair value measurements

Certain assets and liabilities are measured at fair value. The fair values of these assets and liabilities have been determined using valuation methodologies such as the market approach, the income approach and the cost approach.

There are three levels of inputs that may be used to measure fair value.

Level 1 − quoted prices in active markets for identical assets or liabilities

Level 2 − inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 − unobservable inputs for the asset or liability

The fair value of financial instruments categorized as Level 3 is measured in accordance with the Group's accounting policies. In measuring the fair value, the valuation methodologies and inputs which reflect the nature, characteristics and risks of each financial instrument most appropriately are used. The results of the fair value measurement of financial instruments at the end of each reporting period are reviewed and approved by management.

4. Significant Accounting Estimates and Judgments involving estimations

In preparing the consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that have an effect on the application of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these estimates.

The estimates and the underlying assumptions are continuously reviewed. The effects of revisions to the accounting estimates are recognized in the period in which such estimates are revised as well as in the future periods.

Significant estimates and assumptions that have material effects on the consolidated financial statements of the Group are as follows:

- Scope of consolidation: Note 3 “Significant Accounting Policies” (1) Basis of consolidation
- Revenue recognition and measurement: Note 3 “Significant Accounting Policies” (17) Revenue
- Collectability of trade and other receivables: Note 3 “Significant Accounting Policies” (4) Financial instruments, Note 9 “Trade and Other Receivables” and Note 41 “Financial Instruments”
- Valuation of inventories: Note 3 “Significant Accounting Policies” (6) Inventories and Note 11 “Inventories”
- Estimates of useful lives and residual values of non-current assets: Note 3 “Significant Accounting Policies” (7) Property, plant and equipment to (11) Leases, Note 14 “Property, Plant and Equipment,” Note 15 “Investment Property,” Note 16 “Goodwill and Intangible Assets” and Note 22 “Leases”
- Lease terms of right-of-uses assets: Note 3 “Significant Accounting Policies” (11) Leases and Note 22 “Leases”
- Impairment losses of property, plant and equipment, right-of-use assets, intangible assets, including goodwill, and investment property: Note 3 “Significant Accounting Policies” (12) Impairment of non-financial assets and Note 17 “Impairment of Non-Financial Assets”
- Fair value of financial instruments: Note 3 “Significant Accounting Policies” (4) Financial instruments and (23) Fair value measurements and Note 41 “Financial Instruments”
- Recoverability of deferred tax assets: Note 3 “Significant Accounting Policies” (19) Income taxes and Note 20 “Income Taxes”
- Recognition and measurement of provisions: Note 3 “Significant Accounting Policies” (16) Provisions and Note 26 “Provisions”
- Measurement of defined benefit obligation: Note 3 “Significant Accounting Policies” (14) Employee benefits and Note 25 “Employee Benefits”

Regarding the impact of COVID-19, it is difficult to predict when it will end and how it will affect the future cash-flow. Although the global GDP forecast is on a recovery trend, the degree of recovery will vary depending on the country/region. Due to these diffrences and other reasons, the uncertainty over the Group’s future business activities remains.

The Group has made estimates and judgements involving estimations that the current situation will affect its consolidated financial performance throughout the year ending Mar. 31, 2022. The Group’s consolidated financial statements for the year ending Mar. 31, 2022 and onwards (particularly, impairment losses of property, plant and equipment, right-of-use assets, intangible assets, including goodwill, and investment property) may be significantly affected depending on the actual outcome.

5. New Standards Not Yet Adopted

Of the standards and interpretations newly established or revised by the date of approval of the consolidated financial statements, those not applied by the Group would not significantly affect the consolidated financial statements.

6. Segment Information

(1) Outline of reportable segments
Reportable segments of the Group are the components of the Group for which discrete financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.
The Group's reportable segments are consistent with its businesses. The Group formulates comprehensive strategies for its products and services in Japan and overseas to develop business activities in six segments: “Printing & Solutions”, “Personal & Home”, “Machinery”, “Network & Contents”, “Domino”, and “Others”. “Printing & Solutions” consists of sale and production of communications and printing equipment such as printers and All-in-Ones, and of sale and production of electronic stationery products. “Personal & Home” consists of sale and production of home sewing machines. “Machinery” consists of sale and production of industrial sewing machines, garment printers, machine tools, reducers and gears. “Network & Contents” consists of sale and production of online karaoke systems, and of content distribution services. “Domino” consists of sale and production of industrial printing equipment.

Reportable segment profit or loss is measured on the basis of operating profit in the consolidated statement of income. Business segment profit or loss is calculated by subtracting the cost of sales and selling, general and administrative expenses from revenue for each reportable segment.

(2) Segment revenue and results

The Group's revenue and results by reportable segment are as follows.

Intersegment revenues are based on prevailing market prices.

FY2019 (Year Ended March 31, 2020)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	390,687	40,864	74,814	49,108	67,537	14,247	637,259	−	637,259
Intersegment	−	−	−	−	656	11,223	11,880	(11,880)	−
Total	390,687	40,864	74,814	49,108	68,193	25,471	649,139	(11,880)	637,259
Segment profit	57,105	3,129	694	2,087	3,786	397	67,199	(257)	66,942
Other income and expenses	(24)	45	(81)	(222)	131	539	387	−	387
Operating profit	57,080	3,174	612	1,864	3,918	936	67,587	(257)	67,329
Finance income and expenses									(411)
Share of profit/(loss) of investments accounted for using the equity method									128
Profit before income taxes									67,046

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	17,805	1,190	4,422	9,839	5,604	1,785	40,197	−	40,197
Impairment losses	162	−	−	264	−	2	429	−	429
Capital expenditure (Note 3)	11,963	621	2,734	9,203	2,380	1,247	28,151	4,357	32,508

(Notes)

1) "Others" consists of real estate and other areas of business.

2) Reconciliation amount of ¥(257) million for segment profit (operating profit) is for the elimination of intersegment transactions.

3) Capital expenditure represents increases in property, plant and equipment, right-of-use assets, intangible assets, and investment property.

4) Reconciliation amount of ¥4,357 million for capital expenditure is mainly for corporate assets which are not allocated to reportable segments.

FY2020 (Year Ended March 31, 2021)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	384,766	53,668	78,917	31,044	69,824	13,591	631,812	−	631,812
Intersegment	−	−	−	−	557	11,697	12,254	(12,254)	−
Total	384,766	53,668	78,917	31,044	70,381	25,289	644,067	(12,254)	631,812
Business segment profit/(loss)	65,151	9,803	4,120	(5,159)	4,753	(484)	78,184	(108)	78,076
Other income and expenses	(4,162)	(161)	(816)	(2,188)	(28,694)	678	(35,344)	−	(35,344)
Operating profit/(loss)	60,989	9,641	3,303	(7,348)	(23,940)	194	42,840	(108)	42,731
Finance income and expenses									(22)
Share of profit/(loss) of investments accounted for using the equity method									235
Profit before income taxes									42,944

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	16,840	1,115	4,198	8,696	5,643	1,757	38,252	−	38,252
Impairment losses	−	−	640	2,949	27,197	−	30,787	−	30,787
Capital expenditure (Note 3)	15,532	1,280	3,174	6,843	2,870	1,776	31,477	5,744	37,221

(Notes)

1) “Others” consists of real estate and other areas of business.

2) Reconciliation amount of ¥(108) million for segment profit (operating profit) is for the elimination of intersegment transactions.

3) Capital expenditure represents increases in property, plant and equipment, right-of-use assets, intangible assets, and investment property.

4) Reconciliation amount of ¥5,744 million for capital expenditure is mainly for corporate assets which are not allocated to reportable segments.

(3) Information about products and services

Revenue from customers by product and service is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Printing & Solutions		
Communications and printing equipment	341,698	337,950
Electronic stationery	48,988	46,816
Printing & Solutions total	390,687	384,766
Personal & Home	40,864	53,668
Machinery		
Industrial sewing machines	27,648	24,154
Machine tools	29,823	38,714
Industrial parts	17,342	16,047
Machinery total	74,814	78,917
Network & Contents	49,108	31,044
Domino	67,537	69,824
Others	14,247	13,591
Total	637,259	631,812

(4) Information about geographical areas

Revenue and non-current assets by geographical area are as follows.

Revenue from customers

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Japan	122,494	99,132
U.S.A.	158,490	161,060
China	56,783	72,613
Others	299,491	299,005
Total	637,259	631,812

(Note) Revenue is classified into countries and regions based on the location of customers.

Non-current assets

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Japan	93,395	85,639
Overseas		
The Americas		
U.S.A.	10,874	11,638
Others	1,536	1,751
The Americas total	12,410	13,389
Europe		
U.K.	124,390	109,407
Others	7,486	8,428
Europe total	131,876	117,835
Asia and others		
China	12,790	15,113
Vietnam	10,938	11,378
Philippines	11,076	11,658
Others	3,330	3,288
Asia and others total	38,136	41,438
Overseas total	182,423	172,663
Total	275,819	258,303

(Note) Non-current assets are presented based on the physical location of assets. Financial instruments, deferred tax assets and retirement benefit assets are not included.

(5) Information about major customers

The description is omitted because there is no external customer whose revenue exceeds 10% or more of the Group’s revenue.

7. Business Combinations

FY2019 (Year ended March 31, 2020)
Disclosure is omitted due to the immateriality.

FY2020 (Year ended March 31, 2021)
Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Cash and cash equivalents		
Cash and deposits	168,422	191,002
Total	168,422	191,002

The balance of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2020 and March 31, 2021, respectively, reconciles the balance of "Cash and cash equivalents" stated in the consolidated statement of cash flows.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Notes receivable	6,575	5,747
Accounts receivable	89,282	87,090
Other	1,197	2,196
Allowance for doubtful accounts	(1,988)	(1,979)
Total	95,067	93,055

The receivables expected to be collected more than one year after March 31, 2020 and March 31, 2021 are ¥1,410 million and ¥1,378 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Current assets		
Financial assets measured at amortized cost	10,223	8,165
Financial assets measured at FVTPL		
Derivatives	1,053	235
Items other than derivatives	0	0
Allowance for doubtful accounts	(0)	(10)
Total	11,277	8,391
Non-current assets		
Financial assets measured at amortized cost	11,799	11,466
Financial assets measured at FVTPL		
Items other than derivatives	3,011	3,380
Financial assets measured at FVTOCI		
Equity instruments	13,118	21,254
Allowance for doubtful accounts	(58)	(60)
Total	27,871	36,042

Refer to Note 41 “Financial Instruments” for the names and fair values of major securities held as financial assets measured at fair value through other comprehensive income.

11. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Merchandise and finished goods	74,646	72,024
Work in process	10,800	11,519
Raw materials and supplies	32,411	36,642
Total	117,858	120,186

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2020 and 2021 are ¥351,255 million and ¥341,553 million, respectively.
Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (As of March 31, 2021)
Write-down	4,559	4,835

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Other current assets		
Prepaid expenses	6,458	7,112
Advance payments	866	506
Consumption taxes receivable	5,176	6,341
Income taxes receivable	207	207
Other	2,845	1,902
Total	15,554	16,070
Other non-current assets		
Long-term prepaid expenses	2,958	2,937
Retirement benefit assets	281	1,114
Insurance funds	2,591	3,041
Other	398	371
Total	6,229	7,464

13. Non-current Assets or Disposal Groups classified as Held for Sale

The breakdown of non-current assets or disposal groups that are classified as held for sale is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Non-current assets held for sale		
Property, plant and equipment	601	45
Total	601	45

Non-current assets held for sale as of March 31, 2020 are mainly related to property, plant and equipment of the Company and Brother International GmbH that meet the criteria for assets classified as held for sale. The sale was completed during the year ending March 31, 2021.

14. Property, Plant and Equipment

(1) Movement

The movement of the carrying amount of property, plant and equipment is as follows:

(Millions of yen)

Cost	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	15,470	122,216	89,293	129,744	472	357,197
Effect of adoption of the new accounting standards (Note 2)	−	(6,511)	(21)	(3,164)	−	(9,696)
Balance at the beginning of the year, reflecting the effect	15,470	115,705	89,272	126,580	472	347,500
Acquisitions	−	2,065	3,351	8,354	3,135	16,907
Acquisitions through business combinations	−	28	31	3	−	63
Sales or disposals	(113)	(438)	(3,229)	(8,014)	(60)	(11,855)
Foreign exchange differences	(329)	(1,772)	(1,665)	(1,669)	(13)	(5,451)
Other	(508)	(2,103)	880	198	(2,185)	(3,718)
Balance as of March 31, 2020	14,518	113,485	88,641	125,453	1,348	343,447
Acquisitions	0	2,146	4,338	8,718	6,062	21,266
Sales or disposals	(0)	(2,263)	(4,204)	(6,318)	(98)	(12,886)
Foreign exchange differences	573	2,339	2,247	2,374	9	7,545
Other	2	3,480	957	336	(5,034)	(258)
Balance as of March 31, 2021	15,094	119,188	91,980	130,564	2,286	359,114

(Notes)

1) Transfers from construction in progress to each item are included in “Other.”

2) The effect is due to the adoption of IFRS 16 “Leases.”

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	(837)	(64,225)	(66,940)	(109,196)	–	(241,199)
Effect of adoption of the new accounting standards (Note 2)	–	4,066	14	1,978	–	6,059
Balance at the beginning of the year, reflecting the effect	(837)	(60,158)	(66,926)	(107,217)	–	(235,140)
Depreciation	–	(4,541)	(5,428)	(10,205)	–	(20,176)
Impairment losses	–	(183)	(12)	(9)	–	(205)
Sales or disposals	–	296	2,896	7,581	–	10,774
Foreign exchange differences	–	809	1,123	1,369	–	3,302
Other	–	2,176	(0)	25	–	2,201
Balance as of March 31, 2020	(837)	(61,600)	(68,348)	(108,456)	–	(239,242)
Depreciation	–	(4,724)	(5,037)	(8,812)	–	(18,574)
Impairment losses	–	(197)	(430)	(183)	(22)	(834)
Sales or disposals	–	1,929	3,885	6,089	22	11,926
Foreign exchange differences	–	(1,172)	(1,594)	(1,898)	(0)	(4,664)
Other	–	(17)	(6)	42	–	18
Balance as of March 31, 2021	(837)	(65,784)	(71,531)	(113,218)	–	(251,371)

(Notes)

1) Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

2) The effect is due to the adoption of IFRS 16 "Leases."

(Millions of yen)

Carrying amount	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	14,632	57,991	22,352	20,548	472	115,997
Balance as of March 31, 2020	13,681	51,884	20,293	16,996	1,348	104,204
Balance as of March 31, 2021	14,257	53,404	20,448	17,345	2,286	107,742

15. Investment Property

(1) Movement

The movement of the carrying amount of investment property and the fair value are as follows:

(Millions of yen)

Cost	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Balance at the beginning of the year	10,928	13,486
Effect of adoption of the new accounting standards (Note)	2,164	—
Balance at the beginning of the year, reflecting the effect	13,093	13,486
Acquisitions	21	141
Sales or disposals	(15)	(6)
Reclassifications	390	374
Foreign exchange differences	(3)	32
Balance at the end of the year	13,486	14,027

(Note) The effect is due to the adoption of IFRS 16 "Leases."

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Balance at the beginning of the year	(4,888)	(5,364)
Depreciation	(400)	(416)
Sales or disposals	15	6
Reclassifications	(92)	3
Foreign exchange differences	0	(8)
Balance at the end of the year	(5,364)	(5,779)

(Millions of yen)

Carrying amount and fair value	FY2019 (As of March 31, 2020)		FY2020 (As of March 31, 2021)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	8,122	22,037	8,248	20,991

The fair value of investment property is calculated based mainly on the external appraiser's valuation techniques using market prices of comparable assets. The measurement is categorized within Level 3 of the fair value hierarchy.

(2) Income from and expenses for investment property

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Rental income	1,861	1,716
Direct operating expenses arising from investment property that generated rental income	(803)	(774)
Direct operating expenses arising from investment property that did not generate rental income	(4)	(5)

The amount of income from investment property and related direct operating expenses are included in “Revenue” and “Cost of sales” in the consolidated statement of income.

16. Goodwill and Intangible Assets

The movement of the carrying amount of goodwill and intangible assets is as follows:

(Millions of yen)

Cost	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2019	106,909	78,710	11,573	2,559	25,510	25,820	251,084
Effect of adoption of the new accounting standards (Note)	−	−	−	−	−	(1,094)	(1,094)
Balance at the beginning of the year, reflecting the effect	106,909	78,710	11,573	2,559	25,510	24,726	249,990
Acquisitions	−	4,727	793	−	−	3,120	8,641
Internal generation	−	−	−	571	−	−	571
Acquisitions through business combinations	926	12	−	−	171	0	1,110
Sales or disposals	−	(1,906)	(471)	−	−	(16)	(2,394)
Foreign exchange differences	(7,890)	(866)	−	(225)	(2,011)	(1,138)	(12,132)
Other	−	2,101	−	−	−	(2,057)	44
Balance as of March 31, 2020	99,945	82,779	11,895	2,905	23,669	24,635	245,830
Acquisitions	−	2,343	20	−	−	3,931	6,295
Internal generation	−	−	−	564	−	−	564
Sales or disposals	−	(1,302)	(361)	(730)	−	(71)	(2,465)
Foreign exchange differences	12,809	1,407	−	435	3,262	1,856	19,770
Other	−	1,876	−	−	−	(1,826)	49
Balance as of March 31, 2021	112,755	87,104	11,554	3,173	26,931	28,524	270,043

(Note) The effect is due to the adoption of IFRS 16 "Leases."

(Millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2019	(8,517)	(65,177)	(11,230)	(515)	(6,335)	(13,102)	(104,880)
Effect of adoption of the new accounting standards (Note 1)	–	–	–	–	–	153	153
Balance at the beginning of the year, reflecting the effect	(8,517)	(65,177)	(11,230)	(515)	(6,335)	(12,949)	(104,727)
Amortization	–	(6,183)	(211)	(236)	(1,644)	(2,418)	(10,694)
Impairment losses	–	(3)	–	–	–	(2)	(6)
Sales or disposals	–	1,786	471	–	–	5	2,263
Foreign exchange differences	3	694	–	49	560	418	1,726
Other	–	(0)	–	–	–	16	16
Balance as of March 31, 2020	(8,514)	(68,884)	(10,970)	(702)	(7,420)	(14,928)	(111,420)
Amortization	–	(6,004)	(180)	(234)	(1,643)	(2,225)	(10,287)
Impairment losses	(27,217)	(47)	–	–	–	(14)	(27,279)
Sales or disposals	–	1,279	361	–	–	70	1,710
Foreign exchange differences	(1,178)	(1,209)	–	(121)	(1,194)	(858)	(4,562)
Other	–	–	–	–	–	(7)	(7)
Balance as of March 31, 2021	(36,910)	(74,886)	(10,789)	(1,059)	(10,257)	(17,964)	(151,847)

(Notes)

1) The effect is due to the adoption of IFRS 16 “Leases.”

2) Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(Millions of yen)

Carrying amount	Goodwill	Intangible assets					Total
		Software	Patents	Development assets	Customer related assets	Other	
Balance as of April 1, 2019	98,391	13,532	342	2,043	19,174	12,718	146,203
Balance as of March 31, 2020	91,431	13,894	924	2,202	16,249	9,706	134,409
Balance as of March 31, 2021	75,845	12,237	765	2,113	16,673	10,560	118,196

(Note) Significant intangible assets as of March 31, 2021 are customer related assets. The carrying amount is ¥16,673 million and the remaining amortization period is 9.25 years.

The research and development expenses are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Research and development expenses	42,811	43,080

17. Impairment of Non-Financial Assets

The details of assets recognized impairment losses are as follows:
The impairment losses are included in “Other expenses” in the consolidated statement of income.

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Property, plant and equipment		
Buildings and structures	183	197
Machinery, equipment and vehicles	12	430
Tools, furniture and fixtures	9	183
Construction in progress	–	22
Right-of-use assets		
Buildings and structures	203	2,526
Machinery, equipment and vehicles	0	9
Tools, furniture and fixtures	12	125
Intangible assets		
Goodwill	–	27,217
Software	3	47
Other intangible assets	2	14
Other	0	11
Total of impairment losses	429	30,787

(1) Cash-generating units
Non-financial assets are grouped into each minimum unit which can be identified as generating relatively independent cash inflows. Each unit has been set based on the operating business segment.
For any assets held for sale or investment property, the individual assets are tested for impairment.

(2) Impairment loss
For the years ended March 31, 2020, there was no significant impairment loss.
During the current consolidated fiscal year, in the Network & Contents business segment, the Group recognized impairment losses on cash-generating units in the music and video software production and sales business and karaoke clubs for which the estimated amount of discounted future cash flows fell below the book value of assets in conjunction with the decrease in profit projections. Impairment losses of 2,949 million yen were recorded (190 million yen for buildings and structures, 51 million yen for tools, furniture and fixtures, 2,654 million yen for right-of-use assets, 19 million yen for goodwill, 19 million yen for software, 1 million yen for other intangible assets, and 11 million yen for other non-current assets).

The recoverable amounts of these assets are calculated based on their values in use. Value in use is calculated by discounting estimated future cash flows based on the business plan for the next five years approved by management to present value using primarily a pre-tax weighted average cost of capital (WACC) of 11.1% for the cash-generating unit. Cash flows during the business plan period are estimated based on forecasted growth rates in the markets in which each product is sold and other factors.

(3) Impairment test for goodwill

At the Group level, goodwill is tested for impairment annually or whenever there is any indication of impairment. The recoverable amount of goodwill is measured at the value in use.

Goodwill is allocated to cash-generating units or groups of cash-generating units on acquisition dates based on the allocation of expected benefits from business combinations for the purpose of impairment testing.

The carrying amounts of goodwill allocated to each cash-generating unit are as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Domino	90,224	74,657
Other	1,206	1,187
Total	91,431	75,845

As a result of impairment testing conducted during the current consolidated fiscal year, the amount of goodwill impairment losses recognized in the Domino business segment was 27,197 million yen. This was the result of a review of future business plans based on more cautious assumptions due to effects of COVID-19.

The value in use of goodwill in the Domino business is calculated by discounting the estimated future cash flows based on the business plan for the next five years approved by management to present value using the pre-tax weighted average cost of capital (WACC) for the cash-generating unit. The pre-tax discount rates used for calculating value in use were 9.66% and 10.17% for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Future cash flows are estimated based on average long-term growth rates in the markets in which each product is sold and other factors. The growth rates used to calculate the going concern value of business ranged from 3.26% to 7.30% and 3.2% to 5.7% for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

In the event of a decrease in the future cash flows or an increase in the discount rate, which are the main assumptions used for impairment testing, additional impairment losses may arise.

There is no significant goodwill other than that presented above.

18. Investments Accounted for Using the Equity Method

For associates in which the Group holds less than 20% of the voting rights, the Group has judged that it has significant influence over them by its involvement with their Boards of Directors and/or management.

The carrying amount of investments in associates is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Carrying amount total	1,594	1,772

The share amount of comprehensive income for the year from associates is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
The share amount of earnings of associates from continuing operations	128	235
The share amount of other comprehensive income from associates	(17)	(7)
The share amount of comprehensive income from associates	111	227

19. Interests in Unconsolidated Structured Entities

The Group has investment funds as unconsolidated structured entities. The Company invests in investment funds in the United States, Japan and other Asian countries mainly for the purpose of new business development and information collection.
Those funds are formed as a limited partnership venture fund, or investment limited partnership, and the Company invests in the fund as a limited liability partner.

The size of the unconsolidated structured entities, the carrying amount of the Company's investment in the entities and the potential maximum loss exposure to the Company are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Total assets of unconsolidated structured entities	70,754	74,847
The Company's maximum exposure to loss		
The carrying amount of the investments recognized by the Company	3,011	3,380
Commitments related to additional investments	679	520
Total	3,691	3,901

The Company recognizes investments in "Other financial assets (non-current assets)" in the consolidated statement of financial position. The Company recognizes no liabilities for the unconsolidated structured entities.
The potential maximum exposure to loss resulting from the interests in the structured entities is limited to the sum of the carrying amount of the Company's investments and commitments related to additional investments.
The Company's maximum exposure to loss indicates a possible maximum loss amount and does not represent the amount of loss expected from the interests in the structured entities.

The Company neither has provided nor intends to provide financial support or other significant support to the unconsolidated structured entities without a contractual obligation.

20. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of changes in deferred tax assets and deferred tax liabilities is as follows:

FY2019 (Year ended March 31, 2020)

(Millions of yen)

	Balance as of April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Other	Balance as of March 31, 2020
Deferred tax assets						
Inventories	9,891	(1,930)	−	−	(89)	7,871
Retirement benefit liabilities	3,865	498	909	−	(106)	5,167
Property, plant and equipment	3,060	(371)	−	−	(43)	2,645
Accrued bonuses	2,480	(43)	−	−	(26)	2,411
Accrued unused paid absences	2,005	(22)	−	3	(19)	1,966
Accrued expenses	1,547	177	−	−	(54)	1,670
Provisions	816	(70)	−	−	(22)	722
Other	4,258	(938)	(363)	317	(14)	3,259
Subtotal	27,924	(2,701)	546	320	(376)	25,714
Deferred tax liabilities						
Assets identified by business combinations	(5,454)	495	−	−	409	(4,549)
Property, plant and equipment	(4,335)	569	−	−	32	(3,733)
Equity instruments designated as FVTOCI	(2,911)	−	1,056	−	−	(1,855)
Securities withdrawn from retirement benefit trust	(2,464)	−	−	−	−	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,797)	59	−	−	−	(1,737)
Retirement benefit Assets	(72)	(37)	(1)	−	−	(112)
Other	(2,518)	188	−	−	36	(2,293)
Subtotal	(19,553)	1,275	1,054	−	478	(16,745)
Total	8,370	(1,425)	1,600	320	102	8,968

FY2020 (Year ended March 31, 2021)

(Millions of yen)

	Balance as of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2021
Deferred tax assets					
Inventories	7,871	1,634	–	119	9,625
Retirement benefit liabilities	5,167	2,014	(2,494)	218	4,905
Property, plant and equipment	2,645	1,717	–	41	4,404
Accrued bonuses	2,411	64	–	26	2,502
Accrued unused paid absences	1,966	110	–	25	2,101
Accrued expenses	1,670	265	–	59	1,994
Provisions	722	45	–	16	784
Other	3,259	888	353	11	4,513
Subtotal	25,714	6,740	(2,140)	517	30,831
Deferred tax liabilities					
Assets identified by business combinations	(4,549)	(20)	–	(630)	(5,199)
Property, plant and equipment	(3,733)	(1,522)	–	(61)	(5,317)
Equity instruments designated as FVTOCI	(1,855)	–	(2,691)	–	(4,546)
Securities withdrawn from retirement benefit trust	(2,464)	–	–	–	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,737)	96	–	–	(1,640)
Retirement benefit Assets	(112)	(1,740)	1,492	–	(360)
Other	(2,293)	(525)	–	(34)	(2,853)
Subtotal	(16,745)	(3,712)	(1,199)	(726)	(22,383)
Total	8,968	3,028	(3,340)	(208)	8,448

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Deferred tax assets	14,533	14,842
Deferred tax liabilities	(5,564)	(6,394)
Net amount	8968	8,448

Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Deductible temporary differences	71,364	85,354
Unused tax losses	7,449	12,347
Total	78,813	97,702

Expiration of unused tax losses for which no deferred tax assets are recognized are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
1st year	1,187	76
2nd year	913	532
3rd year	513	432
4th year	452	460
5th year and thereafter	4,382	10,845
Total	7,449	12,347

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2020 and March 31, 2021 are ¥157,819 million and ¥166,332 million, respectively. Deferred tax liabilities are not recognized for the above temporary differences as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Current tax expenses	15,921	21,313
Deferred tax expenses		
Origination and reversal of temporary differences	1,348	(3,912)
Other	77	884
Subtotal	1,425	(3,028)
Total	17,347	18,285

Current tax expenses include previously unrecognized tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. Current tax expenses decreased by those tax benefits by ¥1,277 million and ¥964 million for the years ended March 31, 2020 and 2021, respectively.

The reconciliation between the statutory tax rates and the average effective tax rates is as follows:

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Statutory tax rate	30.60%	30.60%
Expenses not deductible for tax purposes	3.25%	21.52%
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.94%)	(6.97%)
Tax credit for R&D expenses	(4.22%)	(4.54%)
Withholding taxes on distributions	0.66%	1.02%
Changes of tax rate	0.14%	0.91%
Other	(0.61%)	0.04%
Average effective tax rate	25.87%	42.58%

The Company and its domestic subsidiaries are subject to mainly corporate tax, residential tax and enterprise tax, and the effective tax rate calculated based on these for the years ended March 31, 2020 and 2021 is 30.60% and 30.60%, respectively. Overseas subsidiaries are subject to income tax at their respective locations.

21. Bonds and borrowings

(1) Breakdown of financial liabilities

The breakdown of bonds and borrowings is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	Average interest rate (%)	Maturity date
Short-term bank borrowings	30,012	—	—	—
Current portion of long-term borrowings	200	19,167	0.29	—
Current portion of bonds	20,148	—	—	—
Long-term borrowings	56,650	38,290	0.30	2022 to 2027
Short-term lease obligations	7,967	7,528	2.58	—
Long-term lease obligations	22,021	18,821	2.12	2022 to 2074
Other	7,033	6,833	—	—
Total	144,035	90,641	—	—
Bonds and borrowings				
Current liabilities	50,361	19,167	—	—
Non-current liabilities	56,650	38,290	—	—
Other financial liabilities				
Current liabilities	8,482	9,887	—	—
Non-current liabilities	28,540	23,295	—	—
Total	144,035	90,641	—	—

(Notes)

1) The average interest rate represents the weighted-average interest rate to the ending balance of bonds, borrowings and lease obligations.

2) The Group uses interest rate swaps, etc. to manage interest rate risk. The average interest rate of long-term borrowings after conversion to a fixed rate is 0.33%.

3) Of the Group's long-term borrowings, ¥56,930 million is subject to financial covenants. The Group complies with major financial covenants as follows:

- The total equity in the Group's consolidated statement of financial position at the end of the fiscal year should not be below 75% of the total equity in the consolidated statement of financial position for the most recent fiscal year, or should not be below 75% of the total equity in the consolidated balance sheet as of March 31, 2015 under Japanese GAAP.
- Loss before income taxes in the consolidated statement of income for each reporting period should not be recognized for two consecutive fiscal years.

(2) Assets pledged as collateral

There are no assets pledged as collateral for bonds and borrowings.

22. Leases

(1) As lessee
The Group leases assets, such as buildings, as a lessee.

<1> Carrying amount
The breakdown of right-of-use assets is as follows:

(Millions of yen)

	Buildings and structures	Other	Total
Balance as of March 31, 2020	20,991	4,735	25,727
Balance as of March 31, 2021	16,553	4,282	20,835

<2> Income and expenses relating to right-of-use assets
Income and expenses relating to right-of-use assets are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Depreciation charge for right-of-use assets		
Buildings and structures	7,191	7,297
Other	1,735	1,675
Total	8,927	8,973
Expenses relating to short-term leases and leases of low-value assets	1,123	863
Interest expense on lease liabilities	853	736

< 3 > Increase in right-of-use-assets
The amount of increase in right-of-use-assets in the previous fiscal year and the current fiscal year is stated in Note 39 "Non-Financial Transactions".

< 4 > Cash outflow for leases
The total cash outflow for leases for the year ended March 31, 2020 and 2021 is ¥10,853 million and ¥10,436 millon.

< 5 > Extension options and termination options

Options to extend leases are exercised if it is determined that exercising options is necessary upon considering the necessity of assets subject to contracts in business, difficulty in obtaining replacement assets and terms to exercise options comprehensively. When the Group determines that it is reasonably certain to exercise extension options at the commencement date, lease payments during the optional lease term are included in the measurement of the lease liabilities.

Of the above-mentioned contracts, lease contracts, mainly for land, buildings (offices and space) and other equipment, are granted options for the lessee to extend the leases for the purpose of ensuring flexibility in the Group's business locations and staffing.

(2) As lessor

<1> Income relating to operating leases

Income relating to operating leases is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Lease income	11,412	9,444

<2> Maturity analysis of lease payments relating to operating leases

The maturity analysis of lease payments relating to non-cancellable operating leases is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (Year ended March 31, 2021)
Within 1 year	1,875	2,122
1 to 2 years	1,345	1,623
2 to 3 years	931	1,091
3 to 4 years	650	661
4 to 5 years	330	267
Over 5 years	131	33
Total	5,265	5,799

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Notes payable - trade	259	334
Accounts payable - trade	34,274	33,676
Accounts payable - other	16,506	20,577
Total	51,041	54,589

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Current liabilities		
Lease obligations	7,967	7,528
Financial liabilities measured at amortized cost	172	183
Financial liabilities measured at FVTPL		
Derivatives	342	2,175
Total	8,482	9,887
Non-current liabilities		
Lease obligations	22,021	18,821
Financial liabilities measured at amortized cost	2,109	2,114
Financial liabilities measured at FVTPL		
Derivatives	4,408	2,360
Total	28,540	23,295

25. Employee Benefits

The Company, and certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans and defined contribution plans.
Other certain domestic and foreign subsidiaries provide funded and unfunded defined benefit plans or defined contribution plans.

(1) Defined benefit plans
The Company has adopted a cash balance plan as a defined benefit plan. Benefits are calculated based on pay credit and interest credit provided according to employees' length of service, job category and grade.
A specified percentage of pay credit and interest credit is accumulated and contributed to the defined benefit plan for future pension payments.
Certain domestic and foreign subsidiaries also provide defined benefit plans.
The Company and certain domestic subsidiaries have a fund-type pension plan based on a pension agreement, and enter into an agreement with an insurance company for the payment of premiums and benefits and with a trust bank for the management of the fund.
The Company, certain domestic subsidiaries, the pension fund board and the pension investment fund are required by law to act giving the highest priority to benefits of plan participants and assume a responsibility of managing plan assets in accordance with prescribed policies.

<1> Reconciliations of defined benefit obligations and plan assets
The relationship between defined benefit obligations and plan assets and the net balance of liabilities and assets recognized in the consolidated statement of financial position is as follows:

Domestic plan

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Present value of defined benefit obligations	52,193	54,810
Fair value of plan assets	(48,929)	(55,183)
Subtotal	3,264	(373)
Present value of the unfunded defined benefit obligation	5,480	5,018
Net defined benefit liabilities	8,744	4,645
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	9,015	5,716
Retirement benefit assets	(270)	(1,071)
Net balance	8,744	4,645

Overseas plan

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Present value of defined benefit obligations	23,341	28,360
Fair value of plan assets	(14,250)	(17,154)
Subtotal	9,091	11,205
Present value of the unfunded defined benefit obligation	2,144	2,350
Net defined benefit liabilities	11,235	13,556
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	11,246	13,599
Retirement benefit assets	(11)	(43)
Net balance	11,235	13,556

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Retirement benefit liabilities	20,261	19,316
Retirement benefit assets	(281)	(1,114)
Net defined benefit liabilities recognized in the consolidated statement of financial position	19,980	18,201

Net defined benefit liabilities are presented as “Retirement benefit liabilities” in the consolidated statement of financial position. Net defined benefit assets are included in “Other non-current assets” in the consolidated statement of financial position.

<2> Reconciliations of the present value of defined benefit obligations

The movement of the present value of defined benefit obligations is as follows:

	(Millions of yen) Domestic plan		(Millions of yen) Overseas plan	
	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Balance at the beginning of the year	56,056	57,674	27,092	25,486
Current service cost	2,587	2,541	561	627
Interest expense	298	329	537	483
Remeasurement	543	1,300	(317)	2,814
Actuarial gains or losses arising from changes in demographical assumptions	400	1,807	(163)	514
Actuarial gains or losses arising from changes in financial assumptions	(238)	(982)	(23)	2,297
Actuarial gains or losses arising from experience adjustments	380	475	(131)	2
Past service cost	－	－	(15)	(59)
Benefits paid	(1,809)	(1,829)	(982)	(1,199)
Foreign exchange differences	－	－	(1,341)	2,557
Other	(1)	(188)	(47)	0
Balance at the end of the year	57,674	59,828	25,486	30,710

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2020 were 14.6 years for domestic and 17.2 years for overseas plans. For the year ended March 31, 2021, the durations were 15.5 years for domestic and 17.0 years for overseas plans.

<3> Reconciliations of the fair value of plan assets

The movement of the fair value of plan assets is as follows:

	(Millions of yen) Domestic plan		(Millions of yen) Overseas plan	
	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Balance at the beginning of the year	50,660	48,929	15,251	14,250
Interest income	286	292	303	268
Remeasurement	(2,160)	5,815	(459)	1,422
Return on plan assets excluding interest income	(2,160)	5,815	(459)	1,422
Employer contributions	1,515	1,551	759	581
Benefits paid	(1,460)	(1,489)	(768)	(1,017)
Foreign exchange differences	–	–	(835)	1,645
Other	88	83	(0)	3
Balance at the end of the year	48,929	55,183	14,250	17,154

The Group expects to make a contribution of ¥2,041 million to the defined benefit plans during the year ending March 31, 2022.

The Company and certain domestic subsidiaries are planning to pay the necessary amount of contributions based on regulatory requirements if the amount of funds is less than the minimum amount of funds required at the time of fund calculation for each reporting period.

<4> Reconciliation of the effect of the asset ceiling

Not applicable.

<5> Reconciliations of reimbursement rights related to defined benefit plans

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Balance at the beginning of the year	1,833	1,842
Interest income	6	7
Remeasurement	4	7
Return on reimbursement rights excluding interest income	4	7
Employer contributions	71	69
Benefits paid	(55)	(25)
Foreign exchange differences	(16)	34
Balance at the end of the year	1,842	1,935

Reimbursement rights are insurance policies required for settlement of defined benefit obligations.

<6> The breakdown of fair value of plan assets

The breakdown of fair value of plan assets is as follows:

Domestic plan

FY2019 (As of March 31, 2020) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	—	3,651	3,651
Equity instruments	9,591	—	9,591
Domestic stocks	5,555	—	5,555
Foreign stocks	4,036	—	4,036
Debt instruments	14,951	—	14,951
Domestic bonds	8,979	—	8,979
Foreign bonds	5,972	—	5,972
Investments in life insurance company general accounts (Note 1)	—	11,732	11,732
Alternatives (Note 2)	—	9,001	9,001
Other	—	—	—
Total	24,543	24,386	48,929

(Notes)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.
2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2020 (As of March 31, 2021) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	−	3,822	3,822
Equity instruments	14,534	−	14,534
Domestic stocks	8,167	−	8,167
Foreign stocks	6,366	−	6,366
Debt instruments	14,964	−	14,964
Domestic bonds	6,090	−	6,090
Foreign bonds	8,873	−	8,873
Investments in life insurance company general accounts (Note 1)	−	11,870	11,870
Alternatives (Note 2)	−	9,993	9,993
Other	−	−	−
Total	29,498	25,685	55,183

(Notes)
1) Investments in life insurance company general accounts are life insurers' products managed as one account together with individual insurance, corporate pension assets, etc. A fixed rate and return of capital are guaranteed and life insurers assume risks in managing such accounts.
2) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

Overseas plan

FY2019 (As of March 31, 2020) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	－	760	760
Equity instruments	2,637	－	2,637
Domestic stocks	－	－	－
Foreign stocks	2,637	－	2,637
Debt instruments	1,468	－	1,468
Domestic bonds	－	－	－
Foreign bonds	1,468	－	1,468
Insurance	－	3,438	3,438
Alternatives (Note)	－	5,455	5,455
Other	－	490	490
Total	4,105	10,145	14,250

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

FY2020 (As of March 31, 2021) (Millions of yen)

	Quoted market price in an active market is available	No quoted market price in an active market is available	Total
Cash and cash equivalents	－	645	645
Equity instruments	3,554	－	3,554
Domestic stocks	－	－	－
Foreign stocks	3,554	－	3,554
Debt instruments	1,433	－	1,433
Domestic bonds	－	－	－
Foreign bonds	1,433	－	1,433
Insurance	－	2,979	2,979
Alternatives (Note)	－	7,938	7,938
Other	－	603	603
Total	4,987	12,166	17,154

(Note) Alternatives are investments managed by investment funds, such as hedge funds, multi-assets and insurance products.

Plan assets are managed for the purpose of securing a total return required within acceptable risks for a long period of time in order to ensure future payments of pension benefits and lump-sum retirement payments.

Based on this purpose, the Company strives to maintain an appropriate asset mix, taking the expected rate of return and risks of investment assets into consideration.

<7> Assumptions used for actuarial valuation

The principal assumption used for the purpose of the actuarial valuation is as follows:

Domestic plan

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Weighted-average discount rate	0.3 to 0.6%	0.3 to 0.8%

Overseas plan

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Weighted-average discount rate	0.3 to 3.0%	0.4 to 3.0%

<8> Sensitivity analysis

If the discount rate used for actuarial valuation changes by 0.5%, the present value of defined benefit obligations would increase or decrease, as shown below. The sensitivity analysis below have been determined based on reasonably possible change of the assumption occurring at the end of the reporting period, while holding all other assumptions constant. In practice, the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Domestic plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
increases by 0.5%	decrease by 3,814	decrease by 4,230
decreases by 0.5%	increase by 4,317	increase by 4,786

Overseas plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
increases by 0.5%	decrease of 2,056	decrease of 2,176
decreases by 0.5%	Increase of 2,039	Increase of 2,001

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥12,565 million and ¥12,268 million for the years ended March 31, 2020 and 2021, respectively.

The amounts above included the expense recognized in profit or loss in relation to state pension plans.

(3) Employee benefit expenses

The amounts of employee benefit expenses included in “Cost of sales”, “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of income were ¥149,950 million and ¥153,960 million for the years ended March 31, 2020 and 2021, respectively.

26. Provisions

The breakdown and movement in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for product warranties	Other	Total
Balance as of April 1, 2019	1,904	3,726	1,335	6,966
Increase due to business combinations	21	－	－	21
Increase	188	2,294	975	3,458
Decrease (used)	(55)	(2,643)	(1,080)	(3,780)
Decrease (reversal)	－	(19)	(70)	(90)
Increase due to passage of time	7	－	－	7
Foreign exchange differences	(26)	(168)	(52)	(247)
Balance as of March 31, 2020	2,040	3,189	1,106	6,336
Increase	611	2,165	1,001	3,778
Decrease (used)	(327)	(2,142)	(939)	(3,408)
Decrease (reversal)	－	(88)	(24)	(112)
Increase due to passage of time	5	－	－	5
Foreign exchange differences	39	200	25	265
Balance as of March 31, 2021	2,369	3,325	1,170	6,864

(Notes)

1) Asset retirement obligations

If legal or contractual obligations are imposed in relation to the retirement of property, plant and equipment due to the acquisition, construction, development or normal operation of the property, plant and equipment, future expenses necessary for such retirement are recognized.

The outflow of economic benefits in the future is expected to occur after one year from the end of each reporting period, and it will be affected by future business plans.

2) Provision for product warranty

To provide for costs of after-sales services of products, estimated costs of after-sales services are recognized based on historical records.

The decrease (reversal) during the year is the reversal amount of the unused portion of the provision during the year as the estimate is less than the actual amount.

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Current liabilities	3,349	4,015
Non-current liabilities	2,986	2,848
Total	6,336	6,864

27. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Other current liabilities		
Accrued bonuses	12,210	13,729
Accrued unused paid absences	7,905	8,583
Accrued expenses	22,800	24,575
Other	5,897	4,522
Total	48,813	51,412
Other non-current liabilities		
Other long-term employee benefits	525	418
Deferred income	641	588
Other	22	40
Total	1,188	1,047

28. Equity and Other Equity Items

(1) Capital stock and capital surplus

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the proceeds of certain issues of common shares shall be credited to “Capital stock”. The remainder of the proceeds may be credited to “Capital surplus”. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from “Capital surplus” to “Capital stock”.

The number of authorized shares, the number of outstanding shares and the amount of capital stock, etc., are as follows:

	Number of authorized shares (Shares)	Number of outstanding shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
Balance as of April 1, 2019	600,000,000	262,220,530	19,209	17,577
Increase	−	−	−	54
Balance as of March 31, 2020	600,000,000	262,220,530	19,209	17,632
Increase	−	−	−	20
Balance as of March 31, 2021	600,000,000	262,220,530	19,209	17,652

(Note) The shares issued by the Company are common shares with no par value and no restriction on the content of rights. Outstanding shares are fully paid.

(2) Retained earnings

The Companies Act of Japan provides that a 10% dividend of retained earnings should be accumulated as “Capital surplus” or a legal reserve until the sum of “Capital surplus” or a legal reserve equal to 25% of “Capital stock”. Accumulated legal reserve can be applied to capital deficit and can be reversed upon resolution of the shareholders’ meeting.

Retained earnings include the transferred amount of the accumulated gains and losses recognized through other comprehensive income when selling financial assets measured at fair value through other comprehensive income.

(3) Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act also allows Japanese companies to purchase treasury stock through market transactions or tender offers by resolution of the board of directors, as long as it is allowed under the articles of incorporation, subject to limitations imposed by the Companies Act.

The movement of the number and the amount of treasury stock is as follows:

	Number of shares (Shares)	Amount (Millions of yen)
Balance as of April 1, 2019	2,463,884	(2,694)
Increase	5,145	(10)
Decrease	(80,719)	107
Balance as of March 31, 2020	2,388,310	(2,597)
Increase	4,752	(17)
Decrease	(117,042)	137
Balance as of March 31, 2021	2,276,020	(2,477)

The increase in treasury stock by 5,145 shares for the year ended March 31, 2020 represents the Company's purchase of odd lots of 3,692 shares and the portion of treasury stock acquired by associates of 1,453 shares. The decrease in treasury stock by 80,719 shares was due to the exercise of stock options of 75,300 shares, the portion of treasury stock sold by associates of 5,385 shares and the transfer of odd lots in response to purchase requests of 34 shares.

The increase in treasury stock by 4,752 shares for the year ended March 31, 2021 represents the Company's purchase of odd lots of 3,054 shares and the portion of treasury stock acquired by associates of 1,698 shares. The decrease in treasury stock by 117,042 shares was due to the exercise of stock options of 96,700 shares, the portion of treasury stock sold by associates of 20,257 shares and the transfer of odd lots in response to purchase requests of 85 shares.

(4) Other capital surplus

Stock acquisition rights

The Company adopts stock option plans and issues stock acquisition rights based on the Company Act. The contractual terms and the amounts, etc., are provided in Note 40 "Shared-Based Payments."

(5) Other components of equity
Cumulative translation differences for foreign operations
Cumulative translation differences for foreign operations are the foreign exchange differences which are recognized when consolidating the financial statements of foreign operations to the Group.

Effective portion of net changes in the fair value of cash flow hedges
This is the effective portion of changes in the fair value of derivative transactions designated as cash flow hedges.

Gains/(Losses) on investments in equity instruments designated as FVTOCI
This is the valuation difference of Gains/(Losses) on investments in equity instruments designated as FVTOCI.

Remeasurements of the net defined benefit liabilities (assets)
Remeasurements of the net defined benefit liabilities (assets) comprise actuarial gains and losses on defined benefit obligations, the return on plan assets excluding the interest income and changes in the effect of the asset ceiling.

29. Dividends

The Company distributes dividends paid within the limit provided by the Companies Act. The dividend limit is calculated based on the amount of retained earnings in the Company's accounting books prepared in accordance with Japanese GAAP.
Dividends paid are as follows:

FY2019 (Year ended March 31, 2020)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 31, 2019	7,803	30.00	March 31, 2019	June 4, 2019
The Board of Directors Meeting held on November 5, 2019	7,803	30.00	September 30, 2019	November 29, 2019

FY2020 (Year ended March 31, 2021)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 28, 2020	7,805	30.00	March 31, 2020	June 9, 2020
The Board of Directors Meeting held on November 9, 2020	7,025	27.00	September 30, 2020	November 30, 2020

Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

FY2019 (Year ended March 31, 2020)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 28, 2020	7,805	30.00	March 31, 2020	June 9, 2020

FY2020 (Year ended March 31, 2021)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 19, 2021	8,589	33.00	March 31, 2021	June 2, 2021

30. Revenue

(1) Disaggregation of revenue

The relationship between disaggregated revenue by geographic region and revenue by segment is as follows:

FY2019 (Year Ended March 31, 2020)

(Millions of yen)

	Reportable segment						Total
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others	
Japan	33,761	3,143	23,075	48,325	8	14,179	122,494
The Americas	148,403	22,285	11,617	69	17,414	ー	199,789
Europe	127,989	10,786	7,957	ー	27,711	ー	174,444
Asia and others	47,223	3,804	16,753	230	15,704	30	83,747
China	33,309	845	15,409	482	6,699	36	56,783
Consolidated	390,687	40,864	74,814	49,108	67,537	14,247	637,259
Leases	48	3	138	8,637	2,158	1,611	12,598
Revenue from IFRS 15	390,639	40,861	74,675	40,470	65,378	12,635	624,660

(Note) Revenue is geographically disaggregated by customer location.

FY2020 (Year Ended March 31, 2021)

(Millions of yen)

	Reportable segment						Total
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others	
Japan	31,516	4,794	18,679	30,596	11	13,534	99,132
The Americas	141,936	27,288	12,910	42	18,919	−	201,097
Europe	127,518	16,003	6,738	−	27,628	−	177,888
Asia and others	46,468	4,796	13,939	104	15,715	56	81,079
China	37,326	785	26,649	300	7,550	0	72,613
Consolidated	384,766	53,668	78,917	31,044	69,824	13,591	631,812
Leases	45	−	135	6,759	1,640	1,468	10,050
Revenue from IFRS 15	384,721	53,668	78,781	24,285	68,183	12,122	621,761

(Note) Revenue is geographically disaggregated by customer location.

For sales of products of the Group, the performance obligation in a contract is satisfied when the customer obtains control over the products based on contract terms. Thus, revenue is recognized upon delivery to the customer, at the time of customer acceptance, or based on contract terms. Services, such as maintenance and operation, relating to these products may be provided to the customer. Revenue is recognized based on the contractual period because the performance obligation relating to these services is generally satisfied with the passage of time. Also, rebates that are subject to achievement of a certain target, such as sales quantity and sales amount, may be added when products are sold. In that case, transaction price is determined at the consideration promised in a contract with a customer, less rebates and other estimated items. Rebates and other estimated items are calculated based on the historical results, etc., and revenue is recognized only when it is highly probable that a significant reversal in the amount will not occur.

(2) Contract balances

The balances of receivables and contract liabilities from contracts with customers are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Receivables from contracts with customers	95,857	92,838
Contract liabilities	5,603	7,143

Revenue recognized in the years ended March 31, 2020 and 2021 that was included in the contract liability balance at the beginning of the period is ¥4,147 million and ¥4,535 million, respectively.
Revenue recognized in the years ended March 31, 2020 and 2021 from performance obligations satisfied in previous periods was not material.

(Notes)
1) "Contract liabilities" are mainly related to advances received from customers.
2) There are no significant changes in "Contract liabilities."

(3) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations is not material. Also, the Group applies Paragraph 121 of IFRS 15 and omits the disclosure of transactions with contractual periods of one year or less or transactions applying the practical expedient in Paragraph B16 of IFRS 15. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

The Group applies the practical expedient in Paragraph 63 of IFRS 15. When the period between when a good or service is transferred to a customer and when the consideration is paid is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

31. Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Raw materials costs	249,292	241,645
Employee benefit expenses	55,844	55,439
Depreciation and amortization	23,352	21,041
Other	26,496	27,082
Total	354,987	345,209

32. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Employee benefit expenses	93,916	93,813
Depreciation and amortization	16,844	17,210
Freight expenses	18,503	18,196
Advertising expenses	13,690	10,143
Other	72,374	69,162
Total	215,330	208,526

33. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Gain on sales of fixed assets	617	752
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	307	—
Other	230	770
Gain on cancellation of leases	18	1,133
Insurance revenue	424	1,026
Income from government grants	828	1,638
Other	837	786
Total	3,264	6,107

The breakdown of other expenses is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Loss on sales and disposal of fixed assets	906	1,611
Impairment losses	429	30,787
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	－	1,180
Loss on cancellation of leases	13	988
Foreign exchange losses	461	228
Disaster losses	64	96
Credit losses	484	345
Structural reform expenses (Note)	189	4,706
Loss on liquidation of subsidiaries	－	751
Other	326	754
Total	2,876	41,451

(Note) Structural reform expenses for the years ended March 31, 2020 is mainly special retirement payments of certain consolidated subsidiaries in the Printing & Solutions business.
Structural reform expenses for the years ended March 31, 2021 is mainly base reorganization cost of certain consolidated subsidiaries in the Printing & Solutions business and special retirement payments of certain consolidated subsidiaries in the Machinery business.

34. Government Grants

The Company received government grants to acquire property, plant and equipment in association with the transfer of a factory in China. The government grants received, which are accounted for as deferred income and proportionally recognized as a reduction of “Cost of sales” in profit or loss over the useful lives of the facilities subject to such grants in the consolidated statement of income, are ¥40 million for the year ended March 31, 2020 and ¥47 million for the year ended March 31, 2021. Otherwise, “Other income” includes the government grants of ¥828 million for the year ended March 31, 2020 and ¥1,638 million for the year ended March 31, 2021 as profit or loss.
There are no unsatisfied conditions and contingencies incidental to the government grants.

35. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Interest income		
Financial assets measured at amortized cost	996	868
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives (Note)	33	1,106
Dividend income	296	229
Foreign exchange gains (Note)	955	－
Other	6	4
Total	2,289	2,209

The breakdown of finance expenses is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Interest expense		
Financial liabilities measured at amortized cost	1,555	647
Interest expense on lease liabilities	853	736
Net interest expense on net defined benefit liability	240	244
Foreign exchange losses (Note)	－	572
Other	50	29
Total	2,700	2,231

(Note) Foreign exchange gains or losses resulted primarily from corporate bonds and borrowings denominated in foreign currencies. The Company has entered into currency interest rate swap contracts to avoid the effect of fluctuations in the exchange rates of foreign currency-denominated borrowings on profit or loss, and the differences in valuation are recognized as finance income or expenses.

36. Earnings per Share

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Profit attributable to ordinary shareholders of the parent company	49,566	24,520
Net income used in the calculation of diluted earnings per share	49,566	24,520
Average number of shares – basic	259,781,183	259,868,447
Increase of shares – basic		
Stock acquisition rights (shares)	810,746	802,833
Average number of shares – diluted	260,591,929	260,671,280

(Yen)

Basic earnings per share	190.80	94.36
Diluted earnings per share	190.21	94.07

37. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and the income tax effect for each item in other comprehensive income, including non-controlling interests, are as follows:

FY2019 (Year ended March 31, 2020)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	(2,977)	−	(2,977)	1,029	(1,948)
Remeasurements of the net defined benefit liability (asset)	(2,841)	−	(2,841)	907	(1,933)
Share of other comprehensive income of investments accounted for using the equity method	(17)	−	(17)	−	(17)
Subtotal	(5,836)	−	(5,836)	1,936	(3,899)
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	(25,637)	−	(25,637)	(335)	(25,973)
Subtotal	(25,637)	−	(25,637)	(335)	(25,973)
Total	(31,474)	−	(31,474)	1,600	(29,873)

FY2020 (Year ended March 31, 2021)

(Millions of yen)

	The amount arising during the year	Reclassification adjustments	Before income tax effect	Income tax effect	After income tax effect
Items that will not be reclassified to profit or loss					
Gains/(Losses) on investments in equity instruments designated as FVTOCI	8,744	－	8,744	(2,616)	6,128
Remeasurements of the net defined benefit liability (asset)	3,130	－	3,130	(1,001)	2,128
Share of other comprehensive income of investments accounted for using the equity method	(7)	－	(7)	－	(7)
Subtotal	11,867	－	11,867	(3,618)	8,248
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	35,536	751	36,287	278	36,565
Subtotal	35,536	751	36,287	278	36,565
Total	47,403	751	48,155	(3,340)	44,814

Of the above items, the amounts attributable to non-controlling interests (after income tax effect) are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Gains on investments in equity instruments designated as FVTOCI	(20)	70
Remeasurements of the net defined benefit liability (asset)	8	8
Exchange differences on translating foreign operations	(24)	37
Total	(36)	116

38. Liabilities Arising from Financing Activities

The changes in liabilities arising from financing activities are as follows:

FY2019 (Year ended March 31, 2020)

(Millions of yen)

	As of March 31, 2019	Cash flow	Non-cash changes					As of March 31, 2020
			Foreign exchange differences	Fair value	New leases	Amortized cost	Business combinations	
Short-term borrowings	122	29,873	(14)	−	−	−	31	30,012
Long-term borrowings (Note1)								
Long-term borrowings	76,432	(18,700)	(946)	−	−	64	−	56,850
Derivatives	4,411	(1,296)	−	947	−	−	−	4,062
Subtotal	80,844	(19,997)	(946)	947	−	64	−	60,913
Bonds	20,237	(92)	(13)	−	−	17	−	20,148
Lease obligations (Note2)	4,004	(8,813)	(815)	−	35,573	−	40	29,989
Total	105,209	970	(1,790)	947	35,573	82	71	141,064

(Notes)

1) "Repayment of long-term borrowings" in the consolidated statement of cash flows includes derivatives paid or received.

2) Changes in "Lease liabilities" at the date of the initial application of IFRS 16 are included in new leases.

FY2020 (Year ended March 31, 2021)

(Millions of yen)

	As of March 31, 2020	Cash flow	Non-cash changes					As of March 31, 2021
			Foreign exchange differences	Fair value	New leases	Amortized cost	Other	
Short-term borrowings	30,012	(30,012)	−	−	−	−	−	−
Long-term borrowings								
Long-term borrowings	56,850	−	556	−	−	50	−	57,458
Derivatives	4,062	−	−	(869)	−	−	−	3,193
Subtotal	60,913	−	556	(869)	−	50	−	60,651
Bonds	20,148	(20,140)	(0)	−	−	(7)	−	−
Lease obligations (Note)	29,989	(8,798)	780	−	8,728	−	(3,899)	26,349
Total	141,064	(58,951)	1,335	(869)	8,278	43	(3,899)	87,001

(Note)"Others" in lease liabilities includes a decrease due to remeasurement of lease liabilities.

39. Non-Financial Transactions

The purchases of property, plant and equipment related to finance leases are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Right-of-use assets related to leases	6,366	8,954

40. Shared-Based Payments

(1) Description of the share-based payment system

The Company has adopted a stock option scheme for directors (excluding external directors) and executive officers (excluding executive officers concurrently working as director) with an aim to increase incentives for the improvement of long-term performance.

Stock options of the Company are all equity-settled, share-based payment and granted on the basis of matters approved at the board of directors' meeting. The exercise period is prescribed in the allocation agreement, and stock options not exercised during such period expire. No vesting conditions are set in the scheme, and stock options are vested on the grant date.

Stock acquisition rights holders may, during the exercise period, exercise their stock acquisition rights until the day on which five years have elapsed from the day on which one year has elapsed from the following day after the date on which they resign as director, corporate auditor, executive officer or administration officer of the Company, its subsidiaries or companies of which the Company or its subsidiaries hold more than 40% of the voting rights of all shareholders. However, in cases in which the first day of the exercise period does not arrive by 30 years after the following day of the allocation date of stock acquisition rights, on which the subscription requirements for stock acquisition rights are determined, the holders may exercise such rights within one year from the following day.

Details of the Company's stock options are as follows:

Date of grant	Number of options granted (Shares)		Exercise period	Exercise price (Yen)	Fair value price at grant date (Yen)	
March 19, 2007	The Company directors	46,000	30 years starting on the day following the stock option grant date	1	The Company directors	1,350
March 24, 2008	The Company directors	65,100	Same as above	1	The Company directors	915
March 23, 2009	The Company directors	114,500	Same as above	1	The Company directors	642
March 23, 2010	The Company directors	51,900	Same as above	1	The Company directors	899
	The Company executive officers	49,600			The Company executive officers	912
March 23, 2011	The Company directors	43,200	Same as above	1	The Company directors	1,018
	The Company executive officers	40,300			The Company executive officers	1,034
March 23, 2012	The Company directors	44,600	Same as above	1	The Company directors	929
	The Company executive officers	61,800			The Company executive officers	957
March 21, 2013	The Company directors	36,600	Same as above	1	The Company directors	850
	The Company executive officers	69,500			The Company executive officers	880
March 27, 2014	The Company directors	30,800	Same as above	1	The Company directors	1,169
	The Company executive officers	49,600			The Company executive officers	1,157

Date of grant	Number of options granted (Shares)		Exercise period	Exercise price (Yen)	Fair value price at grant date (Yen)	
March 18, 2015	The Company directors	37,300	30 years starting on the day following the stock option grant date	1	The Company directors	1,615
	The Company executive officers	28,800			The Company executive officers	1,655
March 24, 2016	The Company directors	52,200	Same as above	1	The Company directors	1,089
	The Company executive officers	66,000			The Company executive officers	1,089
March 24, 2017	The Company directors	29,700	Same as above	1	The Company directors	1,981
	The Company executive officers	43,500			The Company executive officers	1,944
March 26, 2018	The Company directors	28,300	Same as above	1	The Company directors	2,014
	The Company executive officers	33,200			The Company executive officers	1,967
July 19, 2018	The Company directors	37,900	Same as above	1	The Company directors	1,892
	The Company executive officers	35,600			The Company executive officers	1,855
July 17, 2019	The Company directors	41,400	Same as above	1	The Company directors	1,669
	The Company executive officers	35,400			The Company executive officers	1,596
July 17, 2020	The Company directors	39,100	Same as above	1	The Company directors	1,655
	The Company executive officers	35,600			The Company executive officers	1,579

(2) Number of stock options and weighted-average exercise price

	FY2019 (Year ended March 31, 2020)		FY2020 (Year ended March 31, 2021)	
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)
Unexercised balance at beginning of year	782,600	1	784,100	1
Granted	76,800	1	74,700	1
Forfeited	—	—	—	—
Exercised	75,300	1	96,700	1
Matured	—	—	—	—
Unexercised balance at end of year	784,100	1	762,100	1
Exercised balance at end of year	124,300	1	77,200	1

The weighted-average stock price on the exercise date is ¥1,910 for the stock options exercised during the year ended March 31, 2020 and ¥2,201 for those exercised during the year ended March 31, 2021.
The exercise price of unexercised stock options is ¥1 as of March 31, 2020, and ¥1 as of March 31, 2021. The weighted-average remaining contractual term was 20 years for the year ended March 31, 2020 and 22 years for the year ended March 31, 2021.

(3) Fair value of stock options granted during the period and valuation method used
The weighted-average fair value of the stock options granted is ¥1,635 for the year ended March 31, 2020 and ¥1,619 for the year ended March 31, 2021.

The fair value of the stock options granted during the period is assessed using the Black-Scholes Model based on the following:

(Yen)

	FY 2019 (Year ended March 31, 2020)		FY 2020 (Year ended March 31, 2021)	
	The Company directors	The Company executive officers	The Company directors	The Company executive officers
Stock price at the date of grant	2,046	2,046	1,908	1,908
Exercise price	1	1	1	1
Expected volatility	34.08%	33.78%	33.52%	34.50%
Expected life	7years	9years	6years	8years
Expected dividend	2.25%	2.25%	2.36%	2.35%
Risk-free interest rate	(0.22%)	(0.17%)	(0.13%)	(0.10%)

(Note) Expected volatility is calculated based on daily stock prices during the period corresponding to the expected life. The expected life is estimated based on the average length of tenure of the Company's directors and executive officers and the exercise conditions. Expected dividends are computed on the basis of actual dividends paid during the period corresponding to the expected life. The risk-free rate is based on the yield of government bonds during the period corresponding to the expected life.

(4) Share-based compensation expenses
The amount of share-based compensation expenses included in "Selling, general and administrative expenses" in the consolidated statement of income is ¥131 million for the year ended March 31, 2020 and ¥129 million for the year ended March 31, 2021.

41. Financial Instruments

(1) Capital management

The Group manages capital for the purpose of maximizing corporate value through sustainable growth.

The comparison between net interest-bearing debt (interest-bearing debt less cash and cash equivalents) and capital (equity attributable to owners of the parent company) is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Interest-bearing debt	107,012	57,458
Cash and cash equivalents	(168,422)	(191,002)
Net interest-bearing debt	(61,409)	(133,544)
Capital (equity attributable to owners of the parent company)	428,520	483,050

(Notes)

1) The Group is not subject to any externally imposed capital requirements.

2) Interest-bearing debt is calculated as the sum of “Bonds and borrowings” in the consolidated statement of financial position.

(2) Financial risk management

The Group is exposed to a variety of financial risks such as market risk (including currency exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk in the course of its business activities and conducts risk management to mitigate such financial risks.

The Group enters into derivative financial instruments in order to reduce foreign currency exchange rate risk and interest rate risk and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

<1> Credit risk management

a. Risk management activities

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group manages such risk by setting credit limits for counterparties based on its credit management policy. Trade receivables are due from a large number of customers, spread across diverse industries and geographical areas. The Group does not have significant credit risk exposure or concentration of credit risk to any single counterparty or groups of counterparties.

The Group’s maximum exposure to credit risk before considering the estimated value of the collateral obtained is the carrying amount of financial assets after deducting impairment losses, which is reported in the consolidated financial statements.

The Company enters into derivative financial instruments only with creditworthy financial institutions to reduce counterparty risk.

b. Credit risk management practice

The assessment of whether there has been a significant increase in credit risk is based on internal and external credit ratings and other information. If a contractual payment is more than 30 days past due, it is generally deemed that there has been a significant increase in credit risk.

The Group determines that a debtor is in default if its credit has been impaired, which is judged based on any events occurring that may have an adverse impact on expected future cash flows of financial assets.

Expected credit losses are assessed individually or by group, in which case debtors are categorized into groups based on common risk characteristics indicating their capabilities. In assessing 12-month and lifetime expected credit losses, the current situation and projection for future losses are considered on the basis of credit impairment history.

c. Changes in allowance for doubtful accounts and subject financial assets

The Group provides an allowance for doubtful accounts taking into consideration the recoverability of operating receivables, etc., according to the credit status of counterparties.

Changes in the allowance for doubtful accounts in relation to trade receivables and other assets are as described below. Assets whose recoverability is likely to be low are classified into credit-impaired financial assets (e.g., when only partial payment is made and interest has occurred or payment for assets 30 days past due is made irregularly).

Changes in allowance for doubtful accounts are as follows:

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2019	289	1,894	2,184
Reclassification to non-credit-impaired financial assets	(10)	10	－
Reclassification to credit-impaired financial assets	164	102	267
Increase(decrease) resulting from new financial assets and derecognized financial assets	(1)	(303)	(304)
Write-offs	(16)	(133)	(150)
Foreign exchange differences	40	(40)	－
Balance as of March 31, 2020	465	1,531	1,996
Reclassification to credit-impaired financial assets	(7)	7	－
Increase(decrease) resulting from new financial assets and derecognized financial assets	(144)	250	105
Write-offs	(1)	(199)	(200)
Foreign exchange differences	29	59	88
Other	(17)	17	(0)
Balance as of March 31, 2021	323	1,666	1,989

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance as of April 1, 2019	3	47	50
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	–	(0)
Write-offs	(0)	–	(0)
Foreign exchange differences	(0)	0	(0)
Balance as of March 31, 2020	2	47	50
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	9	9
Foreign exchange differences	(0)	0	0
Balance as of March 31, 2021	2	57	60

Changes in receivables for which an allowance for doubtful accounts is provided are as follows:

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance as of April 1, 2019	101,141	2,546	103,687
Reclassification to non-credit-impaired financial assets	736	(736)	—
Reclassification to credit-impaired financial assets	(295)	295	—
New financial assets and derecognized financial assets	(1,259)	(81)	(1,341)
Write-offs	(12)	(341)	(354)
Foreign exchange differences	(4,720)	(187)	(4,908)
Other	(614)	614	—
Balance as of March 31, 2020	94,974	2,108	97,083
Reclassification to non-credit-impaired financial assets	730	(730)	—
Reclassification to credit-impaired financial assets	(715)	715	—
New financial assets and derecognized financial assets	(6,623)	(269)	(6,893)
Write-offs	(6)	(201)	(208)
Foreign exchange differences	4,994	92	5,087
Other	(462)	462	—
Balance as of March 31, 2021	92,891	2,177	95,068

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses Credit-impaired financial assets	Total
Balance as of April 1, 2019	5,970	77	6,047
New financial assets and derecognized financial assets	477	0	477
Write-offs	(0)	—	(0)
Foreign exchange differences	(213)	(2)	(215)
Other	1,383	—	1,383
Balance as of March 31, 2020	7,617	75	7,692
New financial assets and derecognized financial assets	(949)	37	(911)
Write-offs	(0)	—	(0)
Foreign exchange differences	305	11	317
Other	(976)	—	(976)
Balance as of March 31, 2021	5,997	124	6,121

Of the financial assets that are written off, there were no financial assets for which collecting activities continued in the year ended March 31, 2020 and 2021.

d. Risk profile

The description of credit risk profiles by external credit ratings, etc., is as follows:

FY2019 (As of March 31, 2020)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	82,668	145	82,813
Within 30 days past due	7,703	79	7,783
31 to 60 days past due	2,016	27	2,044
61 to 90 days past due	1,008	49	1,057
Over 90 days past due	1,578	1,806	3,384
Total	94,974	2,108	97,083

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	7,617	37	7,655
Over 90 days past due	—	37	37
Total	7,617	75	7,692

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	5,701
Rating A	5,905
Total	11,606

FY2020 (As of March 31, 2021)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	83,356	12	83,368
Within 30 days past due	6,169	1	6,170
31 to 60 days past due	1,410	2	1,413
61 to 90 days past due	657	2	659
Over 90 days past due	1,298	2,159	3,457
Total	92,891	2,177	95,068

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	5,984	73	6,058
Over 90 days past due	12	50	63
Total	5,997	124	6,121

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	4,904
Rating A	3,603
Total	8,507

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2021 is the carrying amount of financial assets. No credit enhancement is provided by taking collateral, etc., as a guarantee.

<2> Liquidity risk management

a. Risk management activities

Liquidity risk is the risk that the Group may be unable to meet its repayment obligations on financial liabilities which are due for settlement.

The Group’s policy in financial activities is to keep liquidity at an appropriate level for current and future business activities and to ensure flexible and efficient funding. In accordance with this policy, the Group, mainly its financial subsidiaries, establishes and manages a cash management system to efficiently utilize the Group's funding. The Group also manages liquidity risk by regularly preparing and updating funding plans and ensuring various means of funding.

b. Maturity analysis

The following table details the Group's expected maturity for its financial liabilities:

FY2019 (As of March 31, 2020)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	51,041	51,041	51,041	—	—	—	—	—
Borrowings	86,863	86,984	30,212	18,990	18,790	18,790	—	200
Bonds	20,148	20,141	20,141	—	—	—	—	—
Lease obligations	29,989	32,317	8,160	6,601	4,553	3,811	3,017	6,174
Other	2,282	2,282	172	243	91	51	79	1,642
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	342	342	342	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	4,408	4,408	—	1,330	1,458	1,620	—	—
Total	195,076	197,518	110,070	27,166	24,894	24,273	3,096	8,017

FY2020 (As of March 31, 2021)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	54,589	54,589	54,589	－	－	－	－	－
Borrowings	57,458	57,521	19,167	18,976	18,976	－	－	400
Lease obligations	26,349	27,858	7,665	5,849	3,981	2,700	1,889	5,772
Other	2,297	2,297	183	394	43	165	304	1,206
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	1,134	1,134	1,134	－	－	－	－	－
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	3,401	3,401	1,041	1,122	1,237	－	－	－
Total	145,231	146,803	83,781	26,343	24,238	2,866	2,193	7,378

<3> Foreign currency exchange rate risk management

a. Risk management activities

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilizing derivative financial instruments such as foreign exchange forward contracts and currency options.

b. Exchange sensitivity analysis The following table details the Group's sensitivity of profit before income taxes in the consolidated statement of income and comprehensive income for the year in the consolidated statement of comprehensive income from financial assets and financial liabilities to a 1% increase in the Japanese yen against the relevant foreign currencies (i.e., the US dollar, Euro, British pound and Chinese yuan for each reporting period). Note that this analysis holds all other variables such as balance and interest rate constant.

(Millions of yen)

	FY2019 (Year ended March 31, 2020)		FY2020 (Year ended March 31, 2021)	
	Profit before income taxes	Comprehensive income for the year (before tax effects)	Profit before income taxes	Comprehensive income for the year (before tax effects)
USD	44	43	(175)	(175)
EUR	119	119	328	328
GBP	(87)	(87)	(18)	(18)
CNY	39	39	23	23

<4> Interest risk management

a. Risk management activities

The Group is exposed to interest rate risk, which influences borrowing costs and the fair value of bonds. This risk is managed by the use of derivative financial instruments such as interest rate swaps in accordance with predetermined policies to minimize the risk.

b. Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. If interest rates had been 1% higher and all other variables such as balance and exchange rate were held constant, the Group's profit before income taxes in the consolidated statement of income and comprehensive income for the year in the consolidated statement of comprehensive income would be as follows. Note that this analysis holds all other variables such as balance and interest rate constant.

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Profit before income taxes	1,671	1,910
Comprehensive income for the year (before tax effects)	1,671	1,910

<5> Market risk management

a. Risk management activities

The Group is exposed to equity price risks arising from equity instruments.

The Group holds the equity instruments for strategic rather than trading purposes and regularly checks the market value of the equity instruments and financial situation of issuers.

b. Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of each reporting period. If equity prices had been 1% higher and all other variables were held constant, comprehensive income for the year before tax effect accounting would be as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Comprehensive income for the year (before tax effects)	131	212

(3) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	168,422	191,002
Trade and other receivables	95,067	93,055
Other financial assets	21,965	19,561
Financial assets measured at FVTPL		
Other financial assets	4,065	3,616
Equity instruments measured at FVTOCI		
Other financial assets	13,118	21,254
Total	302,638	328,492
Liabilities:		
Lease obligations		
Other financial liabilities	29,989	26,349
Financial liabilities measured at amortized cost		
Trade and other payables	51,041	54,589
Bonds and borrowings	107,012	57,458
Other financial liabilities	2,282	2,297
Financial liabilities measured at FVTPL		
Other financial liabilities	4,751	4,536
Total	195,076	145,231

(4) Fair value of financial instruments

<1> Fair value at the end of the period

a. Fair values and carrying amounts by class at the end of the period

The carrying amounts and fair values of financial instruments are as shown below.

Financial instruments measured at fair value and financial instruments of which the carrying amount approximates the fair value are not included.

(Millions of yen)

	FY2019 (As of March 31, 2020)		FY2020 (As of March 31, 2021)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Other financial assets	21,965	21,944	19,561	19,557
Liabilities:				
Bonds and borrowings	107,012	107,117	57,458	57,420
Other financial liabilities	32,271	32,271	28,647	28,647

b. Fair value measurement method

The method of measuring the fair value of a financial instrument is as follows.

(Cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, and other financial liabilities)

For the items that are settled in a short period of time, the carrying amounts are deemed to be the fair value because the fair values approximate the carrying amounts. The other items are measured at the present value of the future cash flow that is discounted by using a rate reflecting the period up to the due date and credit risk. They are classified in Level 2 of the fair value hierarchy.

(Other financial assets and other financial liabilities)
The fair value of listed shares and corporate bonds is the market price at the end of the period and is categorized as Level 1 or Level 2 of the fair value hierarchy depending on whether or not an active market is available. The fair value of non-listed shares, etc., is measured mainly by the multiple method or the net asset value method using unobservable inputs such as valuation multiples and is classified in Level 3 of the fair value hierarchy. The fair value of financial instruments categorized as Level 3 is measured in accordance with related internal regulations by using valuation techniques and inputs that can reflect the nature, characteristics and risks of the relevant financial instruments in the most appropriate manner. The results of fair value measurement are reviewed by senior managers. The EBIT multiple and the net asset multiple are the major unobservable inputs that are used to measure the fair value of financial instruments in Level 3. The EBIT multiple and the net asset multiple used for fair value measurement in the current fiscal year are between 6.8x and 35.4x and between 0.9x and 3.5x, respectively. The fair value increases (decreases) by an increase (decrease) in the EBIT multiple or the net asset multiple.
With respect to financial instruments categorized in Level 3, there are no significant changes in the fair value when changing unobservable inputs to reasonably possible alternative assumptions.
The fair value of derivatives, etc., is measured based on observable market data such as interest rates and exchange rates offered by counterparty financial institutions, etc. and is classified in Level 2 of the fair value hierarchy.

(Bonds and borrowings)
The fair value of bonds and borrowings is the present value calculated by discounting future cash flows at a rate assumed when executing a new similar contract. This is classified in Level 2 as observable market data is used.

<2> Financial instruments measured at fair value on a recurring basis
a. Fair value hierarchy
FY2019 (As of March 31, 2020)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	－	1,053	3,011	4,065
Financial assets measured at FVTOCI				
Other financial assets	11,085	－	2,032	13,118
Total	11,085	1,053	5,044	17,184
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	－	4,751	－	4,751
Total	－	4,751	－	4,751

FY2020 (As of March 31, 2021)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	235	3,380	3,616
Financial assets measured at FVTOCI				
Other financial assets	19,264	—	1,990	21,254
Total	19,264	235	5,371	24,871
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	4,536	—	4,536
Total	—	4,536	—	4,536

b. Changes in financial assets of Level 3

The following are changes in financial instruments measured at fair value that are categorized as Level 3.

FY2019 (Year ended March 31, 2020)

(Millions of yen)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2019	2,817	1,459	4,276
Total gains and losses	237	192	429
Profit or loss (Note 1)	237	—	237
Other comprehensive income (Note 2)	—	192	192
Purchase	298	508	807
Sale, etc.	—	(127)	(127)
Foreign exchange differences	(11)	(0)	(11)
Other	(329)	—	(329)
Balance as of March 31, 2020	3,011	2,032	5,044

(Notes)

1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Of these gains and losses, the amount associated with financial assets held as of March 31, 2020 is ¥237 million.

2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

FY2020 (Year ended March 31, 2021)

(Millions of yen)

	Fair value measurement at the end of the reporting period		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance as of April 1, 2020	3,011	2,032	5,044
Total gains and losses	243	(38)	204
Profit or loss (Note 1)	243	−	243
Other comprehensive income (Note 2)	−	(38)	(38)
Purchase	211	−	211
Sale, etc.	−	(3)	(3)
Foreign exchange differences	14	0	14
Other	(101)	−	(101)
Balance as of March 31, 2021	3,380	1,990	5,371

(Notes)

1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at each reporting date. These gains and losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Of these gains and losses, the amount associated with financial assets held as of March 31, 2021 is ¥243 million.

2) Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at each reporting date. These gains and losses are included in “Gains on investments in equity instruments designated as FVTOCI” in the consolidated statement of comprehensive income.

<3> Financial instruments not measured at fair value

With regard to financial instruments not measured at fair value, fair value measurements are classified in Level 1, 2 and 3 based on the observability and significance of inputs used for the measurement.

FY2019 (As of March 31, 2020)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	−	21,944	−	21,944
Total	−	21,944	−	21,944
Liabilities:				
Bonds and borrowings	−	107,117	−	107,117
Other financial liabilities	−	32,271	−	32,271
Total	−	139,388	−	139,388

FY2020 (As of March 31, 2021)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	―	19,557	―	19,557
Total	―	19,557	―	19,557
Liabilities:				
Bonds and borrowings	―	57,420	―	57,420
Other financial liabilities	―	28,647	―	28,647
Total	―	86,068	―	86,068

(5) Investments in equity instruments designated as at FVTOCI

The investments in equity instruments are held not for trading. Instead, they are held for strategic purposes in order to ensure smooth business operations. Accordingly, the Company has elected to designate these investments in equity instruments as at FVTOCI. Major investments in equity instruments and their fair values are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Nidec Corporation	3,666	8,786
Zeon Corporation	1,925	4,183
Toho Gas Co., Ltd.	980	1,366
Makita Corporation	511	745
Citizen Watch Co., Ltd.	586	577
Other	5,449	5,595
Total	13,118	21,254

The breakdown of dividends received that are recognized from equity instruments is as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Financial assets held at the end of the period	281	198
Financial assets derecognized during the period	14	30

Equity instruments are sold taking into consideration the fair value status and operational needs. The fair value of the items sold during the period at the date of derecognition and the cumulative gain or loss recognized in other comprehensive income are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Fair value	859	706
Cumulative gain or loss	426	226

Changes in the fair value of equity instruments recognized in other comprehensive income are reclassified in retained earnings immediately when they occur. The cumulative amount of gain or loss on such reclassification is the negative amount of ¥1,927 million and the amount of ¥6,057 million for the years ended March 31, 2020 and 2021, respectively.

(6) Offsetting financial assets and financial liabilities

The following tables show the amounts of financial assets and liabilities offset in the consolidated statement of financial position and those that are subject to enforceable master netting agreements or similar agreements with counterparties as of March 31, 2020 and 2021:

FY2019 (As of March 31, 2020)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	103,211	(8,144)	95,067	－	95,067
Derivatives	1,053	－	1,053	111	942
Total	104,265	(8,144)	96,121	111	96,009

The aforementioned “Derivatives” are included in “Other financial assets” in the consolidated statement of financial position.

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	59,185	(8,144)	51,041	−	51,041
Derivatives	4,751	−	4,751	111	4,639
Total	63,937	(8,144)	55,792	111	55,680

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

FY2020 (As of March 31, 2021)

(Millions of yen)

Financial assets	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	98,475	(5,419)	93,055	−	93,055
Derivatives	235	−	235	5	230
Total	98,710	(5,419)	93,291	5	93,286

The aforementioned "Derivatives" are included in "Other financial assets" in the consolidated statement of financial position.

(Millions of yen)

Financial liabilities	Gross amount	Offset amount in the consolidated statement of financial position	Recognized amount in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	60,009	(5,419)	54,589	−	54,589
Derivatives	4,536	−	4,536	5	4,531
Total	64,545	(5,419)	59,125	5	59,120

The aforementioned "Derivatives" are included in "Other financial liabilities" in the consolidated statement of financial position.

Financial assets and collateral pledged subject to enforceable master netting arrangements and similar agreements are to be set off at the net amounts, if a certain condition, such as a default or cancellation in the arrangement, is met.

(7) Gains and losses arising on financial instruments

The total amounts of gains and losses arising on financial instruments are as follows:

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Financial instruments measured at FVTPL (derivatives)	340	(74)
Financial instruments measured at FVTPL (other than derivatives) (Note)	237	773
Equity instruments measured at FVTOCI	296	229
Financial assets measured at amortized cost	512	523
Financial liabilities measured at amortized cost	(1,590)	(661)
Total	(203)	790

(Note) Net gains and losses arising on financial instruments other than derivatives measured at FVTOCI include interest income.

42. Significant Subsidiaries

The important subsidiaries of the Company are as described in "Part Ⅰ Company Information 1. Summary of business results 4. Subsidiaries and other affiliated entities".

The Company recognizes a significant non-controlling interest in Nissei Corporation.
Details of the non-controlling interest in Nissei Corporation are as follows:

Ownership ratio and voting rights ratio of the non-controlling interest

FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
39.8%	39.8%

Profit allocated to the non-controlling interest

(Millions of yen)

FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
91	85

Accumulated amount attributable to the non-controlling interest

(Millions of yen)

FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
16,816	16,737

The summarized financial statements of Nissei Corporation are as follows. Amounts in the summarized financial statements are before the elimination of intra-group transactions.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Current assets	22,404	22,502
Non-current assets	22,750	22,923
Current liabilities	2,862	3,267
Non-current liabilities	343	364

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Revenue	15,777	14,911
Profit for the year	209	259
Comprehensive income for the year	179	455
Cash dividends paid to non-controlling interests	265	243
Net cash provided by operating activities	2,064	1,614
Net cash used in investing activities	6,020	2,913
Net cash used in financing activities	(720)	(659)
Net cash flow	7,365	3,867

43. Related Parties

(1) Related party transactions

FY2019 (Year ended March 31, 2020)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Showa Seiki Co., Ltd.	Outsourcing of manufacturing of the Company's products	722	156
	Abeam Systems Corporation	Outsourcing of software developments	4,999	1,190

(Notes)

1) Related party transactions are negotiated and decided separately.

2) No collateral is set for balance at the end of the period. All settlement is completed in cash.

FY2020 (Year ended March 31, 2021)

(Millions of yen)

Category	Name	Contents of related party relationship	Amount of transaction	Outstanding balance at the end of the period
Associates	Showa Seiki Co., Ltd.	Outsourcing of manufacturing of the Company's products	1,833	257
	Abeam Systems Corporation	Outsourcing of software developments	4,549	1,238

(Notes)

1) Related party transactions are negotiated and decided separately.

2) No collateral is set for balance at the end of the period. All settlement is completed in cash.

(2) Compensation for key management personnel

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Short-term employee benefits	324	300
Share-based payments	72	64
Total	396	365

44. Commitments

Commitments related to expenditures after the end of the reporting period are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Acquisition of property, plant and equipment	5,796	11,928
Acquisition of intangible assets	350	546
Total	6,147	12,475

45. Contingent Liabilities

Not applicable.

46. Subsequent Events

No material subsequent events were identified for the period up to June 23, 2021.

(2) Others

Quarterly information, etc. for the current consolidated fiscal year

Cumulative period	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Revenue (Millions of yen)	133,186	290,062	467,486	631,812
Quarter profit before income taxes or Profit before income taxes (Millions of yen)	9,461	32,643	63,011	42,944
Profit for the quarter (year) attributable to owners of the parent company (year) (Millions of yen)	6,617	24,697	47,526	24,520
Basic earnings per share (Yen)	25.47	95.04	182.90	94.36
Basic quarter earnings per share or Basic quarter loss per share (Yen)	25.47	69.58	87.85	(88.52)

2. Financial statements
(1) Financial statements

Balance sheet

	Notes	Millions of yen FY2019 (As of March 31, 2020)	Millions of yen FY2020 (As of March 31, 2021)
Assets			
Current assets			
Cash and cash equivalents		43,199	18,663
Deposits paid to subsidiaries and associates	※ 2	1,815	1,996
Notes receivable		1,397	1,306
Accounts receivable	※ 2	28,517	28,586
Inventories	※ 1	12,819	12,272
Prepaid expenses		2,065	2,503
Consumption taxes receivable		2,929	3,622
Other current assets	※ 2	7,702	8,754
Total current assets		100,446	77,706
Non-current assets			
Property, plant and equipment			
Buildings		17,784	17,538
Structures		1,175	1,157
Machinery and equipment		3,970	3,947
Vehicles		116	104
Tools, furniture and fixtures		4,115	4,450
Land		5,124	5,035
Construction in progress		291	1,918
Total property, plant and equipment		32,578	34,152
Intangible assets			
Software		8,267	7,699
Other intangible assets		1,314	1,748
Total intangible assets		9,581	9,447
Investments and other assets			
Investment securities		12,248	20,132
Shares of subsidiaries and associates		304,342	303,751
Investments in capital of subsidiaries and associates		22,759	22,759
Prepaid pension costs		7,055	6,236
Other		2,672	2,833
Allowance for doubtful accounts		(10)	(10)
Total investments and other assets		349,068	355,704
Total non-current assets		391,229	399,304
Total assets		491,675	477,011

	Notes	Millions of yen FY2019 (As of March 31, 2020)	 FY2020 (As of March 31, 2021)
Liabilities			
Current liabilities			
Accounts payable-Trade	※ 2	18,872	17,103
Deposits paid to subsidiaries and associates	※ 2	11,832	13,483
Short-term borrowings		48,221	6,769
Current portion of bonds payable		20,141	－
Current portion of long-term borrowings		－	18,976
Accounts payable-Other	※ 2	3,288	4,840
Accrued expenses		8,734	9,215
Income taxes payable		1,632	3,777
Provision for bonuses		5,009	5,292
Provision for bonuses for directors (and other officers)		61	73
Provision for product warranties		385	305
Other current liabilities		512	2,770
Total current liabilities		118,691	82,608
Non-current liabilities			
Long-term borrowings		57,578	38,974
Long-term accounts payable		243	233
Deferred tax liabilities		1,996	3,751
Asset retirement obligations		63	64
Long-term leasehold and guarantee deposits received		783	729
Other non-current liabilities		3,953	2,343
Total non-current liabilities		64,619	46,096
Total liabilities		183,311	128,704

	Notes	Millions of yen FY2019 (As of March 31, 2020)	Millions of yen FY2020 (As of March 31, 2021)
Net assets			
Shareholders' equity			
Share capital		19,209	19,209
Capital surplus			
Legal capital surplus		16,114	16,114
Total capital surplus		16,114	16,114
Retained earnings			
Legal retained earnings		4,802	4,802
Other retained earnings			
Reserve for tax purpose reduction entry of non-current assets		3,941	3,721
General reserve		217,000	217,000
Retained earnings brought forward		45,093	79,472
Total retained earnings		270,836	304,996
Treasury shares		(2,859)	(2,730)
Shareholders' equity		303,301	337,590
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		4,002	9,651
Total valuation and translation adjustments		4,002	9,651
Share acquisition rights		1,060	1,064
Total net assets		308,364	348,306
Total liabilities and net assets		491,675	477,011

Statement of income

	Notes	Millions of yen FY2019 (Year ended March 31, 2020)	Millions of yen FY2020 (Year ended March 31, 2021)
Net sales	※2	344,452	345,317
Cost of sales	※2	260,854	251,447
Gross profit		83,598	93,870
Selling, general and administrative expenses	※1、2	62,896	65,395
Operating profit		20,701	28,474
Non-operating income			
Interest and dividend income	※2	21,320	27,306
Foreign exchange gains		537	252
Gain on valuation of derivatives		64	－
Others	※2	374	807
Total non-operating income		22,296	28,366
Non-operating expenses			
Interest expenses	※2	1,166	673
Loss on valuation of derivatives		－	335
Others	※2	375	551
Total non-operating expenses		1,542	1,560
Ordinary profit		41,455	55,281
Extraordinary income			
Gain on sales of non-current assets	※2	13	368
Gain on sales of investment securities		193	325
Total extraordinary income		206	693
Extraordinary losses			
Loss on sales non-current assets		0	－
Loss on disposal of non-current assets		540	537
Loss on sales of investment securities		0	30
Loss on valuation of investment securities		8	68
Total extraordinary losses		549	637
Profit before income taxes		41,112	55,337
Income taxes -current		5,694	7,102
Income taxes - deferred		133	(773)
Total income taxes		5,828	6,328
Profit		35,283	49,008

Statement of changes in equity

(Millions of yen)

	Shareholders' equity						
		Capital surplus	Retained earnings				
				Other retained earnings			
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Treasury shares
Balance as of March 31, 2019	19,209	16,114	4,802	4,177	194,000	48,208	(2,957)
Changes of items during the period							
Dividends of surplus						(15,607)	
Reversal of reserve for tax purpose reduction entry of non-current assets				(236)		236	
Provision of general reserve					23,000	(23,000)	
Profit						35,283	
Acqisition of treasury shares							(8)
Disposal of treasury shares						(28)	105
Net changes in items other than shareholders' equity							
Total changes during the period	–	–	–	(236)	23,000	(3,115)	97
Balance as of March 31, 2020	19,209	16,114	4,802	3,941	217,000	45,093	(2,859)

(Millions of yen)

	Shareholders' equity	Valuation and translation adjustments			
	Total shareholders' equity	Valuation difference on available -for-sale securities	Total valuation and translation adjustments	Share acquisition rights	Total net assets
Balance as of March 31, 2019	283,555	5,969	5,969	1,006	290,531
Changes of items during the period					
Dividends of surplus	(15,607)				(15,607)
Reversal of reserve for tax purpose reduction entry of non-current assets	–				–
Provision of general reserve	–				–
Profit	35,283				35,283
Purchase of treasury shares	(8)				(8)
Acqisition of treasury shares	77				77
Net changes in items other than shareholders' equity		(1,967)	(1,967)	54	(1,912)
Total changes during the period	19,745	(1,967)	(1,967)	54	17,832
Balance as of March 31, 2020	303,301	4,002	4,002	1,060	308,364

(Millions of yen)

	Shareholders' equity						
		Capital surplus	Retained earnings				
				Other retained earnings			
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Treasury shares
Balance as of March 31, 2020	19,209	16,114	4,802	3,941	217,000	45,093	(2,859)
Changes of items during the period							
Dividends of surplus						(14,830)	
Reversal of reserve for tax purpose reduction entry of non-current assets				(219)		219	
Profit						49,008	
Acquisition of treasury shares							(19)
Disposal of treasury shares						(17)	148
Net changes in items other than shareholders' equity							
Total changes during the period	–	–	–	(219)	–	34,379	129
Balance as of March 31, 2021	19,209	16,114	4,802	3,721	217,000	79,472	(2,730)

(Millions of yen)

	Shareholders' equity	Valuation and translation adjustments			
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Share acquisition rights	Total net assets
Balance as of March 31, 2020	303,301	4,002	4,002	1,060	308,364
Changes of items during the period					
Dividends of surplus	(14,830)				(14,830)
Reversal of reserve for tax purpose reduction entry of non-current assets	–				–
Profit	49,008				49,008
Acquisition of treasury shares	(19)				(19)
Disposal of treasury shares	130				130
Net changes in items other than shareholders' equity		5,649	5,649	3	5,652
Total changes during the period	34,289	5,649	5,649	3	39,941
Balance as of March 31, 2021	337,590	9,651	9,651	1,064	348,306

【Notes】

Significant Accounting Policies

Significant Accounting Policies
1) Methods and basis for valuation of assets
(1) Securities
(a) Shares of subsidiaries and affiliates
Cost method using the moving average method
(b) Available-for-sale securities
Securities with a market value
Market value method based on the market price and other factors on the closing date (all valuation differences are processed using the direct net asset method, and the cost of sale is calculated using the moving average method)
Securities without a market value
Cost method using the moving average method
(2) Derivatives
The market value method is used.
(3) Inventories
Inventories are valued primarily using the cost method based on the total average method (for balance sheet amounts, the book value devaluation method based on the decrease in profitability).

2) Accounting policy for depreciation of non-current assets
(1) Property, plant and equipment
Primarily the declining-balance method is used. The useful lives of main assets are as follows;
Buildings: 3 to 50 years
Machinery and equipment: 4 to 12 years
Tools, equipment and fixtures: 2 to 20 years
(2) Intangible non-current assets
Primarily the straight-line method is used. The useful lives of main assets are as follows.
Patents: 8 years
Software: 2 to 5 years

3) Accounting policy for provisions
(1) Allowance for doubtful accounts
In order to prepare for losses due to bad debts held as of the end of the fiscal year, we have recorded an estimated uncollectible amount for general receivables based on the actual bad debt ratio. For specific claims such as bad debt concerns, the collectability is examined individually and the estimated uncollectibie amount is recorded.
(2) Provision for bonuses
To allocate funds for payment of employee bonuses, the estimated amount of payments to be made in the current fiscal year is recorded.
(3) Provision for bonuses for directors (and other officers)
To allocate funds for payment of officer bonuses, the estimated amount of payments to be made in the current fiscal year is recorded.
(4) Provision for product warranties
To allocate funds for after-sales service expenditures for sold products, the estimated amount of after-sales services expenses expected to arise in the future based on past performance and individual estimates is recorded.

(5) Provision for retirement benefits

To allocate funds for employee retirement benefits, an amount is recorded based on the estimated amount of retirement benefit liabilities at the end of the current fiscal year and estimated pension assets. As a result of these calculations, the retirement benefit reserve had a debit balance at the end of the current fiscal year, and this amount was recorded as prepaid pension costs in investments and other assets.

(a) Period attribution method for reserves for retirement benefits

When calculating retirement benefit liabilities, the method of attributing estimated retirement benefits to periods by the end of the current fiscal year complies with the benefits calculation formula standards.

(b) Actuarial differences and method of expensing past service costs

Past service costs are expensed using the straight-line method based on the average remaining years of service of employees at the time of occurrence.

For actuarial differences, amounts prorated using the straight line method based on the average remaining years of service of employees at the time of occurrence in each fiscal year are expensed starting from the fiscal year following the fiscal year in which they occur.

4) Accounting policy for hedging

(1) Accounting policy for hedging

Deferred hedging is adopted. For currency interest rate swaps, integrated processing (special accounting) is adopted when the requirements for integrated processing are met, and for interest rate swap transactions, special processing is adopted when the conditions for special processing are met.

(2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Currency interest rate swap transactions:	Borrowings denominated in foreign currency
Interest rate swap transactions:	Borrowings

(3) Hedge policies

Currency interest rate swap transactions are used to hedge foreign exchange rate fluctuation risks and interest rate fluctuation risks. Interest rate swap transactions are used to avoid interest rate fluctuation risks.

(4) Methods of evaluating the effectiveness of hedging

Cumulative market fluctuations or cash flow fluctuations of hedged items are compared with cumulative market fluctuations or cash flow fluctuations of hedging instruments, and effectiveness is determined based on the amounts of fluctuation of both.

The evaluation of effectiveness is omitted for interest rate swap transactions and currency interest rate swap transactions that met and adopted the requirements for integrated processing and special processing, respectively.

5) Other significant information for preparation of financial statements

(1) Accounting policy for retirement benefits

The methods of accounting for unrecognized actuarial differences and unrecognized past service costs relating to retirement benefits differ from these accounting methods in the consolidated financial statements.

(2) Accounting policy for consumption taxes, etc.

Accounting for consumption taxes, etc. is based on the tax-excluded method.

(3) Application of consolidated taxation system

The Company applies the consolidated taxation system.

(4) Application of tax effect accounting in relation to the transition from the consolidated taxation system to the group tax sharing system.

With respect to the transition to the group aggregation system established by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), the Company did not apply the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 of February 16, 2018) pursuant to the handling of Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39 of March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

Significant accounting estimates

1) Evaluation of Domino Printing Sciences plc shares

(1) Amounts recorded on the financial statements for the current fiscal year

Where reported	Current fiscal year (Millions of yen)
(Balance Sheet) Shares of subsidiaries and associates	195,579

(2) Information relating to details of significant accounting estimates of recognized items

When valuing the shares of Domino Printing Sciences, the substantial value of the shares was calculated, and it was confirmed that there is possibility of recovery due to a significant decrease in the substantial value. When estimating the substantial value, excess earning power and so on are reflected. Excess earning power includes factors estimated by management similar to goodwill relating to the Domino Business recorded in the consolidated financial statements. The method of calculating the amount in (1) is the same as that described in 17. Impairment of Non-Financial Assets in the Notes to the Consolidated Statement of Financial Position in the consolidated financial statements.

Changes in presentation

Application of "Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 (revised on March 31, 2020))"

The Company adopted "Accounting Standard for Disclosure of Accounting Estimates" from the end of the year ended March 31, 2021. In this regard, the note related to this standard is disclosed in the financial statements as of March 31, 2021. Otherwise, the note related to this standard in the financial as of March 31, 2020 is not disclosed by following the transitional treatment outlined in Article 11 of the accounting standard.

Additional information

Regarding the impact of COVID-19, it is difficult to predict when it will end and how it will affect future cash-flow and so on. Although the global GDP forecast is on a recovery trend, the degree of recovery will vary depending on the country/region. Due to these differences and other reasons,the uncertainty over the Company’s future business activities continues.

The Company has made estimates and judgements involving estimations that the current situation will affect its financial performance throughout the year ending March 31, 2022. The Company's financial statements for the year ending March 31,2022 and onwards may be significantly affected depending on the actual outcome.

Notes to balance sheet

(※1) The breakdown of inventories is as follows:

Millions of yen

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Merchandise and finished goods	3,078	2,821
Work in process	2,047	1,921
Raw materials and supplies	7,693	7,529
Total	121,819	12,272

(※2) Receivables and debts to affiliated companies

Millions of yen

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Short term receivables	33,477	34,135
Short term debts	47,910	36,689

Notes to statement of income

(※1) The approximate ratio of expenses belonging to selling expenses is 30% in the previous fiscal year and 30% in the current fiscal year. The approximate ratio of expenses belonging to general and administrative expenses is 70% in the previous fiscal year and 70% in the current fiscal year.

The main items and amounts of selling, general and administrative expenses are as follows:

	Millions of yen	
	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Provision for product warranties	6	−
Salary / Bonus	10,075	10,314
Provision for bonuses	2,286	2,410
Retirement benefit expenses	1,053	1,313
Provision for bonuses for directors (and other officers)	61	73
Depreciation	4,295	4,355
Commission expenses	7,076	6,743
License fee	7,217	6,834

(※2) Items related to transactions with affiliated companies are included as follows:

	Millions of yen	
	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2020)
Transaction volume from business transactions		
Net sales	303,940	304,547
Purchase of goods	209,791	198,827
Other operating expenses	12,097	11,770
Transaction volume other than business transactions	27,819	34,650

Notes to securities

1. Shares of subsidiaries and associates

FY2019 (As of March, 31 2020)

(Millions of yen)

	Book Value	Market Value	Difference
Shares of subsidiaries	15,689	16,852	1,162

FY2020 (As of March, 31 2021)

(Millions of yen)

	Book Value	Market Value	Difference
Shares of subsidiaries	15,689	17,720	2,030

(※) Book value of amount of subsidiary shares and affiliated company shares which are extremely difficult to determine the market value

(Millions of yen)

Classification	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Shares of subsidiaries	287,554	286,963
Shares of associates	1,098	1,098

These are not included in the "subsidiary stocks and affiliated company stocks" in the above table because there is no market price and it is extremely difficult to grasp the market price.

2. Impaired securities
FY2019(As of March,31 2020)
Not applicable.

FY2020(As of March,31 2021)
Not applicable.

Impairment losses on subsidiary stocks and affiliated company stocks, which have no market value or whose market value is deemed difficult to determine, are recognized when the substantial value of the stocks at the end of the period drops significantly and there is no possibility of recovery.

Notes to tax effects

1. Breakdown of deferred tax assets and deferred tax liabilities by major causes

	Millions of yen	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Deferred tax assets		
Loss on valuation of investment securities	8,426	8,416
Provision for bonuses	1,532	1,619
Depriciation and amortization	1,438	1,526
Contribution of securities to retirement benefit trust	720	720
Accrued expenses	506	429
Accounts payable	432	415
Loss on valuation of inventories	302	349
Accured enterprise tax	179	327
Product warranty	118	93
Other temporary differences	550	728
Deferred tax assets subtotal	14,207	14,625
Valuation allowance	(8,497)	(8,487)
Valuation allowance subtotal	(8,497)	(8,487)
Total deferred tax assets	5,710	6,137
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(1,275)	(3,804)
Retirement benefit trust refund securities	(2,464)	(2,464)
Prepaid pension costs	(2,158)	(1,908)
Reserve for tax purpose reduction entry of non-current assets	(1,737)	(1,640)
Other temporary differences	(70)	(71)
Total deferred tax liabilities	(7,707)	(9,889)
Net deferred tax liabilities	(1,996)	(3,751)

2. Breakdown by major items that caused the difference between the statutory tax rates and the average effective tax rates after tax effect accounting was applied

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Statutory tax rate	30.60%	30.60%
(Adjustment)		
Dividend income, etc. Amount that is not permanently included in profits	(19.71%)	(14.31%)
Transfer pricing adjustment	－	(2.74%)
Research and development expenses tax credit	(4.05%)	(2.64%)
Withholding taxes on distributions	1.08%	0.77%
Deemed direct foreign tax credit	(2.35%)	(0.18%)
Items that are not permanently deducted, such as entertainment expenses	0.22%	0.15%
Increase / decrease in valuation allowance	4.79%	(0.02%)
Combined taxation based on tax haven tax system	3.46%	－
Others	0.14%	(0.19%)
Income tax burden rate after tax effect accounting is applied	14.18%	11.44%

Notes to business combinations

Business combination due to acquisition
"5. Financial Information 1 Consolidated financial statements (1) Consolidated financial statements Note 7. Business Combinations" has the same content, so the notes are omitted.

Subsequent events

Not applicable.

Annex

【Details of property, plant and equipment, etc.】

(Millions of yen)

Classification	Asset type	Balance at the beginning of the current period	Increase in the current period	Amount of decrease for the current period	Depreciation amount for the current period	Balance at the end of the current period	Accumulated depreciation
Property, plant and equipment	Buildings	54,991	*1 2,132	*2 2,046	2,175	55,076	37,538
	Structures	3,670	174	171	158	3,673	2,515
	Machinery and equipment	23,606	1,139	932	1,121	23,813	19,866
	Vehicles	472	34	18	46	487	383
	Tools, furniture and fixtures	73,165	*3 4,668	*4 3,192	4,310	74,642	70,191
	Land	5,124	－	88	－	5,035	－
	Construction in progress	291	*5 2,885	*6 1,258	－	1,918	－
	Total	161,321	11,034	7,708	7,812	164,648	130,495
Intangible assets	Software	49,756	*7 3,104	985	3,659	51,875	44,176
	Others	13,377	*8 2,257	*9 2,000	184	13,634	11,886
	Total	63,134	5,361	2,985	3,844	65,510	56,062

(※)1 Main changes in the current period

*1 Kariya showroom new construction	¥895 million
Headquarters sash replacement	¥222 million
*2 Sale of German warehouse	¥1,074 million
Heiwa dormitory dismantling	¥661 million
*3 Acquisition of mold	¥3,688 million
*4 Disposal of mold	¥2,351 million
*5 Hoshizaki factory construction	¥1,122 million
Kariya showroom	¥731 million
Construction of Heiwa dormitory	¥320 million
*6 Transfer of Kariya showroom	¥958 million
*7 Acquisition of outsourced development software	¥1,811 million
Transfer of in-house software	¥1,082 million
*8 Acquisition of in-house software	¥1,386 million
*9 Transfer of in-house software	¥1,082 million

(※)2 "Balance at the beginning of the current period" and "Balance at the end of the current period" are stated based on the acquisition price.

【Reserve details】

(Millions of yen)

Subject	Balance at the beginning of the current period	Increase in the current period	Amount of decrease for the current period	Balance at the end of the current period
Allowance for doubtful accounts	10	－	－	10
Provision for bonuses	5,009	5,292	5,009	5,292
Provision for bonuses for directors (and other officers)	61	73	61	73
Provision for product warranties	385	154	234	305

(2) Contents of main assets and liabilities

Since we prepare the consolidated financial statements, the description is omitted.

(3) Others

Not applicable.

6. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for distribution of surplus	September 30 March 31
Number of shares constituting one unit	100
Purchase of odd lots of shares and sale of additional shares	
Listing exchanges	(Special account) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Securities Agent Division
Shareholder registry administrator	(Special account) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agent	————————————
Purchase and sale commissions	Amounts separately determined as the amounts equivalent to commissions relating to stock transaction brokerage
Method of public notice	Electronic notice (https://global.brother/ja/investor/) However, if electronic notice is not possible due to accident or other unavoidable circumstances, notice is provided by publication in the Nikkei.
Privileges for shareholders	Not applicable.

Note: Pursuant to the Company’s Articles of Incorporation, holders of shares constituting less than one unit do not have any rights other than the rights specified in each items of Paragraph 2 of Article 189 of the Companies Act, the right to demand acquisition of shares with acquisition rights, the right to receive allocations of subscriber shares or subscriber share options, and the right to demand the sale of additional shares to make an odd lot into a one unit.

7. Reference Information of Reporting Company

1. Information about parent of reporting company

   The Company does not have a parent company, etc. specified in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

   The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2020 to the filing date of Annual Securities Report.

(1) Annual Securities Report, Attached Documents, and Confirmation Letter
Business term (128th): From April 1, 2019 to March 31, 2020
Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2020

(2) Internal Control Report and Attached Documents
Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2020

(3) Quarterly Report and Confirmation Letter
First quarter of the 129th business term (from April 1, 2020 to June 30, 2020)
Filed with Director-General of the Kanto Local Finance Bureau on August 12, 2020
Second quarter of the 129th business term (from July 1, 2020 to September 30, 2020)
Filed with Director-General of the Kanto Local Finance Bureau on November 12, 2020
Third quarter of the 129th business term (from October 1, 2020 to December 31, 2020)
Filed with Director-General of the Kanto Local Finance Bureau on February 12, 2021

(4) Extraordinary Reports
Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2020
An extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item (ii)-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (issuance of share options to directors and executive officers of the Company).
Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2020
An extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item (ix)-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (results of exercise of voting rights at General Meeting of Shareholders).
Filed with Director-General of the Kanto Local Finance Bureau on May 7, 2021
An extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item (xix) of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (occurrence of an event that significantly affects the financial position, operating results, and cash flow status of the consolidated company).

(5) Revised extraordinary report
Filed with Director-General of the Kanto Local Finance Bureau on July 22, 2020
A revision of the extraordinary report submitted on June 25, 2020 (issuance of share options to directors and executive officers of the Company).

Part Ⅱ Information about Reporting Company's Guarantor, etc.

Not applicable.

(TRANSLATION)

Independent Auditor's Report

June 23, 2021

To the Board of Directors of
BROTHER INDUSTRIES, LTD.:

Deloitte Touche Tohmatsu LLC
Nagoya office

Designated Engagement Partner,
Certified Public Accountant:

Satoshi Kawashima

Designated Engagement Partner,
Certified Public Accountant:

Akinori Masumi

Designated Engagement Partner,
Certified Public Accountant:

Koji Kitaoka

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of BROTHER INDUSTRIES, LTD. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2020 to March 31, 2021, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
Valuation of goodwill in the Domino business Domino business is an industrial printing business that the Group entered by acquiring 100% of the outstanding shares of Domino Printing Sciences plc (“DPS”) in June 2015 for the amount of JPY 193,185 million. The Group positions the Domino business as a growth business. As described in Note 16 to the consolidated financial statements, goodwill as of March 31, 2021 was JPY 75,845 million or 10.2% of the total assets on the consolidated statement of financial position, and included the goodwill relating to the acquisition of DPS for the amount of JPY 74,657 million. Furthermore, as described in Note 17 to the consolidated financial statements, the group recognized an impairment loss of JPY27,197 million primarily due to the revision of the business plan assumptions. The Group describes assumptions used in the goodwill impairment test of the Domino business in Note 17 to the consolidated financial statements. When performing goodwill impairment test of the Domino business, the recoverable amount of the cash generating unit including goodwill is measured at the value in use. The value in use is calculated by discounting the estimated cash flows based on the business plan for the next five years approved by management. Significant assumptions in estimating the value in use are the estimated cash flows based on the business plan for the next five years, the discount rate and the growth rates for subsequent years. The business plan is especially based on the assumptions of high growth rate in digital printing market and the ability that DPS maintains and improves its competitiveness by continuously launching new products. The discount rate is affected by the interest policy and benchmark companies in the United	Our audit procedures to test the valuation of goodwill in the Domino business included the following, among others: ● We tested the effectiveness of internal controls over the estimation process of the value in use including the approval process of the future business plan. ● We evaluated the consistency between the business plan for the next five years on which the estimating value in use was based and the following year and mid-term business plan that were approved by the Board of Directors. We also assessed the accuracy of the estimation process by comparing the prior year’s business plan with the actual results. ● To evaluate its financial performance for the current year, we performed an audit of the DPS’s financial information by using the work of the component auditor from one of our network firms. ● We evaluated the reasonableness of the market growth rates used by comparing the market growth rates with third-party organizations' forecasts of digital printing and coding and marking markets. ● With the assistance of our valuation specialists in assessing the discount rate, we evaluated the valuation method and appropriateness of the assumptions used by management. In addition, we performed sensitivity analyses on the discount rate used by management. ● With the assistance of our valuation specialists of our network firm, we evaluated management’s method of reflecting uncertainties to the growth rates for subsequent years by assessing the consistency between the growth

Kingdom, where DPS is located. The applied growth rates for subsequent years in the business plan are based on the long-term growth of the global economy and are adjusted in consideration of the uncertainty of future market growth, causing the applied growth rates to decline proportionally. As stated, we considered that the accounting estimates for the goodwill impairment test involve uncertainties and judgement made by management. Also considering the quantitative significance, we identified the valuation of goodwill in the Domino business as a key audit matter.	rates for subsequent years and available external data.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of BROTHER INDUSTRIES, LTD. as of March 31, 2021.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of BROTHER INDUSTRIES, LTD. as of March 31, 2021, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(TRANSLATION)

Independent Auditor's Report

June 23, 2021

To the Board of Directors of
BROTHER INDUSTRIES, LTD.:

Deloitte Touche Tohmatsu LLC
Nagoya office

Designated Engagement Partner,
Certified Public Accountant:

Satoshi Kawashima

Designated Engagement Partner,
Certified Public Accountant:

Akinori Masumi

Designated Engagement Partner,
Certified Public Accountant:

Koji Kitaoka

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the nonconsolidated financial statements of BROTHER INDUSTRIES, LTD. (the "Company") included in the Financial Section, namely, the nonconsolidated balance sheet as of March 31, 2021, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 129th fiscal year from April 1, 2020 to March 31, 2021, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the nonconsolidated financial statements of the current period. The matter was addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Valuation of Domino Printing Sciences plc shares As presented in the financial statements, the shares of subsidiaries and associates as of March 31, 2021 was JPY 303,751 million or 63.7% of total assets, and included the shares of Domino Printing Sciences plc ("DPS"), the core entity of Domino business in the amount of JPY 195,579 million. In terms of valuing the shares of DPS, the Company calculates the substantial value and confirms that the substantial value has not significantly decreased with no possibility of recovery. The substantial value reflects excess earning power and other factors which involve accounting estimates like goodwill in the Domino business presented in the consolidated financial statements. Also considering the quantitative significance, we identified the valuation of DPS shares as a key audit matter.	For our audit procedures to test the valuation of excess earning power when evaluating the shares of DPS, refer to the audit procedures to the key audit matter, "Valuation of goodwill in the Domino business," stated in the independent auditor's report on the consolidated financial statements.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the nonconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.