Annual Securities Report

(The 130th Fiscal Term)
from April 1, 2021 to March 31, 2022

BROTHER INDUSTRIES, LTD.

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

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Fiscal year	The 130th Fiscal Term (from April 1, 2021 to March 31, 2022)
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
Nearest place of contact	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
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)				
		126th fiscal term	127th fiscal term	128th fiscal term	129th fiscal term	130th fiscal term
Fiscal year end		March, 2018	March, 2019	March, 2020	March, 2021	March, 2022
Revenue	(Millions of yen)	712,997	683,972	637,259	631,812	710,938
Profit before tax	(Millions of yen)	69,669	72,274	67,046	42,944	86,429
Profit for the year attributable to owners of the parent company	(Millions of yen)	50,020	53,902	49,566	24,520	61,030
Comprehensive income attributable to owners of the parent company	(Millions of yen)	62,822	45,115	19,729	69,219	97,231
Equity attributable to owners of the parent company	(Millions of yen)	395,514	424,759	428,520	483,050	561,146
Total assets	(Millions of yen)	708,278	708,604	731,472	743,896	811,149
Owners' equity per share	(Yen)	1,523.09	1,635.22	1,649.22	1,858.28	2,170.46
Basic earnings per share for the year	(Yen)	192.63	207.54	190.80	94.36	234.89
Diluted earnings per share for the year	(Yen)	192.08	206.90	190.21	94.07	234.18
Ratio of owners' equity to gross assets	(%)	55.8	59.9	58.6	64.9	69.2
Rate of return on equity attributable to owners of the parent company	(%)	13.5	13.1	11.6	5.4	11.7
Price-earnings ratio	(Times)	12.8	9.9	8.7	26.0	9.5
Net cash provided by (used in) operating activities	(Millions of yen)	81,817	73,280	87,748	109,265	72,254
Net cash provided by (used in) investing activities	(Millions of yen)	(37,090)	(22,624)	(27,955)	(25,080)	(40,781)
Net cash provided by (used in) financing activities	(Millions of yen)	(34,551)	(39,040)	(14,916)	(74,038)	(65,191)
Cash and cash equivalents at the end of year	(Millions of yen)	121,384	131,152	168,422	191,002	167,915
Number of employees [Excluding average number of temporary employees]	(Number of persons)	38,628 [6,012]	37,769 [5,907]	37,697 [4,672]	38,741 [5,441]	41,125 [4,553]

Note

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(2) Key financial data of the reporting company

Fiscal year		126th fiscal term	127th fiscal term	128th fiscal term	129th fiscal term	130th fiscal term
Year end		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(Millions of yen)	405,442	401,366	344,452	345,317	417,368
Recurring profit	(Millions of yen)	42,975	48,818	41,455	55,281	78,831
Profit for the year	(Millions of yen)	37,007	40,548	35,283	49,008	65,213
Capital stock	(Millions of yen)	19,209	19,209	19,209	19,209	19,209
Total number of issued shares	(Shares)	262,220,530	262,220,530	262,220,530	262,220,530	262,220,530
Net assets	(Millions of yen)	266,986	290,531	308,364	348,306	391,445
Total assets	(Millions of yen)	468,482	472,924	491,675	477,011	519,696
Net assets per share	(Yen)	1,023.12	1,113.10	1,181.12	1,334.14	1,507.76
Amount of dividends per share (Amount of interim dividend per share included in the above)	(Yen)	54.00 (24.00)	60.00 (30.00)	60.00 (30.00)	60.00 (27.00)	64.00 (30.00)
Profit per share for the period	(Yen)	142.32	155.91	135.64	188.34	250.67
Profit per share for the period after adjustment for potential shares	(Yen)	141.92	155.44	135.22	187.76	249.91
Equity ratio	(%)	56.8	61.2	62.5	72.8	75.1
Rate of return on equity	(%)	14.6	14.6	11.8	15.0	17.7
Price-earnings ratio	(Times)	17.4	13.1	12.2	13.0	8.9
Payout ratio	(%)	37.9	38.5	44.2	31.9	25.5
Number of employees [Excluding average number of temporary employees]	(Persons)	3,937 [582]	3,865 [487]	3,800 [402]	3,803 [385]	3,867 [459]
Total shareholder return (Comparison indicator: Tokyo Stock Price Index (including dividends))	(%) (%)	108.7 (115.9)	93.0 (110.0)	78.6 (99.6)	115.4 (141.5)	109.0 (144.3)
Highest stock price	(Yen)	3,135	2,539	2,364	2,592	2,622
Lowest stock price	(Yen)	2,131	1,517	1,380	1,530	1,916

Notes

1. Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange.
2. Accounting Standard For Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the beginning of the current fiscal year, and key financial data for the current fiscal year 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 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	Medium-term CO_2 emissions reduction targets for FY2030 under the environmental vision certified as science-based targets by international Science-Based Target initiatives (SBTi)
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
October 2021	Brother Group Vision “At your side 2030” announced

February 2022	NISSEI CORPORATION became a wholly-owned subsidiary as a result of a tender offer for shares

3. Description of business

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the "Company") and its affiliated companies (the "Group") 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, Lake Image Systems France and Lake Image Systems Asia were 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, 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	BROTHER INDUSTRIES, LTD. 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, New Jersey, U.S.A.	U.S. dollars 7,034,000	P&S, P&H Machinery	100.0	-	-	2	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	-	1	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 products	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	Manufacture 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	Sales of Brother products	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	-	-	5	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	New Territories, 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	-	1	6	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	1	4	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	-	-	5	No	Manufacture of Brother products	Yes
BROTHER INDUSTRIES (PHILIPPINES), INC. *1	Batangas Province, Philippines	Philippine pesos 5,626,250,000	P&S	100.0	-	1	4	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	-	1	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	-	1	3	No	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	Anjo-shi, Aichi	Millions of yen 3,475	Machinery	100.0	-	1	2	No	Manufacturing outsourcing and purchasing Brother parts	No
STANDARD CORP.	Minato-ku, Tokyo	Millions of yen 90	N&C	-	100.0	-	-	No	No	No
70 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 products or 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 or parts	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	- [18.2]	-	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.
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)	168,407	110,732
Income before tax (Millions of yen)	11,036	20,117
Profit for the year (Millions of yen)	11,593	18,485
Total equity (Millions of yen)	86,413	40,403
Total assets (Millions of yen)	112,811	55,487

5. Employees

(1) Information about group

As of March 31, 2022

Segment titles	Number of employees
Printing & Solutions	26,769 [3,896]
Personal & Home	3,644 [58]
Machinery	2,759 [384]
Network & Contents	3,214 [20]
Domino	2,923 [64]
Other	1,189 [113]
Corporate (shared)	717 [18]
Total	41,215 [4,553]

Notes

1. The number of employees includes part-time, fixed-term, and other such employees.
2. The average number of temporary employees (mostly dispatched temp employees) for the current fiscal year is indicated in brackets, and such employees are not included in the number of employees outside brackets.
3. The number of employees in the Printing & Solutions Business increased by 3,318 compared to the previous consolidated fiscal year; the main reasons were changes in employment patterns and increases in production volume. The number of employees in the Network & Contents Business decreased by 561 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, 2022

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
3,867 [459]	43.3	15.0	7,672,908

Segment titles	Number of employees	
Printing & Solutions	2,083	[176]
Personal & Home	236	[19]
Machinery	779	[213]
Network & Contents	47	[5]
Domino	11	[-]
Other	198	[38]
Corporate (shared)	513	[8]
Total	3,867	[459]

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 average number of temporary employees (mostly dispatched temp employees) for the current fiscal year is indicated in brackets, and such employees are not included in the number of employees outside brackets.
4. The number of employees is the number of employed persons including employees seconded from other companies (21) but excluding employees seconded to other companies (333).
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, 2022, membership was 2,669 employees (including 63 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, 2022, membership was 324 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, 2022).

(1) Formulation of a new Group Vision

The Brother Group was founded in 1908 as a sewing machine repair company. For more than 110 years, it has adapted in line with changes in its environment, and continued to provide value that meets the needs of its customers. In recent years, the business environment surrounding the Brother Group has significantly and rapidly changed by the increasing pace of digitalization and automation that led to customers altering their purchasing behavior, the spread of COVID-19 that resulted in changes to society, and the current geopolitical risks.

In order to grow sustainably in the midst of these major environmental changes, the Brother Group has formulated a new Group Vision, entitled “At your side 2030.”

In “At your side 2030,” the Brother Group outlines what sort of value it ought to provide its customers between now and 2030. Based on a redefinition of its raison d’être (Our Purpose), the Vision outlines both how the Brother Group intends to provide value (Our Approach), and what values it intends to realize (Our Focus Areas).

1) Our Purpose

The Brother Group Vision faces up to the key questions: why does it exist, and what are its raison d’être? It provides the following answer: “By being ‘At your side,’ we enable people’s productivity and creativity, contribute to society, and help protect the earth.”

The Group’s goals are to fulfill the manifold dreams of people, which include its customers, namely to maximize productivity and creativity, create new values, and continue to develop. The Group will also fulfill its responsibilities to the global environment, by helping society develop in a sustainable manner.

2) Our Approach

The Brother Group has defined “Our Approach” as follow: “We identify and eliminate barriers to customers' success by utilizing our unique technologies and global network.”

Since its foundation, the Brother Group has established various businesses and expanded globally; it possesses unique strengths as a global conglomerate, which are rooted in its networks of production, sales, service, and development facilities that stretch across more than 40 countries and regions worldwide. The Brother Group will continue to learn from its customers, suppliers, and other external parties, and swiftly deliver superior value across national, regional, and business borders. It will understand its customers’ value chain, identify their core challenges, and provide unique products and solutions that help them achieve their goals.

3) Our Focus Areas

The Brother Group has specified that the industrial and printing sectors will comprise its focus areas until 2030, and intends to strengthen them using the values outlined above. The Group intends to transform its business

portfolio through rapid growth in the industrial area and changes to the printing area, and thereby continue its growth as a conglomerate.
In the industrial area, in fields where it possesses great strengths, the Group intends to improve customer productivity and resolve issues related to human resources and the global environment. In doing so, it will gain the trust of its customers and become an invaluable solutions partner to them. In the printing area, significant changes are taking place both in “office work” and the printing environment; the Group will continue to exceed customers’ expectations, and build new business pillars that straddle existing business boundaries.

(2) Medium- to long-term management strategies
◆ CS B2024 Medium-Term Business Strategy
The CS B2024 Medium-Term Business Strategy was formulated to achieve the Group Vision “At your side 2030,” and identifying themes to be undertaken in the first three years backcasted from it. At the same time, the Brother Group has identified five materialities, which are priority social issues to be addressed to contribute to society and help protect the earth, and has also established sustainability targets related to the materialities. Based on “Take off towards our new future” in CS B2024, the Brother Group will undertake business portfolio transformation—including expansions in the Industrial area and transformation in the Printing area—as well as management foundation transformation for a sustainable future.

1 Towards expansion in the Industrial area
・Achieve significant growth in the Industrial Equipment business
We will achieve significant growth in the Industrial Equipment business by improving productivity and environmental performance, thereby contributing to the enhancement of customers’ manufacturing competitiveness and sustainability, such as reduction of CO_2 emissions.
・Accelerate growth in the Domino business
We will accelerate growth by enhancing product strength in the digital printing area and strengthening relationships with customers in the coding and marking area. At the same time, we will enhance our foundations in industrial inkjet technologies to secure long-term competitiveness.

2 Towards transformation in the Printing area
・ Accelerate P&S business model transformation
We will strive to further strengthen the profitability of existing businesses even amid the harsh market environment, and at the same time, promote transformation for the future, including accelerating the shift to a business model that connects with customers, such as a contract-based business model, and expanding the commercial & industrial labeling business.

3 Towards the business portfolio of the future
・Create new businesses that help to address materialities

We will search widely for business opportunities to support the productivity and creativity of working people and help protect the earth by further evolving Brother's strengths.

・ Evolution of printing technology, with inkjet at its core, and expansion of its range of applications
We will advance the evolution of printing technology with inkjet at its core and expand its range of applications in both the industrial and consumer areas.

4 Management foundation transformation for a sustainable future

・Undertake environmental efforts towards carbon neutrality
We will promote efforts towards achieving targets in reduction of CO_2 emissions, resource circulation, and biodiversity conservation stated in the Brother Group Environmental Vision 2050. In particular, we will undertake reduction of CO_2 emissions through various activities to achieve carbon neutrality in the Brother Group's business activities by 2050.

・ Enhance and expand connections with customers
We will connect with even more customers and continuously provide more value than ever before in each of our businesses. Furthermore, we will use data obtained through connections with customers to create even more customer value and seek business model transformation. In addition, we will achieve stable product supply by building resilient supply chains.

・ Foundation for all transformations – Evolve Brother's unique management system Brother Value Chain Management (BVCM)[*1] , encourage employees to take on challenges, and improve employee engagement
As a cornerstone of transformation, we will continuously evolve BVCM, encourage employees to take on challenges, and improve employee engagement to continue to improve the productivity and creativity of the Brother Group itself.

◆Materiality and sustainability targets
The Brother Group has identified five materialities in order to "contribute to society and help protect the earth" as we set as "Our Purpose" in "At your side 2030." We have set sustainability targets to address the materialities and will promote group-wide efforts to address them as management challenges.

Materiality		**Targets for FY2024**
Contribute to society	- Supporting people's value creation	- In the Industrial Equipment business, secure performance advantage of products that contribute towards improving customer productivity and reducing CO_2 emissions - In P&S business, build platform to connect directly with customers towards improving LTV[*2] of customers
	- Realizing a diverse and active society	- Visualize employee engagement at the global level and improve engagement survey scores - Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan - Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working[*3]
	- Pursuing a responsible value chain	- Expand the scope and subjects of human rights risk assessment on suppliers - Attain RBA[*4] Gold certification for three Group manufacturing facilities
Protect the earth	- Reducing CO_2 emissions	- [Scope 1 and 2[*5]] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024) Ref.) FY2030 target: 65% reduction from the FY2015 level - [Scope 3[*5]] Take measures to reduce 150,000 tons through own effort

		Ref.) FY2030 target: 30% reduction from the FY2015 level
	Circulating resources	- Achieve ratio of virgin materials used in products of 81% or less Ref.) FY2030 target: below 65%

◆Financial policy

The Brother Group will continuously improve shareholder value by achieving both business growth and sustainability goals. While strengthening shareholder returns based on a stable and continuous dividend policy, we will aggressively invest for the future, utilizing operating cash flow generated from our business as well as interest-bearing debt.

・ Prior investments for the future

The Brother Group has set a total of 150 billion yen for prior investments aimed at transforming our business portfolio and realizing the transformation of our management foundation toward a sustainable future. Using this investment quota, we will make strategic investments such as strengthening various functions and bases related to the industrial area and inkjet technology, as well as M&A, towards "business portfolio transformation." In addition, we will promote environmental efforts, strengthen our supply chain towards "management foundation transformation for a sustainable future."

Theme		Main items	Amount
Business portfolio transformation	- Towards expansion in the Industrial area - Towards transformation in the Printing area	- Reinforce sales and service facilities in the Industrial area - Reinforce production capacity in the machinery/FA area - Expand inkjet development and manufacturing facilities	**50 billion yen**
	- Towards the business portfolio of the future	- Strategic investments for M&A, etc.	**30 billion yen**
Management foundation transformation for a sustainable future	- Environmental efforts - Enhance and expand connections with customers	- Factory investment for local production and local consumption of products and for the realization of a circular economy - Introduction of energy-generation equipment at Group facilities - Construction of new environmentally friendly building - Supply-chain resilience - DX investments	**70 billion yen**
Total			**150 billion yen**

・ Shareholder return

Based on stable and continuous shareholder returns, under the CS B2024 Medium-Term Business Strategy, which concludes in FY2024, while making prior investments for the future, we will pay out a minimum dividend of 68 yen per share and consider additional shareholder returns, including an increase in the dividend level, depending on factors such as business performance. We will also flexibly carry out share repurchases.

◆ Financial targets

Towards FY2030, which is the final fiscal year of "At your side 2030," in FY2024, the Brother Group will aim to achieve 800 billion yen in revenue and an operating profit ratio of at least 10%. In addition, while taking into consideration the harsh business environment and investments for the future, we will aim for ROE of 10% at least, which is higher than the cost of capital.

Exchange rate: USD 1 = JPY 108.00, EUR 1 = JPY 125.00

	Targets for FY2024
Revenue	**800 billion yen**
Operating profit ratio (Profit ratio for the period attributable to owners of the parent company)	**10% at least** **(7% at least)**
ROE	**10% at least**

The Brother Group will undertake all transformations with even greater speed, aiming to achieve the targets set forth in CS B2024 in order to realize "At your side 2030."

*[1] Brother Value Chain Management (BVCM)
Brother's unique customer-oriented management system defining the flow of value provision to customers

*[2] Lifetime Value (LTV)
Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services

*[3] Implemented at Brother Industries, Ltd.

*[4] RBA (Responsible Business Alliance)
Standards established for supply chains in the manufacturing industry to ensure that working conditions are safe, that workers are treated with respect and dignity, and that companies are responsible for the environmental impact of their manufacturing processes and procurement.

*[5] Scope 1, 2, 3
Categories of greenhouse gas emission sources: Scope 1 refers to direct greenhouse gas emissions by business operators, Scope 2 refers to indirect greenhouse gas emissions resulting from use of electricity, heat, and steam supplied by other entities, and Scope 3 refers to indirect greenhouse gas emissions other than Scope 1 and 2 (emissions by other entities related to the activities of business operators)

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 (geopolitical risks)	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, the Ukraine crisis, 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. Regarding the Ukraine crisis, there are concerns that any protraction of Russia's invasion of Ukraine and economic sanctions by the U.S., the U.K., the EU, and Japanese governments will prolong the impact on our business activities in Russia.	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. As for the Ukraine crisis, we will continue to gather information on various international developments, including the economic sanctions being imposed by the U.S., the U.K., the EU, and Japanese governments, and we will make decisions according to the circumstances.
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 strengthen profitability and expand businesses that are continuously linked to customers by accelerating the shift to new business models, such as the expansion of contract-based services that adapt to changing market needs. In addition, we will continue to put effort into expanding our commercial & industrial labeling business, a market that we expect to grow in the future.

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 fiercer market competition as a result of competition with companies that have greater management resources than the Brother Group as well as the rise of local manufacturers in emerging countries and collaboration among our competitors. 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.	Along with working to provide products that achieve customer value in each market and services through our regional sales companies and network of sales channels, which is one of our strengths, we are also building business foundations with speed and cost competitiveness by promoting higher business efficiency, practicing development with less rework, and reducing manufacturing costs. From a sustainability viewpoint, we will also work to improve the environmental performance of our products and promote cyclical businesses, such as expansion of the collection and recycling of consumable cartridges.
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. Also, our products in the machinery and factory automation area and industrial printing area are used by customers as equipment in manufacturing industries including automobiles, apparel, and packaging for 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 the brand of choice for 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. We will also connect with more customers through contract-type businesses, including print management and automated delivery of consumables, thereby realizing the continuous provision of value. In the machinery and FA area and the industrial printing area, we will continuously bring to market products with refined productivity and environmental performance and strengthen our sales structure to provide products and services that achieve customer value, thereby contributing to stronger manufacturing competitiveness and CO_2 emission reductions of our customers. 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. 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. In addition to the difficulty of securing personnel and the risk of national or regional lockdowns because of infectious disease, if social disorder spreads as a result of war, terrorism, large-scale fires or natural disasters on a scale beyond expectations, such as a massive earthquake or extreme weather event caused by global warming, there is a risk of disruption to production and logistics, including parts procurement systems. There is also a risk of chronic delays in parts imports and shipments, as well as the risk of steep increases in freight costs, due to disruptions in international logistics, such as container backlogs and insufficient space on ships. As a result, business results may be affected by a loss of sales opportunities and a loss of customers due to product shortages in the market. ・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, and if human rights problems, such as forced labor or child labor, occurred at these suppliers or elsewhere along the supply chain, we could lose the trust of our customers and there could be an impact on transactions with them. Furthermore, tracing materials beyond the suppliers leads to raw materials. In the trade of mineral raw materials, if it was found that the trade of certain minerals in conflict areas in Africa and other regions (conflict minerals) was funding armed groups in those areas and was involved in promoting conflict, human rights abuse, labor problems, environmental destruction or other issues, 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 have also implemented risk countermeasures such as holding inventories of spare production equipment and 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. As for logistics, we are proceeding to secure inventory storage space for products, parts and materials by utilizing external warehouses in the regions where our manufacturing facilities are located, and we are promoting the use of multiple ports. In addition, at various facilities, we have also implemented fire prevention measures and certain disaster prevention and mitigation measures against earthquakes, typhoons and other natural disasters. 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 established a Conflict Minerals Response Policy and posted it on our website. In addition, we also conduct surveys on the use of minerals, and we work with our suppliers on procurement activities aimed at avoiding the use of conflict minerals.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
6. Risks relating to parts and materials	There is a risk that the resin materials and electronic components, primarily semiconductors, used in our Group products will continue to be difficult to procure due to tight demand. There are also risks of rising prices of raw materials, such as semiconductors, crude oil, steel plates and copper; risks of rising transportation costs due to container backlogs and insufficient space on ships; and risks of steeply rising prices of resin materials and electronic components caused by a multiplicity of various factors, all of which could push up manufacturing costs. If it is not possible to pass on these impacts to product selling prices or if costs cannot be adequately absorbed through cost reductions of efficiency improvements, a certain degree of impact on future profitability may be expected.	To address the difficulties in procuring resin materials and electronic parts, mainly semiconductors, we will take certain measures such as securing parts through long-term arrangements, investigating procurement sources, and considering alternate products that could be used by modifying 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.
7. 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.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
8. Laws and regulations –Compliance in general –Taxation	・<u>Compliance in general</u> 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. ・<u>Taxation</u> 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.	・<u>Compliance in general</u> 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. ・<u>Taxation</u> 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
9. Environment –Social demands relating to the environment –Environmental regulations and environmental pollution	・Social demands relating to the environment For the Group, which conducts business activities globally, the following risks are currently and will remain into the future extremely important issues and may have a significant impact on business management. In addition to physical risks that can significantly impact production and sales activities, such as human injury and death, suspension of business operations, disruption of supply chains, and so on caused by disasters, climate change also entails transition risks such as tighter laws and regulations associated with the rapid shift to a decarbonized society, increased response costs and loss of sales opportunities due to delays in responses. As for advancement of the circular economy, policies aimed at economic development while controlling resource consumption are being promoted mainly in European countries, and entail transition risks such as tighter laws and regulations, increased response costs and loss of sales opportunities due to delays in responses. ・Environmental regulations and environmental pollution The Group, which conducts business globally, is subject to the application of various environmental laws and regulations in each country and region around the world. In particular, regulations on chemical substances in products such as the EU RoHS Directive are being established and are frequently amended in various countries and regions. 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 response to climate change, in order to reduce the emissions of greenhouse gasses that cause it, we have set medium-term targets for 2030 (compared to 2015: 65% reduction for Scope 1 and 2, 30% reduction for Scope 3) that have been validated by the Science Based Targets (SBT) initiative for the 1.5°C target. In order to achieve these targets, for Scope 1 and 2, we are focusing our efforts on energy conservation and the active use of renewable energy at business sites, and for Scope 3, we are focusing our efforts on resource conservation and recycling of procured parts and 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. In response to advancement of the circular economy, we have set a medium-term target for 2030 (ratio of virgin materials used in products of 65% or less) to improve the resource efficiency of the Group, and we are working to achieve this target through the expansion of circular-economy-based businesses (subscription-based businesses, etc.) and materials reuse and recycling. ・Environmental regulations and environmental pollution The Group has identified chemical substances that should be prohibited, restricted or managed 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 and regulations in each country and region around the world, 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 products can be promptly adapted.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
10. 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, 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 continuously evaluate and improve management status and educate employees. 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.

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 a loss of the trust of customers and a deterioration of brand image. To enhance customer service, we also provide product information and support information, and we offer related services. We strive to maintain safe information security levels for these websites and related systems, but if a malware infection, targeted attack or other cyberattack led to the destruction or falsification of data, suspension of services or other damage, the result could be an adverse impact on the Group's 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 strive to prevent leaks of personal information and confidential information and strengthen globally uniform multi-layered defense measures against cyberattacks by implementing security measures and 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 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 the response system for product information security incidents 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 a malware infection, targeted attack or other cyberattack, 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. As a countermeasure against unforeseeable external intrusions and attacks, we are strengthening security measures based on globally uniform multi-layered defenses, and we 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	・<u>Occupational accidents, human injury</u> 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. ・<u>Recruiting human resources</u> 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.	・<u>Occupational accidents, human injury</u> Through the secretariat of the Central Safety, Health, and Disaster Prevention Committee, we collect accident and disaster status information from each Group site on a monthly basis, share 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. We also support safety and disaster prevention activities conducted at each site and confirm implementation status by conducting factory audits. We adopted the Regulations on Systems and Control for Disaster Prevention of the Brother Group in 2017 to address the risks of fire and explosion, and we have established Group standards that go beyond the requirements of fire-related laws and regulations in each country to conduct audits on compliance matters. ・<u>Recruiting human resources</u> 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 and continuously improve workplace environments so employees can remain active over the long term. 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. 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. The Group has recorded goodwill of 79,366 million yen (9.8% of total assets) in its consolidated financial statements as of March 31, 2022, of which goodwill relating to the Domino Business acquired in 2015 accounts for 78,898 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.	In its CS B2024 Medium-Term Business Strategy, the Group has positioned "accelerate growth of the Domino Business" as a priority strategy for expansion in industrial areas. We are working to introduce new products in the area of digital printing and to strengthen our customer base in the area of coding and marking. 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
14. 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 are most affected, 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, 2022, indicates that profit decreases by approximately 1 billion 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
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.	(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) 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.	(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 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.	(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) An inventor could institute litigation regarding rewards for an invention.	(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 sea freight costs 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 within business sites 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 is managed based on business segment profit and loss and operating profit and loss. Business segment profit and loss is calculated by deducting the cost of sales and selling, general and administrative expenses 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 consolidated fiscal year, there was a shift in the global economy toward normalization of economic activities following economic measures taken by various countries and an improvement in vaccination rates primarily in developed countries. However, in addition to the resurgence of COVID-19 in the second half of the fiscal year, risks related to global supply chains emerged, including a worldwide shortage of semiconductors and other parts and materials and the disruption of sea transport. The economic outlook also remains unpredictable, in part, due to heightened geopolitical risks stemming from the situation in Ukraine.

As for the business environment relating to the Group, in the printing market, demand for compact All-in-Ones and printers for use while working or studying from home continued to show steady growth in each region. Demand for home sewing machines has settled from the previous consolidated fiscal year when there was a higher stay-at-home demand. In areas relating to the Machinery Business, demand for industrial equipment continued, mainly in China, and the appetite for investment in industrial sewing machines showed signs of recovery. In the karaoke market in Japan, the effects from the resurgence of COVID-19 caused conditions to remain challenging. In areas relating to the Domino Business, results were solid, supported by steady demand for daily necessities, including foods and pharmaceuticals.

With regard to the Group's consolidated performance during the current consolidated fiscal year, under these circumstances, there was higher revenue in the P&S Business as a result of steady sales of consumables combined with the positive impact of foreign exchange rates. In the P&H Business, sales of sewing machines for people taking on second jobs remained strong, but did not reach the level of the previous consolidated fiscal year when there was a higher stay-at-home demand, so revenue declined. In the Machinery Business, in addition to continued strong sales of industrial equipment, primarily to China, there was a recovery in demand for capital expenditure in industrial sewing machines for apparel, and as a result, revenue for the segment as a whole was up substantially. In the N&C Business, revenue was down due to effects from the closure of karaoke clubs and shortened operating hours. In the Domino Business, revenue increased due to strong sales of both equipment and consumables, supported by steady demand for daily necessities.

As a result of these factors, revenue increased 12.5% year-on-year to 710,938 million yen and business segment profit increased 8.3% year-on-year to 84,552 million yen. Operating profit was 85,501 million yen, a significant year-on-year increase of 100.1% due to a number of factors recorded in the previous consolidated fiscal year no longer being relevant, including impairment losses on some of the goodwill in the Domino Business and site reorganization expenses for some consolidated subsidiaries in the P&S Business. Profit for the year attributable to owners of the parent company was up substantially 148.9% year-on-year to 61,030 million yen.

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

Current fiscal year
U.S. Dollar: 112.86 yen Euro: 131.01 yen

Previous fiscal year
U.S. Dollar: 106.17 yen Euro: 123.73 yen

Performance by business segment was as follows.

1) Printing & Solutions Business

Revenue: 424,247 million yen (+10.3% year-on-year)

○ Communications and printing equipment: 366,902 million yen (+8.6% year-on-year)

The sales volume of inkjet All-in-Ones increased significantly due to an improvement in supply constraints. The sales volume of laser All-in-Ones and printers fell sharply in response to lower operating rates at factories due to the resurgence of COVID-19 and difficulties in procuring parts and materials. Despite this, the positive impact of foreign exchange rates and the firm sales of consumables resulted in an increase in revenue for the segment as a whole.

○ Electronic stationery: 57,345 million yen (+22.5% year-on-year)

Revenue increased substantially due to a recovery in demand both for labeling systems and label printers and in the solutions field, driven primarily by sales of mobile printers.

Business segment profit: 59,754 million yen (-8.3% year-on-year)

Operating profit: 59,422 million yen (-2.6% year-on-year)

Despite the positive impact of foreign exchange rates and firm sales of consumables overall, profit decreased due to using airfreight for consumables as well as soaring sea freight costs and increases in parts and materials costs.

2) Personal & Home Business

Revenue: 49,995 million yen (-6.8% year-on-year)

Although sales of middle- to high-end sewing and embroidery machines used for second jobs remained strong mainly in Europe and the U.S., sales of home sewing machines did not reach the level of the previous consolidated fiscal year when there was a higher stay-at-home demand, so revenue decreased.

Business segment profit: 8,072 million yen (-17.7% year-on-year)

Operating profit: 8,207 million yen (-14.9% year-on-year)

Profit decreased due in part to a decrease in revenue and an increase in parts and materials costs.

3) Machinery Business

Revenue: 111,292 million yen (+41.0% year-on-year)

○ Industrial sewing machines: 33,990 million yen (+40.7% year-on-year)

Revenue increased substantially due to strong sales of industrial sewing machines buoyed by a recovery in demand for capital expenditure among apparel manufacturers in Asia and China.

○ Industrial equipment: 56,553 million yen (+46.1% year-on-year)

Revenue increased substantially due to strong sales in the automobile-related market, especially in China, plus the effects of spot orders from IT-related customers.

○ **Industrial parts: 20,749 million yen (+29.3% year-on-year)**

Revenue increased substantially for both reducers and gears as a result of a recovery in demand for capital expenditure and the growing need for automation.

Business segment profit: 13,955 million yen (+238.7% year-on-year)

Operating profit: 13,930 million yen (+321.6% year-on-year)

Profit increased substantially due to the effects of higher revenue plus the positive impact of foreign exchange rates.

4) Network & Contents Business

Revenue: 29,552 million yen (-4.8% year-on-year)

Revenue decreased as a result of the ongoing difficult business environment, including voluntary restrictions and shortened operating hours at karaoke clubs, following the resurgence of COVID-19.

Business segment loss: 2,700 million yen (business segment loss in the previous fiscal year: 5,159 million yen)

Operating loss: 568 million yen (operating loss in the previous fiscal year: 7,348 million yen)

The business segment loss decreased in part due to the effects of cost reductions. In addition to the costs of closing unprofitable clubs and impairment losses on club equipment decreasing compared to the previous consolidated fiscal year, the effects of benefits such as employment adjustment subsidies and compensation payments for shorter operating hours helped reduce the extent of the loss.

5) Domino Business

Revenue: 81,726 million yen (+17.0% year-on-year)

Supported by steady demand for daily necessities, including foods, beverages, and pharmaceuticals, sales for both equipment and consumables in coding and marking as well as digital printing were strong. The additional positive impact of foreign exchange rates also contributed to an increase in revenue.

Business segment profit: 4,893 million yen (+3.0% year-on-year)

Operating profit: 4,950 million yen (operating loss in the previous fiscal year: 23,940 million yen)

Despite the effects of higher revenue, an increase in selling, general and administrative expenses kept business segment profit on par with the previous consolidated fiscal year. Operating profit increased substantially as a result of the impairment losses on some of the goodwill recorded in the previous consolidated fiscal year no longer being relevant.

2 Financial position

Cash and cash equivalents decreased, while trade and other receivables and inventories increased, and as a result, total assets were 811,149 million yen, an increase of 67,253 million yen compared to the end of the previous consolidated fiscal year.

Corporate bonds and borrowings decreased due to the repayment of loans and other factors, while trade and other payables increased, and as a result, total liabilities were 249,937 million yen, an increase of 5,748 million yen compared to the end of the previous consolidated fiscal year.

Despite a decrease in non-controlling interests associated with the subsidiary Nissei Corporation becoming a wholly-owned subsidiary and an increase in treasury shares resulting from a resolution of the Board of Directors on February 1, 2022 to acquire treasury shares, total equity increased 61,504 million yen compared to the end of the previous consolidated fiscal year to 561,211 million yen, mainly due to an increase in retained earnings from profit attributable to owners of the parent company and the effects of exchange differences on translating foreign operations.

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

U.S. dollar: 122.39 yen Euro: 136.70 yen

3 Cash flows

With respect to cash flows, cash and cash equivalents (referred to as "funds") at the end of the current consolidated fiscal year were 167,915 million yen, a decrease of 23,087 million yen compared to the end of the previous consolidated fiscal year as a result of a 72,254 million yen increase from operating activities, a 40,781 million yen decrease from investing activities, and a 65,191 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 72,254 million yen after deducting income taxes of 24,245 million yen paid as a result of 86,429 million yen in profit before income taxes, increases in assets from non-monetary losses including depreciation and amortization of 38,700 million yen, an increase in funds of 12,450 million yen due to an increase in trade and other payables, a decrease in funds of 2,954 million yen due to an increase in trade and other receivables, a decrease in funds of 37,964 million yen due to an increase in inventories, and other factors.

2) Cash flows from investing activities

Cash flows used in investing activities were 40,781 million yen mainly due to purchases of property, plant and equipment of 26,606 million yen and purchases of intangible assets of 9,236 million yen.

3) Cash flows from financing activities

Cash flows used in financing activities were 65,191 million yen mainly due to the repayment of long-term borrowings of 20,197 million yen, the repayment of lease obligations of 8,825 million yen, the payment of dividends of 16,397 million yen, payments for the acquisition of interests in a subsidiary from non-controlling interests of 16,715 million yen associated with the subsidiary Nissei Corporation becoming a wholly-owned subsidiary, and the purchase of treasury shares of 3,005 million yen.

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".

2) Factors that have a material impact on business results

The Group conducts a majority of its business activities overseas including the sale of products and services and the 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.

As a response to foreign exchange risks, the Group controls the impact of sudden changes in foreign exchange rates on performance by entering into forward exchange contracts in accordance with certain criteria for the euro, which has a major impact on profits.

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 decentralizing our manufacturing sites, we will mitigate the risk of disasters, accidents, and so on and achieve a stable supply of products. In addition, our main factories in Asia will shift from the pursuit of low costs to factories with multiple functions including recycling and repair. As for our factories in Europe and the U.S., in addition to strengthening systems of local production and local consumption with a focus on consumables, we will expand manufacturing facilities for industrial businesses, aiming to build a strong and sustainable supply chain.

In terms of business segments, the Printing & Solutions Business accounts for 59.7% of revenue and 70.7% 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 not only holds a high share of the global market for laser All-in-Ones and printers for SOHO use, particularly in developed regions such as the U.S. and Western Europe, but also achieves high profitability. In this area, as the spread of COVID-19 leads to a paradigm shift toward working or studying from home, we expect demand for compact All-in-Ones and printers to be stable. And given that the competitive environment also remains comparatively calm, we will continue to achieve sustainable growth in this segment as a business that supports the revenue of the Group as a whole. On the other hand, the business environment in this area is constantly changing with the spread of digital devices, advances in technologies centered on the Internet, changes in the way people work, changes in customer purchasing behavior, and an increase in non-genuine consumables. We will aim for continuous business growth by accelerating the transformation of our business model while strengthening profitability in our existing areas.

3) Objective indicators for determining the status of attainment of management policies, management strategies, and management targets
Under the CS B2021 Medium-Term Business Strategy, we set performance targets of 750 billion yen in revenue and 75 billion yen in operating profit for FY2021, the final year of the strategy. Looking at the performance for the current consolidated fiscal year, although the revenue target was not met, operating profit significantly exceeded the target, in part due to the extraordinary factors resulting from the spread of COVID-19.

	FY2021 Performance	CS B2021 Performance Targets
Revenue	710.9 billion yen	750.0 billion yen
Operating profit	85.5 billion yen	75.0 billion yen

Average currency exchange rates (consolidated) were as follows.

Current fiscal year
U.S. Dollar: 112.86 yen Euro: 131.01 yen

When CS B2021 was formulated
U.S. Dollar: 105.00 yen Euro: 125.00 yen

For objective indicators used to determine the attainment of the management policies, management strategies, and management targets in the CS B2024 Medium-Term Business Strategy, refer to “1. Management policy, management environment, issues to address, (2) Medium- to long-term management strategies”.

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 funds held by group companies. 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 167,915 million yen in cash and cash equivalents, equal to approximately three 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 20,121 million yen. These borrowings are denominated in U.S. dollars and Japanese yen. The balance of long-term borrowings was 20,705 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

Under the CS B2024 Medium-Term Business Strategy, we have set a total of 150 billion yen for prior investments aimed at realizing transformation of our business portfolio and transformation of our management foundation for a sustainable future. Utilizing this investment capacity, in order to transform our business portfolio, we will strengthen various functions and bases related to industrial areas and inkjet technology, and we will make strategic investments including M&A.

While making prior investments for the future, we will also 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, barcode 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 listen sincerely to customer feedback. In addition, as they work to create value, they are always 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 2,208 employees engaged in research and development.
The Group's total R&D expenditures during the current consolidated fiscal year were 43,818 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 propose workstyle reforms. Representative products include printers designed for 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 performance and quality into the earliest stages of manufacturing.
Key results during the current consolidated fiscal year include launch of the MFC-J4540N, a new two-tray model of the PRIVIO inkjet printer that renews the First Tank series equipped with large-capacity ink cartridges and sub tanks.
In the area of electronic stationery, we launched the RJ-3250WB, a new 3-inch thermal mobile printer featuring the strongest drop and impact resistance in the industry.
R&D expenses in this segment were 27,968 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 Innovis NX2800DW, a new home embroidery machine equipped with wireless LAN.
R&D expenses in this segment were 2,000 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.
In the area of reducers, key results during the current consolidated fiscal year include launch of the DGH series of large-diameter hollow shaft-type UXiMO high-rigidity reducers.
R&D expenses in this segment were 4,795 million yen.

(4) Network & Contents Business

In the Online Karaoke Business, we provide commercial online karaoke systems and pursue new customer value by providing services in healthcare areas and distributing video content, leveraging content and distribution technologies accumulated through our online karaoke systems.
R&D expenses in this segment were 694 million yen.

(5) Domino Business

We respond to customer needs for enhanced quality management and traceability by providing integrated services from the sale of diverse coding and marking equipment to after-sales services.
In addition, we respond to customer demand for various types of labels and other package printing in small quantities and with short delivery times through the integrated provision of inkjet digital printers and after-sales service.
R&D expenses in this segment were 5,483 million yen.

(6) Other Business

R&D expenses in this segment were 2,876 million yen.

3. Information about Facilities

1. Overview of capital expenditures

The Group's capital expenditures for the current consolidated fiscal year were 34,901 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	15,388	Manufacturing facilities for communications and printing equipment, etc.
Personal & Home	989	Manufacturing facilities related to home sewing machines
Machinery	4,685	Manufacturing facilities related to industrial sewing machines, machine tools, reducers, and gears
Network & Contents	2,122	Investments related to online karaoke systems and telecommunications systems
Domino	2,130	Manufacturing facilities related to industrial printing equipment
Other Business and Corporate	9,584	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, 2022

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	3,960	979	337 (42)	5,637	10,914	2,414 [181]
Hoshizaki Factory (Minami-ku, Nagoya, Aichi)	Printing & Solutions	Processing facilities for printer heads	899	887	10 (32)	4,362	6,160	204 [40]
Momozono Factory (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	349	187	12 (4)	201	750	36 [10]
Kariya Factory (Kariya-shi, Aichi)	Printing & Solutions, Machinery	Manufacturing facilities for electronic stationery, garment printers, and machine tools	5,958	1,627	160 (133)	1,029	8,775	759 [229]
Logistics Center (Minami-ku, Nagoya, Aichi) *1	Other	Logistics facilities	779	7	135 (22)	7	929	- [-]
Research & Development Center (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	696	95	396 (4)	188	1,377	103 [5]
Head office (Mizuho-ku, Nagoya, Aichi)	——	Other facilities	1,864	16	71 (4)	5,047	7,001	305 [6]

(2) Domestic subsidiaries

As of March 31, 2022

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	
NISSEI CORPORATION Head office factory (Anjo-shi, Aichi) Four other sites *2	Machinery	Manufacturing facilities for reducers and gears, etc	5,424 [506]	5,715	2,906 (97)	284	14,330	824 [96]
BROTHER REAL ESTATE. LTD. B 9 Sakae rental buildings and parking lots (Naka-ku, Nagoya, Aichi) 13 other sites *3	Other	Stores for rent and parking lots	900	-	3,021 (6) [5]	641	4,563	- [-]

(3) Overseas subsidiaries

As of March 31, 2022

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.	1,938	113	1,741 (416)	7,365	11,159	692 [197]
BROTHER INDUSTRIES (U.S.A.) INC. (Tennessee, U.S.A.) *3	Printing & Solutions, Machinery	Manufacturing facilities for OEM products (mailing printers), etc.	2	126	- (-) [18]	73	202	85 [66]
BROTHER INDUSTRIES (U.K.) LTD. (Wrexham, Wales, U.K.) *3	Printing & Solutions	Manufacturing facilities for consumables for printers and All-in-Ones, etc.	80	106	- (-) [42]	122	309	205 [5]
BROTHER TECHNOLOGY (SHENZHEN) LTD. (Shenzhen City, Guangdong Province, China) *3	Same as above	Manufacturing facilities for printers and All-in-Ones	565	248	- (-) [64]	3,382	4,195	1,944 [207]
BROTHER INDUSTRIES (VIETNAM) LTD. (Hai Duong Province, Vietnam) *3	Same as above	Same as above	4,625	2,298	- (-) [184]	907	7,830	11,709 [-]
BROTHER INDUSTRIES (PHILIPPINES), INC. (Batangas Province, Philippines) *3	Same as above	Manufacturing facilities for printers, All-in-Ones, and electronic stationery	7,719	1,408	- (-) [134]	588	9,716	6,321 [3,483]
ZHUHAI BROTHER INDUSTRIES, CO., LTD. (Zhuhai City, Guangdong Province, China) *3	Printing & Solutions, Domino	Manufacturing facilities for electronic stationery, scanners, and industrial printing equipment	182	162	- (-) [30]	478	823	676 [189]

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	182	34	- (-) [9]	149	366	390 [-]
BROTHER INDUSTRIES SAIGON, LTD. (Dong Nai Province, Vietnam) *3	Same as above	Manufacturing facilities for home sewing machines	1,057	352	- (-) [56]	473	1,884	2,604 [-]
BROTHER MACHINERY XIAN CO., LTD. (Xian City, Shaanxi Province, China) *3	Machinery	Manufacturing facilities for industrial sewing machines and machine tools	3,179	1,601	- (-) [79]	1,503	6,284	627 [101]
DOMINO U.K. LTD. (Liverpool, Cambridge, U.K.) *3	Domino	Manufacturing facilities for industrial printing equipment and consumables	1,168	2,228	2,733 (26) [184]	6,022	12,153	857 [30]
DOMINO AMJET INC. (Illinois, U.S.A.)	Same as above	Manufacturing facilities for consumables for industrial printing equipment	245	113	816 (32)	855	2,031	303 [-]

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 624 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, 2023 (Millions of yen)	Descriptions and objectives of facilities, etc.	Financing method
Printing & Solutions	26,400	Manufacturing facilities related to printers, All-in-Ones, electronic stationery, and scanners	Own capital
Machinery	3,000	Manufacturing facilities for industrial sewing machines and machine tools	Own capital
Domino	5,200	Manufacturing facilities for industrial printing equipment	Own capital
Nissei	3,100	Manufacturing facilities for reducers and gears.	Own capital
Personal & Home	1,800	Manufacturing facilities for home sewing machines	Own capital
Network & Contents	4,300	Commercial online karaoke systems, etc.	Own capital
Other Business and Corporate	7,200	IT-related investment and construction of and improvements to buildings, etc.	Own capital
Total	51,000		

Note As of April 1, 2022, the Group changed the presentation of its reportable segments. Details of the change are described in “5. Financial Information 1. Consolidated Financial Statements (1) Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 46. Subsequent Events”.

(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, 2022)	Number of issued shares as of filing date (Shares) (June 21, 2022)	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 First section (As of the end of the fiscal year) Prime Market (As of the filing date) Nagoya Stock Exchange First Section (As of the end of the fiscal year) Premier Market (As of the filing date)	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, 2022) is reflected. As of the end of the preceding month of the filing date (May 31, 2022), 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, 2022) 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, 2022), 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, 2022) 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, 2022), 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 and provided 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	444 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 33,600 (Note) 2	Common shares 44,400 (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, 2022) 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, 2022), 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 and provided 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*	525 (Note) 1	460 [435] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 52,500 (Note) 2	Common shares 46,000 [43,500] (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, 2022) 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, 2022), 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 and provided 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*	417 [399] (Note) 1	769 [739] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 41,700 [39,900] (Note) 2	Common shares 76,900 [73,900] (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, 2022) 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, 2022), 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 and provided 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*	548 [506] (Note) 1	543 [533] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 54,800 [50,600] (Note) 2	Common shares 54,300 [53,300] (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, 2022) 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, 2022), 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 and provided 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*	675 (Note) 1	768 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 67,500 (Note) 2	Common shares 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, 2022) 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, 2022), 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 and provided 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	Resolution at the Board of Directors meeting on June 23, 2021
Classification and number of eligible individuals	The Company's Directors 6 The Company's Executive Officers 16	The Company's Directors 6 The Company's Executive Officers 13
Number of stock options*	747 (Note) 1	615 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 74,700 (Note) 2	Common shares 61,500 (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	From July 17, 2021 To July 16, 2051
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, 2022) 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, 2022), 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 and provided 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, 2022

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	-	56	38	251	657	8	13,385	14,395	-
Number of shares held (number of units)	-	869,491	61,378	242,927	998,960	73	447,787	2,620,616	158,930
Percentage of shareholdings	-	33.18	2.34	9.27	38.12	0.00	17.09	100.00	-

Notes
1. Of 3,345,573 treasury shares, 33,455 units are included in “Individuals and others” and 73 shares in “Status of shares less than one unit.”
   The 3,345,573 treasury shares represent the number of such shares recorded on the shareholders' register. The actual number of treasury shares as of March 31, 2022 is 3,344,573 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, 2022

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	38,346	14.81
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)	12,427	4.80
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	10,976	4.24
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)	8,848	3.42
Sumitomo Mitsui Financial Group, Inc.	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,398	2.09
The Brother Group Employee Stock Ownership Association	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467-8561, Japan	4,543	1.76
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	1.74
BBH FOR UMB BK - 152105 - PEAR TREE PFVF (Standing agent: MUFG Bank, Ltd.)	55 OLD BEDFORD ROAD, LINCOLN, MASSACHUSETTS 01773 U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Settlement Clearing Services Department)	4,160	1.61
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	4,053	1.57
STATE STREET BANK AND TRUST COMPANY 505103 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	3,519	1.36
Total	-	96,774	37.38

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), BBH FOR UMB BK - 152105 - PEAR TREE PFVF, STATE STREET BANK WEST CLIENT - TREATY 505234, and STATE STREET BANK AND TRUST COMPANY 505103 are all shares related to the trust business of each company.
3. The Report of Possession of Large Volume (amended report) made available for public inspection as of May 12, 2021 and the Report of Possession of Large Volume (corrected report) made available for public inspection as of June 22, 2021 indicates that Nippon Life Insurance Company and one joint holder hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2022, their shareholdings are not included in the above major shareholders.
   The details of the Report of Possession of Large Volume (corrected report) are as follows.

Name	Address	Number of stocks, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Nippon Life Insurance Company	5-12, Imabashi 3-chome, Chuo-ku, Osaka City, Osaka	10,225,279	3.90
Nissay Asset Management Corporation	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	677,600	0.26
Total	-	10,902,879	4.16

4. The Report of Possession of Large Volume made available for public inspection as of November 5, 2021 and the Report of Possession of Large Volume (amended report) made available for public inspection as of February 4, 2022 indicate 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, 2022, 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, Shibakoen 1-chome, Minato-ku, Tokyo	9,371,300	3.57
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	3,970,100	1.51
Total	-	13,820,500	5.27

(7) Voting rights

1. Issued shares

As of March 31, 2022

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 3,344,500	-	Number of shares per unit = 100 shares
Shares with full voting rights (Other)	Common shares 258,717,100	2,587,161	The same as above
Shares less than one unit	Common shares 158,930	-	-
Total number of issued shares	262,220,530	-	-
Number of voting rights held by all shareholders	-	2,587,161	-

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, 2022

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, Aichi	3,344,500	-	3,344,500	1.28
Total	-	3,344,500	-	3,344,500	1.28

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.

(8) Stock ownership plan for directors and employees

At the 130th Ordinary General Meeting of Shareholders, which was held on June 20, 2022, the Company adopted a resolution to introduce a stock compensation plan using Board Incentive Plan trust (the “Plan”) for Directors and Executive Officers (excluding Outside Directors, part-time Directors, and Directors and Executive Officers who are non-residents of Japan).

(i) Outline of the Plan

The Plan provides variable remuneration linked to the degree of attainment of medium-term strategies and other indicators and to the degree of increase in shareholder value in order to provide incentives to contribute to enhancing the Company’s corporate value over the medium to long term.

Under the Plan, the Company makes contributions to a trust fund and acquires Company shares through a trust, and officer remuneration is provided in the form of grants of Company shares, etc. according to the positions of Directors and others and the degree of attainment of performance targets set forth in the medium-term business strategy during the plan period of the medium-term business strategy specified by the Company.

(ii) Total number of shares planned to be acquired by eligible Directors, etc.

The maximum shall be set at 110,000 shares in each fiscal year.

(iii) Scope of persons eligible to receive beneficiary rights and other rights under the Plan

Directors and Executive Officers (excluding Outside Directors, part-time Directors, and Directors and Executive Officers who are non-residents of Japan) who satisfy the beneficiary requirements.

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

Categories	Number of shares	Total amount (Yen)
Status of Board of Directors resolutions (February 1, 2022) (Acquisition period: February 2, 2022 – July 29, 2022)	5,500,000	10,000,000,000
Treasury shares acquired before the fiscal year	—	—
Treasury shares acquired during the fiscal year	1,433,200	2,999,837,782
Total number of outstanding shares to be acquired pursuant to resolution and total value	4,066,800	7,000,162,218
Non-exercise ratio as of the end of the fiscal year (%)	73.9	70.0
Treasury shares acquired during the current period	1,763,400	3,939,994,284
Non-exercise ratio as of the filing date (%)	41.9	30.6

Note: The number of treasury shares acquired during the current period does not include shares purchased from June 1, 2022 to the filing date of this Annual Securities Report.

(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	2,584	5,740,942
Treasury shares acquired during the current period	175	399,611

Note: The number of treasury shares acquired during the current period does not include the shares less than one unit purchased from June 1, 2022 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)	32	77,856	-	-
(Exercise of stock options)	38,600	57,812,097	12,500	19,291,413
Total number of treasury shares held	3,344,573	-	5,026,248	-

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, 2022 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, 2022 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 and continuous shareholder returns while taking into account the status of cash flows and securing internal reserves necessary 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.

With regard to dividends for the current consolidated fiscal year, the Company declared a year-end dividend of 34 yen per share, and when combined with the interim dividend of 30 yen per share declared at the end of the first half and previously paid, the dividend for the year is 64 yen per share, an increase of 4 yen from the previous consolidated fiscal year. The Company is also acquiring its own shares, up to a maximum of 10 billion yen, in order to enhance shareholder returns and capital efficiency and to flexibly carry out the Company's capital policies.

Under the CS B2024 Medium-Term Business Strategy, which ends in FY2024, while making prior investments for the future, the Company will consider additional shareholder returns including an increase in the dividend level, depending on business performance and other factors, with a minimum annual dividend of 68 yen per share. In addition, the Company will also flexibly acquire its own shares.

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

Date for resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
November 8, 2021 Board of Directors resolution	7,808	30.0
May 18, 2022 Board of Directors resolution	8,801	34.0

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

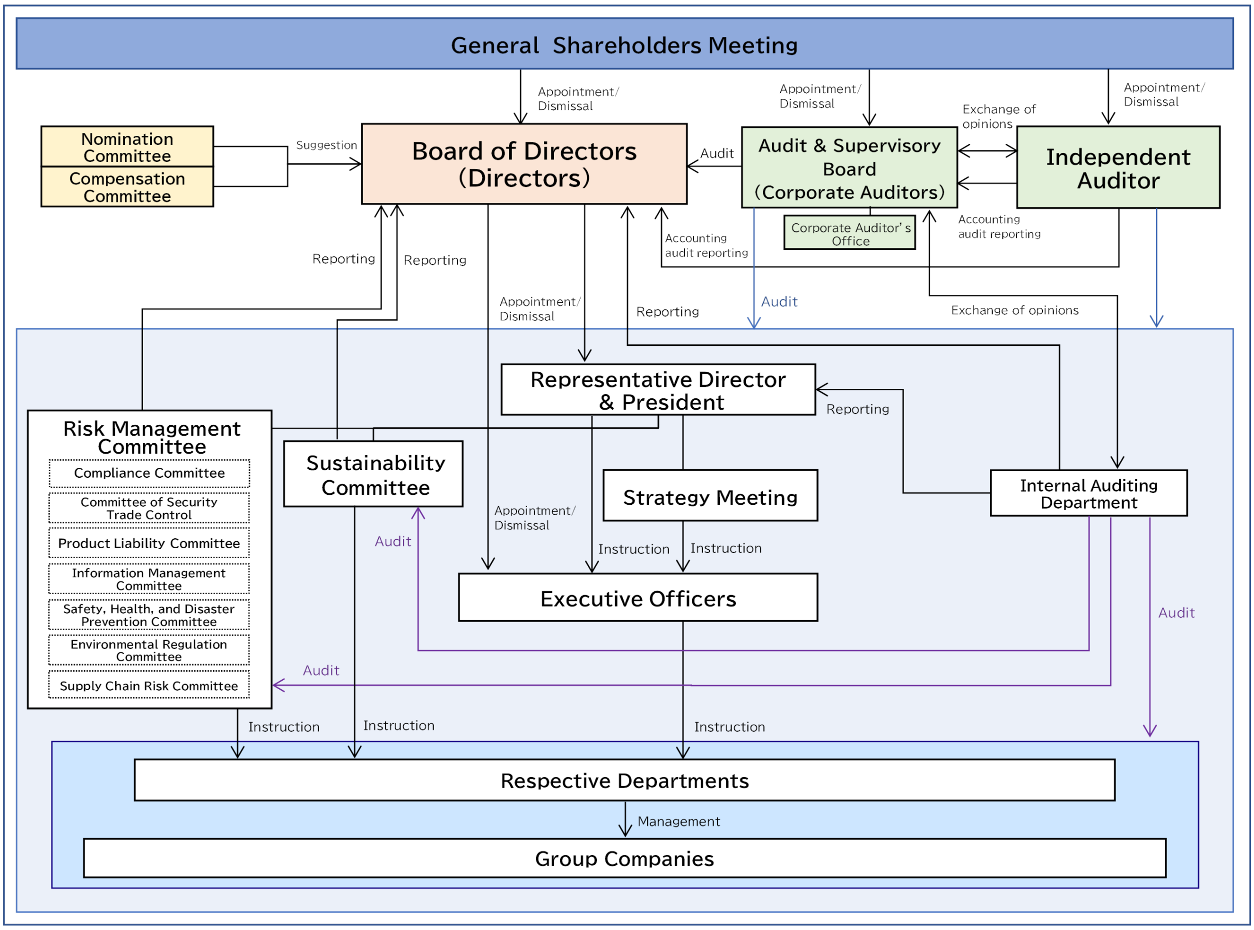
The Company believes that objective and neutral management supervisory function from an external standpoint that is important in corporate governance. Based on the idea that supervision by more than one Independent Director is appropriate as a framework to strengthen management supervisory function, 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), 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 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, and supply chains. 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, respond to, identify and mitigate risks and also take measures when a 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. However, in order to ensure that the proper performance of duties by insureds is not impaired, there are certain exclusions to liability, such as no coverage for damages resulting from an act committed with the knowledge that the act was in violation of the law.

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)
Director & Chairman	Toshikazu Koike	October 14, 1955	April 1979 Joined the Company 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) June 2022 Director & Chairman (current position)	(Note 4)	29
Representative Director & President*	Ichiro Sasaki	April 30, 1957	April 1983 Joined the Company 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)	(Note 4)	43

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director & Vice President* Responsible for: Management Information System Dept. New Business Development Dept.	Tadashi Ishiguro	June 21, 1960	April 1984	Joined the Company	(Note 4)	29
			May 1987	Brother International Corporation (U.S.A.)		
			January 2005	Director & President of Brother International Corporation (U.S.A.)		
			April 2011	Group Executive Officer of the Company		
			April 2013	Group Managing Executive Officer of the Company		
			April 2014	Director and Chairman of Brother International Corporation (U.S.A.)		
			June 2014	Director & Group Managing Executive Officer of the Company		
			January 2015	Director & Managing Executive Officer of the Company		
			April 2017	Director & Senior Managing Executive Officer of the Company		
			June 2017	Representative Director & Senior Managing Executive Officer of the Company		
			April 2021	Representative Director & Vice President of the Company (current position)		
Director & Managing Executive Officer* Responsible for: Human Resources Dept., CSR & Corporate Communication Dept.	Kazufumi Ikeda	August 29, 1962	April 1985	Joined the Company	(Note 4)	7
			April 2003	Director & Vice President of Brother International GmbH		
			April 2009	General Manager of Corporate Planning Dept. of the Company		
			April 2013	Director & Executive Vice President of Brother International Corporation (U.S.A.)		
			April 2014	Director & President of Brother International Corporation (U.S.A.)		
			April 2015	Group Executive Officer of the Company,		
			April 2019	Director & Chairman of Brother International Corporation (U.S.A.)		
			April 2020	Managing Executive Officer of the Company		
			June 2021	Director & Managing Executive Officer 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 & 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	Joined the Company	(Note 4)	11
			October 2004	General Manager, Development Dept. 1 of Information & Document Company		
			April 2008	General Manager, Development Dept. 1 of the Company		
			April 2009	General Manager of Development Planning Dept. of the Company		
			April 2010	CEO of BROTHER TECHNOLOGY (Shenzhen) LTD.		
			April 2014	General Manager of Development Planning Dept. of the Company		
			October 2014	General Manager, LE Development Dept. of the Company		
			April 2015	Executive Officer of the Company		
			April 2019	Managing Executive Officer of the Company		
			June 2021	Director & Managing Executive Officer of the Company (current position)		
Director & Managing Executive Officer* Quality Production Center Responsible for: Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept., IJ Production Dept., Purchasing Dept.	Taizo Murakami	February 2, 1962	April 1984	Joined the Company	(Note 4)	6
			April 2007	General Manager, Production Technology Dept. of Printing & Solutions Company		
			April 2008	General Manager, Production Technology Dept. of the Company		
			April 2009	General Manager, Parts Engineering Dept. of the Company		
			April 2010	Managing Director of Brother Industries Technology (Malaysia) Sdn. Bhd.		
			April 2013	General Manager, Prototype Engineering Dept. of the Company		
			April 2016	Executive Officer of the Company		
			April 2019	Managing Executive Officer of the Company		
			June 2022	Director & Managing Executive Officer 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	Keisuke Takeuchi	November 18, 1947	April 1970 June 2000 June 2001 June 2002 June 2006 March 2007 June 2009 June 2014 June 2017 June 2019	Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation) Director of JGC Corporation (now JGC Holdings Corporation) Managing Director of JGC Corporation Senior Managing Director of JGC Corporation Director and Vice President of JGC Corporation President and Representative Director of JGC Corporation Chairman and Representative Director of JGC Corporation Principal Corporate Advisor of JGC Corporation Outside Director of the Company (current position) Outside Director of Japan Post Bank Co., Ltd. (current position)	(Note 4)	5
Director	Aya Shirai	May 23, 1960	April 1979 June 1993 December 2002 June 2011 April 2013 June 2015 June 2018 June 2019	Joined All Nippon Airways Co., Ltd. Member of Amagasaki City Council The Mayor of Amagasaki City Outside Director of Gunze Limited Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. (current position) Outside Director of Sumitomo Precision Products Co., Ltd. Outside Director of Sanyo Chemical Industries, Ltd. (current position) Outside Director of the Company (current position)	(Note 4)	3

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	Joined Japan Airlines Co., Ltd.	(Note 4)	1
			January 1985	Joined Boston Consulting Group		
			June 2000	Japan Representative of Boston Consulting Group		
			April 2006	Professor of Faculty of Commerce at Waseda University (current position)		
			February 2012	Outside Auditor of Kewpie Corporation		
			June 2012	Outside Director of Lifenet Insurance Company		
				Outside Director of Mitsui-Soko Co., Ltd. (now Mitsui-Soko Holdings Co., Ltd.)		
			August 2012	Outside Director of Japan ERI Co., Ltd.		
			December 2013	Outside Director of ERI Holdings Co., Ltd.		
			June 2014	Independent Advisory Committee Member of the Company		
			February 2015	Outside Director of Kewpie Corporation (current position)		
			March 2016	Outside Director of Lion Corporation (current position)		
			June 2020	Outside Director of the Company (current position)		
Director	Naoki Hidaka	May 16, 1953	April 1976	Joined Sumitomo Corporation	(Note 4)	1
			April 2001	General Manager of Chicago Office, Sumitomo Corporation of America		
			April 2007	Executive Officer, General Manager of Metal Products for Automotive Industries Div. of Sumitomo Corporation		
			April 2009	Managing Executive Officer, General Manager of Chubu Regional Business Unit of Sumitomo Corporation		
			April 2012	Senior Managing Executive Officer, General Manager of Kansai Regional Business Unit of Sumitomo Corporation		
			June 2013	Representative Director, Senior Managing Executive Officer, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation		
			April 2015	Representative Director, Executive Vice President, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation		
			June 2018	Special Advisor of Sumitomo Corporation)		
			June 2019	Advisor of Sumitomo Corporation		
			June 2020	Director of the Company (current position)		
			March 2021	Outside Director of Nabtesco Corporation (current position)		

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)	0
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)	4

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	Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki (now Miyake, Ushijima & Imamura)	(Note 5)	1
			June 1991	Registered as an attorney in New York (current position)		
			January 1992	Partner of Miyake & Yamazaki (now Miyake, Ushijima & Imamura)		
			March 1994	Resident Partner of Bangkok Office of Miyake & Yamazaki		
			January 2015	Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position)		
			June 2015	External Audit & Supervisory Board Member of Denyo Co., Ltd. (current position)		
			December 2015	Representative of Three Fields L.L.C. (current position)		
			December 2016	Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position)		
			June 2018	Corporate Auditor of the Company (current position)		
			June 2021	Outside Director (Member of the Audit and Supervisory Committee) of Denyo Co., Ltd. (current position)		
Corporate Auditor	Masaaki Kanda	October 1, 1951	April 1976	Registered as an attorney at the Nagoya Bar Association (now Aichi Bar Association)	(Note 7)	1
			November 1989	The Mayor of Ichinomiya City		
			February 1999	The Governor of Aichi Prefecture		
			January 2011	President of Aichi Arts Center (current position)		
			June 2014	Outside Director of Ogaki Kyoritsu Bank Ltd. (current position)		
			June 2019	Corporate Auditor 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)
Corporate Auditor	Kazuya Jono	December 10, 1954	April 1977 June 2005 April 2007 April 2009 April 2010 June 2011 June 2012 June 2015 June 2019	Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC") Managing Executive Officer of SMBC Managing Executive Officer of Sumitomo Mitsui Financial Group ("SMFG") Director and President of Sumitomo Mitsui Card & Credit, Inc. Director and Senior Managing Executive Officer of SMBC Senior Managing Executive Officer of SMFG Director of SMFG Director and President, CEO of Citibank Japan Ltd. Outside Auditor of The Japan Steel Works Ltd. Outside Auditor of Toray Industries, Inc. (current position) Corporate Auditor of the Company (current position)	(Note 7)	1
Total						153

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 20, 2022
5. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 20, 2022
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 four 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 two Senior Managing Executive Officers (Mr. Yuichi Tada and Mr. Mitsuyasu Kyuno), five Managing Executive Officers (Mr. Tsuyoshi Suzuki, Mr. Makoto Hoshi, Mr. Tetsuro Koide, Mr. Toshihiro Itou, and Ms. Yumiko Iwadare), three Executive Officers (Mr. Yasuyuki Hasegawa, Mr. Tatsuya Sato, and Mr. Yoshiichi Sugimoto); three Group Managing Executive Officers (Mr. Isao Noji, Mr. Donald Cummins, and Mr. Robert Pulford); and one Group Executive Officer (Mr. Tsutomu Mishima).

   Group Executive Officers are Executive Officers primarily with 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 & President and Representative Director & 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 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. The Company also paid compensation to Mr. Uchida for serving as an instructor for an in-house course held in March 2022, but the total amount paid was less than 500,000 yen. In light of the characteristic of these transactions and the payment amounts, the Company has deemed that these transactions 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, Mr. Naoki Hidaka, and Mr. Masahiko Miyaki) is as indicated in the "Number of shares held" column of "(1) Directors, Corporate Auditors, and Executive Officers."

Other than the capital relationships 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, 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, since he resigned from the bank and Sumitomo Mitsui Financial Group, Inc., the parent company of the bank, in 2012, 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) (i) 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.) within 10 years

(ii) A past Director, Executive Officer, manager or other managerial or higher employee (including Executive Officer) of the Company, etc. more than 10 years ago

(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 considerable knowledge of finance and accounting. Corporate Auditor Kazuya Jono has accumulated experience in financial business at financial institutions, and he has 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 assigned three dedicated staff members who possess appropriate 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 FY2021. 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	12	12
Outside Auditors	Akira Yamada	12	12
	Masaaki Kanda	12	12
	Kazuya Jono	12	12

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 FY2021, 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 Group governance
・Status of responses to remote work
・Status of responses to the Sustainable Development Goals (SDGs)
・Status of responses to risk items

Corporate Auditors held discussions 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.

The impact of COVID-19 made it impossible for the Corporate Auditors to conduct some of the face-to-face interviews and onsite audits they had previously conducted, as was the case in the previous year. Accordingly, the Company audited subsidiaries and other entities in remote locations including those overseas and conducted interviews with management of major overseas subsidiaries through remote

meetings, thereby conducting desirable auditing activities equivalent to those before the pandemic.
With regard to regular exchanges of information and opinions with the Independent Auditor, the Corporate Auditors similarly 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 direction of the Representative Director & President, the Internal Auditing Department (13 staff members) verifies the status of measures against risks in 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 relating to the Company’s accounting audits consist of 15 certified public accountants and 21 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	FY2020		FY2021	
	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	121	0	120	0
Consolidated subsidiaries	88	1	87	—
Total	209	2	207	0

(FY2020)

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

(FY2021)

The non-audit services at the Company are mainly advisory services related to production of the Company’s environment-related Website manuscripts for external dissemination.

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

Categories	FY2020		FY2021	
	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	—	350	—	136
Consolidated subsidiaries	551	163	611	170
Total	551	514	611	306

(FY2020)

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

(FY2021)

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, 2021 to March 31, 2022)

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)	14 (6)	463 (54)	248 (54)	147 (-)	67 (-)
Corporate Auditor (including Outside Auditors)	5 (3)	75 (26)	75 (26)	- (-)	- (-)
Total (including Outside Directors and Outside Auditors)	19 (9)	539 (80)	324 (80)	147 (-)	67 (-)

Notes:

1. The amount of remuneration paid to Directors does not include the employee salary portion for those employees who also serve as Directors.
2. The officers receiving remuneration shown in the table above includes three directors (of which one was an outside director) who left their positions during FY2021.

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)
Annual bonus (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 “Base remuneration” : annual bonus (performance-based remuneration)” : “stock options for the stock-linked compensation plan” = roughly 6 : 2 : 2. The ratio of remuneration other than the base remuneration increases somewhat in line with promotions.

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) Annual bonuses (Performance-based remuneration)

Regarding annual bonuses (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 assessment of annual bonuses (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 FY2021 are, in principle, used as target values for these indices.

<table>
<tr><th colspan="2">Target</th><th>Types of indices (weight in assessment)</th></tr>
<tr><td colspan="2">(i) Representative Directors</td><td>Consolidated revenue on a group basis (50%)
Consolidated profit for the year on a group basis (50%)</td></tr>
<tr><td rowspan="2">Non-Representative Director</td><td>(ii) Head of Business Executive Officers or Directors serving as executive officers responsible for the business</td><td>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%)</td></tr>
<tr><td>(iii) Directors other than the above</td><td>Consolidated revenue on a group basis (45%)
Consolidated profit for the year on a group basis (45%)
Qualitative evaluation by the Representative Directors (10%)</td></tr>
</table>

Notes:

1. "Profit for the year" in the above table refers to "profit for the year attributable to owners of the parent company."
2. The individuals eligible to receive annual bonuses (performance-based remuneration) this fiscal year were three persons falling under (i) above, one person falling under (ii), and two persons falling under (iii). The one person falling under (ii) is the Director concurrently serving as the Executive Officer responsible for the Printing & Solutions Business.

Annual bonuses (performance-based remuneration) for FY2021 were assessed using the above-mentioned indices for FY2021 (business performance forecasts announced in May 2021 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	710,938/626,000	61,030/42,500
Printing & Solutions	424,247/364,423	59,422/43,942

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 valuation amount at the time of determining issuance)	Up to 130 million yen per year (based on a fair valuation 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 annual bonuses (performance-based remuneration) paid in FY2021 to Directors (excluding Outside Directors), a total amount of 61.55 million yen was decided by resolution at the 129th Ordinary General Meeting of Shareholders held on June 23, 2021. There were six Directors (excluding Outside Directors) as of the closing of the 129th Ordinary General Meeting of Shareholders held on June 23, 2021.

3 At the 130th Ordinary General Meeting of Shareholders held on June 20, 2022, a resolution was adopted setting the total amount of annual bonuses (performance-based remuneration) to be paid to Directors excluding Outside Directors and part-time Directors at 147.68 million yen, taking into consideration business performance during the term and other factors.

4 At the 130th Ordinary General Meeting of Shareholders held on June 20, 2022, a resolution was adopted setting the amount of base remuneration to be paid to directors at no more than 400 million yen annually and limiting the amount of annual bonuses to be paid to full-time Directors who concurrently

serve as Executive Officers to no more than 0.4% of consolidated profit for the year (profit for the year attributable to owners of the parent company).

5 At the 130th Ordinary General Meeting of Shareholders held on June 20, 2022, a resolution was adopted setting the maximum amount of performance-linked stock-based remuneration to be paid to directors (excluding Outside Directors, part-time Directors, and Directors who are non-residents of Japan) and Executive Officers (excluding Executive Officers who are non-residents of Japan) to 220 million yen per fiscal year.

6 There were 11 Directors (of which five were full-time Directors concurrently serving as Executive Officers, one was a full-time Director not concurrently serving as an Executive Officer, and five were outside Directors) as of the closing of the 130th Ordinary General Meeting of Shareholders held on June 20, 2022.

5) Reason that the Board of Directors deems remuneration for individual Directors in FY2021 to be consistent with the 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 annual bonuses (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 recommendations that the Board of Directors review officer remuneration levels.

As part of these activities, the Compensation Committee deliberated on the agenda items indicated below in FY2021.

May 7, 2021　Revision of the annual bonus assessment method for Executive Officers
Performance-based remuneration
August 3, 2021　Review of the officer remuneration system
November 8, 2021　Officer remuneration policies and specific system design
November 29, 2021　(Officer remuneration) Officer annual bonus calculation formula
December 21, 2021　Officer remuneration level assessment, etc.
February 1, 2022　Officer remuneration level assessment, etc.
March 1, 2022　Outstanding issues concerning revision of the officer remuneration system
March 29, 2022　Additional proposals relating to the officer remuneration 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 FY2021 as indicated below.

May 19, 2021　Revision of the annual bonus assessment method for Executive Officers
June 23, 2021　Performance-based remuneration
Allocation of stock options for the stock-linked compensation plan and granting of phantom stock
March 29, 2022　Revision of the officer remuneration system

<Director and Officer Remuneration in the 131st Fiscal Term and Thereafter>

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

1) Overview of remuneration system for officers

The Company has established an officer remuneration system that facilitates the recruitment and retention of outstanding managerial human resources from inside and outside the Company and serves the purpose of sustainably increasing corporate value and has adopted a policy of paying remuneration at appropriate levels according to job responsibilities and performance.

The director remuneration paid by the Company comprises items (1) to (3) below.

(1) Basic remuneration: A fixed amount of remuneration paid to all directors.

(2) Annual bonuses: Monetary remuneration linked to business performance in the relevant fiscal year paid only to full-time Directors who concurrently serve as Executive Officers.

(3) Stock-based remuneration: Stock-based remuneration linked to medium-term business performance and other factors paid to Directors other than Outside Directors and part-time Directors (in cases where an eligible Director is a non-resident of Japan, alternative compensation is paid in the form of money).

Full-time Directors who do not concurrently serve as executive directors (excluding Outside Directors) are paid only basic remuneration and stock-based remuneration. Outside Directors and part-time Directors are paid only basic remuneration.

Objectivity and transparency regarding the amounts and calculation methods of all forms of director remuneration are insured by specifying them in detail in the Company's Director Remuneration Rules and Share Grant Rules (collectively referred to as the "Director Remuneration Rules etc."). Revisions to the Director Remuneration Rules etc. require deliberation by the Compensation Committee and a resolution by the Board of Directors.

Remuneration paid to the Company's Corporate Auditors comprises only basic remuneration, which is fixed-amount remuneration, and is prescribed in the Corporate Auditor Remuneration Rules established by the Audit & Supervisory Board.

2) Policy on determination of amounts and payment timing of Director basic remuneration

Director basic remuneration is fixed-amount remuneration determined on an annual basis and paid monthly. Remuneration is determined according to the positions and responsibilities of Directors within the maximum remuneration amount approved by the General Meeting of Shareholders.

3) Details of performance indicators relating to annual bonuses and policies relating to determination of remuneration amount calculation methods, payment timing, and conditions

Annual bonuses are variable monetary remuneration that reflect business performance in each fiscal year and are paid at a specific time each year in principal, pursuant to a recommendation of the Compensation Committee and a resolution of the Board of Directors.

Annual bonuses are calculated using the calculation method specified below. However, the total amount of annual bonuses in each fiscal year is limited to 0.4% of the amount of consolidated profit for the relevant period. If as a result of the following calculation, the total payment amount exceeds this limit, the amount is adjusted to within the limit.

Note: In this section, "revenue" refers to consolidated revenue and "profit for the year" refers to profit for the year attributable to owners of the parent company.

(1) The "allocation ratio" is determined based on the sum of "base points" corresponding to the director's position and the predetermined "base point unit price," "base revenue," and "base profit for the year."

(2) Based on the allocation ratio from (1), the total annual bonus fund for the relevant fiscal year is calculated according to the following formula:

Aggregate fund 1 = Consolidated profit for the year × Allocation ratio × 1/2

Aggregate fund 2 = Consolidated profit for the year × Allocation ratio × 1/2 × Revenue adjustment coefficient (as specified in the following table)

Aggregate bonus fund = Aggregate fund 1 + Aggregate fund 2

	Consolidated Revenue	Revenue Adjustment Coefficient
(a)	More than ¥750 billion	Coefficient calculated by extending a linear function line with the same slope as (c) from (b)
(b)	¥750 billion	100%
(c)	Between (b) and (d)	Coefficient on the linear function line connecting the two points (b) and (d) with revenue on the X axis and the revenue adjustment coefficient on the Y axis.
(d)	¥500 billion	50%
(e)	Less than ¥500 billion	0%

Note: "Consolidated profit for the year" refers to profit for the year attributable to owners of the parent company.

(3) Aggregate bonus fund is proportionally divided according to the base points for each position of each eligible Director, and the provisional distribution amount for each eligible Director is calculated.
(4) The Representative Director and President may propose a special supplementary amount of up to 10% of the provisional distribution amount for each Director eligible for payment, excluding himself.
(5) After the Compensation Committee examines the total provisional distribution amount and special supplementary amounts for each Director eligible for payment and the total payment amount, the Committee submits to the Board of Directors a proposal on the annual bonus payment amount for each Director eligible for payment, and payment is made to each eligible Director pursuant to a resolution of the Board of Directors.

4) Details of stock-based remuneration, details of performance indicators, and policy on determination of calculation method, payment timing, and conditions

Stock-based remuneration is variable remuneration linked to the degree of attainment of medium-term strategies and so on and the degree of increase in shareholder value in order to provide incentives to contribute to enhancing the Company's corporate value over the medium to long term. Stock-based remuneration makes use of a share grant trust mechanism whereby shares and other securities are granted to Directors eligible for payment using a trust to which the Company contributes funds.

The timing when Directors can receive a grant of shares and so on as a stock-based remuneration is in principle after the Director has left the position of Director. The shares and so on granted as stock-based remuneration are calculated according to the following formula.

(1) The Company grants to each eligible Director 50% of the number obtained by dividing the predetermined base amount of stock-based remuneration by the base stock price according to the Director's position in the company as fixed points and 50% as performance-linked value for the period covered by the medium-term strategy, etc. (referred to simply as the "applicable period") in each fiscal year, and the value accumulate.
(2) After termination of the applicable period, the cumulative number of performance-linked cumulative value is calculated for each Director according to the following formula and a final determination of Performance-linked final value is made.

Formula

Performance-linked final value = (A) + (B) + (C) + (D)
(A) Performance-linked cumulative value × 25% × Revenue coefficient*[1]
(B) Performance-linked cumulative value × 25% × Profit coefficient*[2]
(C) Performance-linked cumulative value × 25% × ESG coefficient*[3]
(D) Performance-linked cumulative value × 25% × TSR coefficient*[4]

Notes:

*1 Revenue Coefficient

Calculated in accordance with the following table according to the degree of achievement of the consolidated revenue target in the final fiscal year in the applicable period.

Degree of Achievement	Revenue Coefficient
125% or more	200%
100% to less than 125%	(Degree of achievement - 75%) × 4.0
75% to less than 100%	(Degree of achievement + 25%) × 0.8
Less than 75%	0%

*2. Profit coefficient

Calculated in accordance with the following table according to the degree of achievement of the consolidated profit for the year (profit for the year attributable to owners of the parent company) target in the final fiscal year in the applicable period.

Degree of Achievement	Profit Coefficient
140% or more	200%
100% to less than 140%	(Degree of achievement - 60%) × 2.50
60% to less than 100%	(Degree of achievement + 1/3) × 0.75
Less than 60%	0%

*3. ESG coefficient

Calculated in accordance with the following table according to the degree of achievement of the CO_2 reduction amount target for Scope 1 and Scope 2 during the applicable period.

Degree of Achievement	Coefficient
100% or more	100%
80% to less than 100%	Same as degree of achievement
Less than 80%	0%

*4. TSR coefficient

Calculated in accordance with the following table according to the Company's TOPIX outperformer ratio (the "TSR OP Ratio") during the applicable period.

The TSR OP Ratio is calculated as indicated below.

TSR OP ratio (%) = The Company's TSR ÷ TOPIX including dividends × 100

OP Ratio	Coefficient
100% or more	100%
80% to less than 100%	Same as degree of achievement
Less than 80%	0%

Notes:

1. The Company's TSR indicates total shareholder returns including capital gains and dividends during the applicable period.
2. In the case where a director leaves his/her position as Director before termination of the applicable period due to expiration of his/her term, an adjustment calculation is made based on the above.

(3) A director who satisfies the eligibility requirements to receive stock-based remuneration will receive 70% of the accumulated points granted based on (1) and (2) above after leaving his/her position and will receive monetary benefits equivalent to the remaining points.

5) Policy on determination of the composition ratio of individual remuneration, etc. for each type of remuneration

The composition of remuneration for each full-time Director who concurrently serves as an Executive Officer is as follows when actual values are in agreement with the short-term performance target, which is an indicator for the annual bonus, and the medium-term performance target, which is an indicator for stock-based remuneration.

Base remuneration (fixed) : Annual bonus (performance-linked) : Stock-based remuneration (performance-linked)
= Approximately 5 : 3 : 2

The composition of remuneration for each full-time Director who does not concurrently serve as an Executive Officer is as follows when actual values are in agreement with the medium-term performance target, which is an indicator for stock-based remuneration.

Base remuneration (fixed) : Stock-based remuneration (performance-linked) = Approximately 3 : 1

The Compensation Committee verifies the appropriateness of remuneration, etc. by position and type of director and the total remuneration level while making reference to objective remuneration level data from external research organizations on a regular basis each year.

6) Method of determination of the details of individual remuneration, etc.

(1) Basic remuneration is determined according to the position of each individual in accordance with the Director Remuneration Rules established by the Board of Directors.

(2) With regard to annual bonuses, after the Compensation Committee verifies the validity and appropriateness of the amount of payment to each individual and the total amount of payment calculated in accordance with the Director Remuneration Rules, the Board of Directors determines the amount of payment to each eligible Directors.

(3) With regard to stock-based remuneration, after the Compensation Committee confirms the appropriateness of the degree of achievement of the performance indicator target, stock-based remuneration is determined for each individual in accordance with the Share Grant Rules established by the Board of Directors.

7) Other significant matters relating to determination of the details of individual remuneration, etc.

With regard to annual bonuses and stock-based remuneration, in the case where a director engaged in non-conforming conduct, accounting fraud, or the like, the Company may demand that the director return all or part of remuneration previously paid pursuant to a recommendation by the Compensation Committee and a decision of the Board of Directors.

(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	19	809
Other than unlisted shares	15	13,941

(Issues whose holdings increased during the current fiscal year)
Not applicable.

(Issues whose holdings decreased in the current fiscal year)
Not applicable.

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
	6,375	8,786		
Zeon Corporation	2,365,000	2,365,000	Maintenance of relationships concerning parts procurement	Yes
	3,225	4,183		
Citizen Watch Co., Ltd.	1,526,900	1,526,900	Maintenance of cooperative manufacturing and sales relationship	No
	795	577		
Sanyo Denki Co., Ltd.	125,400	125,400	Maintenance and reinforcement of trading relationship	Yes
	617	738		
Toho Gas Co., Ltd.	200,000	200,000	Development of business relationship	Yes
	545	1,366		
MS&AD Insurance Group Holdings, Inc	131,700	131,700	Maintenance of comprehensive insurance trading relationship	No
	523	427		
Okaya & Co., Ltd.	52,000	52,000	Maintenance of relationship concerning parts and materials procurement and hardware sales	Yes
	507	473		
Okuma Corporation	64,000	64,000	Maintenance of hardware sales and purchasing relationship	Yes
	326	406		
Yamazen Corporation	300,000	300,000	Maintenance of hardware sales and purchasing relationship	Yes
	283	312		
Ushio Inc.	120,300	120,300	Maintenance of relationships concerning parts procurement	Yes
	219	175		
Chiyoda Integre Co., Ltd.	87,800	87,800	Maintenance of relationships concerning parts procurement	Yes
	185	166		
Jichodo Co., Ltd.	22,200	22,200	Maintenance of hardware sales relationship	Yes
	155	156		
Ryosan Company, Limited	59,900	59,900	Maintenance of relationships concerning parts procurement	Yes
	131	135		

Issue	Current fiscal year Number of shares Amount recorded on the balance sheet (Millions of yen)	Previous fiscal year Number of shares Amount recorded on the balance sheet (Millions of yen)	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
Yuasa Trading Co., Ltd.	11,000 31	11,000 34	Maintenance of hardware sales and purchasing relationship	Yes
Meiko Trans Co. Ltd.	16,000 18	16,000 18	Maintenance of transport service trading	Yes

Deemed Shareholdings

Issue	Current fiscal year Number of shares Amount recorded on the balance sheet (Millions of yen)	Previous fiscal year Number of shares Amount recorded on the balance sheet (Millions of yen)	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
Mitsubishi UFJ Financial Group, Inc.	1,532,400 1,165	1,532,400 906	Restriction on exercising its voting rights	No
ITFOR Inc.	1,420,000 1,117	1,420,000 1,178	Restriction on exercising its voting rights	Yes
Sumitomo Mitsui Financial Group, Inc.	134,300 524	134,300 538	Restriction on exercising its voting rights	No

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 Securities 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, 2021 to March 31, 2022 and the non-consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 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 FY2020 (As of March 31, 2021)	Millions of yen FY2021 (As of March 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	8, 41	191,002	167,915
Trade and other receivables	9, 41	93,055	102,685
Other financial assets	10, 41	8,391	11,419
Inventories	11	120,186	169,583
Other current assets	12	16,070	24,843
Subtotal		428,705	476,447
Non-current assets classified as held for sale	13	45	297
Total current assets		428,751	476,745
Non-current assets			
Property, plant and equipment	14, 17	107,742	117,127
Right-of-use assets	17, 22	20,835	21,136
Investment property	15	8,248	7,858
Goodwill and intangible assets	16, 17	118,196	121,689
Investments accounted for using the equity method	18	1,772	1,862
Other financial assets	10, 19, 41	36,042	33,389
Deferred tax assets	20	14,842	21,261
Other non-current assets	12, 25	7,464	10,078
Total non-current assets		315,145	334,404
Total assets		743,896	811,149

	Notes	Millions of yen FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	23, 41	54,589	71,247
Bonds and borrowings	21, 41	19,167	20,121
Other financial liabilities	21, 22, 24, 41	9,887	9,517
Income tax payables		6,779	14,084
Provisions	26	4,015	3,211
Contract liabilities	30	5,636	7,807
Other current liabilities	27	51,412	53,516
Total current liabilities		151,489	179,506
Non-current liabilities			
Bonds and borrowings	21, 41	38,290	20,705
Other financial liabilities	21, 22, 24, 41	23,295	20,379
Retirement benefits liabilities	25	19,316	16,366
Provisions	26	2,848	2,972
Deferred tax liabilities	20	6,394	7,207
Contract liabilities	30	1,506	1,600
Other non-current liabilities	27	1,047	1,197
Total non-current liabilities		92,700	70,431
Total liabilities		244,189	249,937
Equity			
Capital stock	28	19,209	19,209
Capital surplus	28	17,652	17,866
Retained earnings		509,662	554,910
Treasury stock	28	(2,477)	(5,428)
Other components of equity		(60,998)	(25,411)
Equity attributable to owners of the parent company		483,050	561,146
Non-controlling interests		16,657	65
Total equity		499,707	561,211
Total equity and liabilities		743,896	811,149

Consolidated Statement of Income

	Notes	Millions of yen FY2020 (Year ended March 31, 2021)	Millions of yen FY2021 (Year ended March 31, 2022)
Revenue	6, 15, 30	631,812	710,938
Cost of sales	11, 14, 15, 16, 25, 31, 34	(345,209)	(403,614)
Gross profit		286,602	307,324
Selling, general and administrative expenses	14, 16, 25, 32, 40	(208,526)	(222,771)
Other income	33, 34, 41	6,107	5,621
Other expenses	17, 25, 33, 41	(41,451)	(4,672)
Operating profit	6	42,731	85,501
Finance income	35	2,209	4,079
Finance expenses	35	(2,231)	(3,338)
Share of profit/(loss) of investments accounted for using the equity method	18	235	186
Profit before income taxes		42,944	86,429
Income tax expenses	20	(18,285)	(24,914)
Profit for the year		24,659	61,515
Profit for the year attributable to:			
Owners of the parent company		24,520	61,030
Non-controlling interests		138	484
Profit for the year		24,659	61,515

	Notes	Yen FY2020 (Year ended March 31, 2021)	Yen FY2021 (Year ended March 31, 2022)
Earnings per share			
Basic earnings per share	36	94.36	234.89
Diluted earnings per share	36	94.07	234.18

Consolidated Statement of Comprehensive Income

	Notes	Millions of yen FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Profit for the year		24,659	61,515
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	6,128	(3,234)
Remeasurement of the net defined benefit liability (asset)	37	2,128	3,831
Share of other comprehensive income of investments accounted for using the equity method	18, 37	(7)	(0)
Total of items that will not be reclassified subsequently to profit or loss		8,248	597
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	37	36,565	35,622
Total of items that may be reclassified subsequently to profit or loss		36,565	35,622
Other comprehensive income for the year, net of income tax		44,814	36,219
Comprehensive income for the year		69,474	97,734
Comprehensive income for the year attributable to:			
Owners of the parent company		69,219	97,231
Non-controlling interests		255	503
Comprehensive income for the year		69,474	97,734

Consolidated Statement of Changes in Equity

FY2020 (Year Ended March 31, 2021)

(Millions of yen)

		Equity attributable to owners of the parent company					
						Other components of equity	
	Notes	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)	—

		Equity attributable to owners of the parent company				
		Other components of equity				
	Notes	Remeasurement of the net defined benefit liability (asset)	Total	Total	Non-controlling interests	Total equity
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

FY2021 (Year Ended March 31, 2022)

(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, 2021		19,209	17,652	509,662	(2,477)	(60,998)	－
Profit for the year		－	－	61,030	－	－	－
Other comprehensive income/(loss)		－	－	－	－	35,586	(3,216)
Total comprehensive income/(loss) for the year		－	－	61,030	－	35,586	(3,216)
Acquisition of treasury stock		－	－	－	(3,009)	－	－
Disposal of treasury stock		－	(54)	－	57	－	－
Dividends paid	29	－	－	(16,397)	－	－	－
Share-based payment transaction	40	－	117	－	－	－	－
Changes in ownership interest in subsidiaries		－	149	－	－	－	－
Reclassification to retained earnings		－	－	614	－	－	3,216
Total transactions with owners		－	213	(15,783)	(2,951)	－	3,216
Balance as of March 31, 2022		19,209	17,866	554,910	(5,428)	(25,411)	－

	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, 2021		－	(60,998)	483,050	16,657	499,707
Profit for the year		－	－	61,030	484	61,515
Other comprehensive income/(loss)		3,830	36,200	36,200	18	36,219
Total comprehensive income/(loss) for the year		3,830	36,200	97,231	503	97,734
Acquisition of treasury stock		－	－	(3,009)	－	(3,009)
Disposal of treasury stock		－	－	3	－	3
Dividends paid	29	－	－	(16,397)	(249)	(16,647)
Share-based payment transaction	40	－	－	117	－	117
Changes in ownership interest in subsidiaries		－	－	149	(16,845)	(16,695)
Reclassification to retained earnings		(3,830)	(614)	－	－	－
Total transactions with owners		(3,830)	(614)	(19,135)	(17,094)	(36,230)
Balance as of March 31, 2022		－	(25,411)	561,146	65	561,211

Consolidated Statement of Cash Flows

	Notes	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
		Millions of yen	
Cash flows from operating activities			
Profit before income taxes		42,944	86,429
Depreciation and amortization		38,252	38,700
Impairment losses		30,787	2,123
Finance expenses/(income)		22	(740)
Share of (profit)/loss of investments accounted for using the equity method		(235)	(186)
Losses/(gains) on sale or disposal of fixed assets		859	670
Decrease/(increase) in trade and other receivables		7,484	(2,954)
Decrease/(increase) in inventories		3,953	(37,964)
Increase/(decrease) in trade and other payables		1,232	12,450
Decrease/(increase) in retirement benefit assets		(831)	(1,748)
Increase/(decrease) in retirement benefit liabilities		(1,863)	(3,646)
Other		3,643	2,562
Subtotal		126,250	95,695
Interest received		877	1,231
Dividends received		312	330
Interest paid		(1,229)	(756)
Income taxes paid		(16,945)	(24,245)
Net cash provided by operating activities		109,265	72,254
Cash flows from investing activities			
Purchases of property, plant and equipment		(20,655)	(26,606)
Proceeds from sales of property, plant and equipment		1,674	1,019
Purchases of intangible assets		(6,859)	(9,236)
Purchases of investments in equity instruments		(238)	(1,244)
Proceeds from sales of investments in equity instruments		706	10
Purchases of investments in debt instruments		(7,299)	(9,297)
Proceeds from sales or redemption of investments in debt instruments		8,541	5,880
Other		(950)	(1,305)
Net cash used in investing activities		(25,080)	(40,781)
Cash flows from financing activities			
Repayment of short-term borrowings	38	(30,012)	—
Proceeds from long-term borrowings	38	200	200
Repayment of long-term borrowings	38	(200)	(20,197)
Redemption of bonds	38	(20,140)	—
Repayment of lease obligations	38	(8,798)	(8,825)
Payments for acquisition of interests in subsidiaries from non-controlling interests		—	(16,715)
Purchase of treasury stock		(6)	(3,005)
Dividends paid	29	(14,830)	(16,397)
Dividends paid to non-controlling interests		(248)	(249)
Other		(0)	(0)
Net cash used in financing activities		(74,038)	(65,191)
Effect of exchange rate changes on cash and cash equivalents		12,434	10,630
Net increase/(decrease) in cash and cash equivalents		22,580	(23,087)
Cash and cash equivalents at the beginning of the year	8	168,422	191,002
Cash and cash equivalents at the end of the year	8	191,002	167,915

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, 2022, were approved on June 20, 2022 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 No. 16, “Leases,” revised on May 28, 2020.
Also, in conjunction with the revision of Paragraph 46B(b) (referred to as the “Revised Standard”) of IFRS No. 16, “Leases,” on March 31, 2021, the Brother Group applied the Revised Standard as of the fiscal year ended March 2022 as indicated below.
The impact of application of the Revised Standard on the consolidated financial statements is de minimis.

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:
- 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;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

(Changes in presentation)
Consolidated statement of cash flows
In the consolidated fiscal year ended March 2021, “Expenditures for acquisition of treasury stock” included in “Other” under “Cash flows from financing activities” is listed separately as of the consolidated fiscal year ended March 2022 due to the increased significance. In order to reflect this change in presentation, the consolidated statement of cash flows for the consolidated fiscal year ended March 2021 has been restated.
As a result of the restatement, in the consolidated statement of cash flows for the consolidated fiscal year ended March 2021, “Other” under “Cash flows from financing activities” had been minus 6 million yen, and this was revised to “Expenditures for acquisition of treasury stock”: minus 6 million yen and “Other”: minus 0 million yen.

(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.

(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, the performance obligation is satisfied upon delivery as the customer obtains control over the products at that point in time. Therefore, the revenue is 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 future cash-flow. Measures such as vaccines are being considered and economic activity is on a recovery trend, but we do not know when the global semiconductor shortage will be resolved and the supply shortage is likely to continue, and there is a high possibility that sea freight will continue to rise due to port congestion and imbalance between supply and demand.

Due to these reasons, the uncertainty over the Group’s future business activities continues.

The Group has made estimates and judgements involving estimations that the current situation will affect its consolidated financial performance for the year ending March 31, 2023. The Group’s consolidated financial statements for the year ending March 31, 2023 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.

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.

FY2021 (Year Ended March 31, 2022)

(Millions of yen)

	Reportable segment						Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Revenue									
Customers	424,247	49,995	111,292	29,552	81,726	14,123	710,938	—	710,938
Intersegment	—	—	—	—	699	13,680	14,380	(14,380)	—
Total	424,247	49,995	111,292	29,552	82,426	27,804	725,319	(14,380)	710,938
Business segment profit/(loss)	59,754	8,072	13,955	(2,700)	4,893	662	84,638	(86)	84,552
Other income and expenses	(331)	134	(25)	2,132	56	(1,016)	949	—	949
Operating profit/(loss)	59,422	8,207	13,930	(568)	4,950	(354)	85,587	(86)	85,501
Finance income and expenses									740
Share of profit/(loss) of investments accounted for using the equity method									186
Profit before income taxes									86,429

Other items

	Reportable segment						Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others (Note 1)			
Depreciation	18,619	1,105	4,043	6,755	6,575	1,600	38,700	—	38,700
Impairment losses	139	—	147	575	—	1,261	2,123	—	2,123
Capital expenditure (Note 3)	17,234	1,115	5,219	5,069	3,446	1,010	33,095	8,780	41,875

(Notes)

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

2) Reconciliation amount of ¥(86) 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 ¥8,780 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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Printing & Solutions		
Communications and printing equipment	337,950	366,902
Electronic stationery	46,816	57,345
Printing & Solutions total	384,766	424,247
Personal & Home	53,668	49,995
Machinery		
Industrial sewing machines	24,154	33,990
Machine tools	38,714	56,553
Industrial parts	16,047	20,749
Machinery total	78,917	111,292
Network & Contents	31,044	29,552
Domino	69,824	81,726
Others	13,591	14,123
Total	631,812	710,938

(4) Information about geographical areas

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

Revenue from customers

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Japan	99,132	105,228
U.S.A.	161,060	173,526
China	72,613	91,192
Others	299,005	340,990
Total	631,812	710,938

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

Non-current assets

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Japan	85,639	87,280
Overseas		
The Americas		
U.S.A.	11,638	13,919
Others	1,751	1,985
The Americas total	13,389	15,905
Europe		
U.K.	109,407	113,564
Others	8,428	9,177
Europe total	117,835	122,742
Asia and others		
China	15,113	15,219
Vietnam	11,378	14,319
Philippines	11,658	12,395
Others	3,288	3,727
Asia and others total	41,438	45,661
Overseas total	172,663	184,310
Total	258,303	271,591

(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

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

FY2021 (Year ended March 31, 2022)
Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Cash and cash equivalents		
Cash and deposits	191,002	167,915
Total	191,002	167,915

The balance of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2021 and March 31, 2022, 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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Notes receivable	5,747	6,497
Accounts receivable	87,090	96,738
Other	2,196	1,654
Allowance for doubtful accounts	(1,979)	(2,204)
Total	93,055	102,685

The receivables expected to be collected more than one year after March 31, 2021 and March 31, 2022 are ¥1,378 million and ¥1,625 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Current assets		
Financial assets measured at amortized cost	8,165	10,464
Financial assets measured at FVTPL		
Derivatives	235	954
Items other than derivatives	0	0
Allowance for doubtful accounts	(10)	(0)
Total	8,391	11,419
Non-current assets		
Financial assets measured at amortized cost	11,466	12,812
Financial assets measured at FVTPL		
Derivatives	－	126
Items other than derivatives	3,380	3,825
Financial assets measured at FVTOCI		
Equity instruments	21,254	16,656
Allowance for doubtful accounts	(60)	(30)
Total	36,042	33,389

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Merchandise and finished goods	72,024	105,618
Work in process	11,519	13,216
Raw materials and supplies	36,642	50,748
Total	120,186	169,583

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2021 and 2022 are ¥341,553 million and ¥399,975 million, respectively.
Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (As of March 31, 2022)
Write-down	4,835	5,194

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Other current assets		
Prepaid expenses	7,112	7,889
Advance payments	506	765
Consumption taxes receivable	6,341	10,377
Income taxes receivable	207	145
Other	1,902	5,666
Total	16,070	24,843
Other non-current assets		
Long-term prepaid expenses	2,937	3,377
Retirement benefit assets	1,114	2,886
Insurance funds	3,041	2,867
Other	371	946
Total	7,464	10,078

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Non-current assets held for sale		
Property, plant and equipment	45	297
Total	45	297

Non-current assets held for sale as of March 31, 2022 are mainly tangible fixed assets held by Brother Nordic A/S that meet the criteria for assets classified as held for sale. The sale is planned to be completed during the year ending March 31, 2023.

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, 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
Acquisitions	—	1,753	3,695	10,249	9,959	25,658
Sales or disposals	—	(1,152)	(6,111)	(7,289)	(103)	(14,656)
Foreign exchange differences	495	5,069	4,178	3,792	74	13,609
Other	(26)	3,598	2,594	1,260	(7,137)	289
Balance as of March 31, 2022	15,564	128,457	96,337	138,577	5,078	384,015

(Note)Transfers from construction in progress to each item are included in "Other."

(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, 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)
Depreciation	—	(5,001)	(5,326)	(9,310)	—	(19,637)
Impairment losses	—	(148)	(137)	(66)	—	(352)
Sales or disposals	—	981	5,659	6,947	—	13,588
Foreign exchange differences	—	(2,547)	(3,165)	(3,012)	—	(8,725)
Other	—	51	272	(714)	—	(390)
Balance as of March 31, 2022	(837)	(72,447)	(74,229)	(119,374)	—	(266,888)

(Note)Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(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, 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
Balance as of March 31, 2022	14,726	56,010	22,108	19,203	5,078	117,127

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	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Balance at the beginning of the year	13,486	14,027
Acquisitions	141	6
Sales or disposals	(6)	(158)
Reclassifications	374	(156)
Foreign exchange differences	32	21
Balance at the end of the year	14,027	13,741

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Balance at the beginning of the year	(5,364)	(5,779)
Depreciation	(416)	(415)
Sales or disposals	6	50
Reclassifications	3	268
Foreign exchange differences	(8)	(6)
Balance at the end of the year	(5,779)	(5,882)

(Millions of yen)

Carrying amount and fair value	FY2020 (As of March 31, 2021)		FY2021 (As of March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	8,248	20,991	7,858	19,658

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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Rental income	1,716	1,737
Direct operating expenses arising from investment property that generated rental income	(774)	(876)
Direct operating expenses arising from investment property that did not generate rental income	(5)	(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, 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
Acquisitions	—	3,139	—	—	—	5,734	8,874
Internal generation	—	—	—	362	—	—	362
Sales or disposals	—	(1,537)	—	(13)	—	(296)	(1,847)
Foreign exchange differences	5,859	1,607	—	197	1,493	1,126	10,284
Other	—	2,880	—	—	—	(2,868)	11
Balance as of March 31, 2022	118,615	93,193	11,554	3,719	28,425	32,219	287,728

(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, 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)	(74,866)	(10,789)	(1,059)	(10,257)	(17,964)	(151,847)
Amortization	—	(5,948)	(168)	(540)	(1,956)	(2,047)	(10,661)
Impairment losses	(720)	(204)	—	—	—	(134)	(1,058)
Sales or disposals	—	1,492	—	13	—	293	1,798
Foreign exchange differences	(1,618)	(1,400)	—	(85)	(654)	(498)	(4,256)
Other	—	(13)	—	—	—	—	(13)
Balance as of March 31, 2022	(39,249)	(80,940)	(10,957)	(1,671)	(12,868)	(20,350)	(166,039)

(Note)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 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
Balance as of March 31, 2022	79,366	12,252	597	2,048	15,556	11,868	121,689

(Note) Significant intangible assets as of March 31, 2022 are customer related assets. The carrying amount is ¥15,556 million and the remaining amortization period is 8.25 years.

The research and development expenses are as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Research and development expenses	43,080	43,818

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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Property, plant and equipment		
Buildings and structures	197	148
Machinery, equipment and vehicles	430	137
Tools, furniture and fixtures	183	66
Construction in progress	22	—
Right-of-use assets		
Buildings and structures	2,526	648
Machinery, equipment and vehicles	9	44
Tools, furniture and fixtures	125	13
Intangible assets		
Goodwill	27,217	720
Software	47	204
Other intangible assets	14	134
Other	11	6
Total of impairment losses	30,787	2,123

(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
During the previous 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.
In the current consolidated fiscal year, there was no significant impairment loss.

(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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Domino	74,657	78,898
Other	1,187	467
Total	75,845	79,366

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 10.17% and 10.09% 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 terminal value of business ranged from 3.2% to 5.7% and 3.2% to 6.0% for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.
As a result of impairment testing conducted during the consolidated fiscal year ended March 31, 2021, the amount of goodwill impairment loss recognized in the Domino Business segment was 27,197 million yen.
In the consolidated fiscal year ended March 31, 2022, the recoverable amount exceeded book value by 35,257 million yen, but there is a risk that if the major assumption that serve as the basis for the value in use were to change, impairment would be incurred. In the current consolidated fiscal year, there was a possibility that impairment losses would be incurred if the discount rate increased by 1.59% or if the final growth rate used to calculate the terminal value of business decreased by 3.67%.
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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Carrying amount total	1,772	1,862

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

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
The share amount of earnings of associates from continuing operations	235	186
The share amount of other comprehensive income from associates	(7)	(0)
The share amount of comprehensive income from associates	227	186

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Total assets of unconsolidated structured entities	74,847	111,529
The Company's maximum exposure to loss		
The carrying amount of the investments recognized by the Company	3,380	3,825
Commitments related to additional investments	520	4,006
Total	3,901	7,832

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:

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					
Property, plant and equipment	(3,733)	(1,522)	—	(61)	(5,317)
Assets identified by business combinations	(4,549)	(20)	—	(630)	(5,199)
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

FY2021 (Year ended March 31, 2022)

(Millions of yen)

	Balance as of April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2022
Deferred tax assets					
Inventories	9,625	3,580	―	133	13,338
Retirement benefit liabilities	4,905	(681)	(737)	146	3,632
Property, plant and equipment	4,404	47	―	62	4,514
Accrued bonuses	2,502	761	―	47	3,311
Accrued unused paid absences	2,101	48	―	24	2,174
Accrued expenses	1,994	(186)	―	118	1,927
Provisions	784	(114)	―	21	691
Other	4,513	467	912	205	6,099
Subtotal	30,831	3,922	174	759	35,689
Deferred tax liabilities					
Property, plant and equipment	(5,317)	212	―	(99)	(5,203)
Assets identified by business combinations	(5,199)	(658)	―	(318)	(6,177)
Equity instruments designated as FVTOCI	(4,546)	―	1,360	―	(3,186)
Securities withdrawn from retirement benefit trust	(2,464)	―	―	―	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,640)	91	―	―	(1,549)
Retirement benefit Assets	(360)	102	(497)	―	(756)
Other	(2,853)	608	―	(52)	(2,297)
Subtotal	(22,383)	356	862	(471)	(21,635)
Total	8,448	4,279	1,037	288	14,053

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Deferred tax assets	14,842	21,261
Deferred tax liabilities	(6,394)	(7,207)
Net amount	8,448	14,053

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

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Deductible temporary differences	85,354	85,460
Unused tax losses	12,347	14,206
Total	97,702	99,667

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

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
1st year	76	864
2nd year	1,397	427
3rd year	426	1,063
4th year	1,062	308
5th year and thereafter	9,385	11,542
Total	12,347	14,206

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, 2021 and March 31, 2022 are ¥166,332 million and ¥200,746 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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Current tax expenses	21,313	29,193
Deferred tax expenses		
Origination and reversal of temporary differences	(3,912)	(4,869)
Other	884	590
Subtotal	(3,028)	(4,279)
Total	18,285	24,914

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 ¥964 million and ¥1,175 million for the years ended March 31, 2021 and 2022, respectively.

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

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Statutory tax rate	30.60%	30.60%
Tax credit for R&D expenses	(4.54%)	(3.27%)
Lower income tax rates applicable to income in certain foreign subsidiaries	(6.97%)	(3.19%)
Expenses not deductible for tax purposes	21.52%	2.71%
Changes of tax rate	0.91%	1.18%
Withholding taxes on distributions	1.02%	0.80%
Other	0.04%	(0.00%)
Average effective tax rate	42.58%	28.83%

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, 2021 and 2022 is 30.60%. 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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	Average interest rate (%)	Maturity date
Current portion of long-term borrowings	19,167	20,121	1.05	—
Long-term borrowings	38,290	20,705	1.04	2023 to 2028
Short-term lease obligations	7,528	7,815	2.63	—
Long-term lease obligations	18,821	18,319	1.83	2023 to 2074
Other	6,833	3,763	—	—
Total	90,641	70,725	—	—
Bonds and borrowings				
Current liabilities	19,167	20,121	—	—
Non-current liabilities	38,290	20,705	—	—
Other financial liabilities				
Current liabilities	9,887	9,517	—	—
Non-current liabilities	23,295	20,379	—	—
Total	90,641	70,725	—	—

(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 0.36%.
3) Of the Group's long-term borrowings, ¥40,269 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, 2021	16,553	4,282	20,835
Balance as of March 31, 2022	17,085	4,050	21,136

<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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Depreciation charge for right-of-use assets		
Buildings and structures	7,297	6,569
Other	1,675	1,416
Total	8,973	7,985
Expenses relating to short-term leases and leases of low-value assets	863	842
Interest expense on lease liabilities	736	499

<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, 2021 and 2022 is ¥10,436 million and ¥10,504 million, respectively.

<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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Lease income	9,444	9,999

<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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Within 1 year	2,122	2,362
1 to 2 years	1,623	1,787
2 to 3 years	1,091	1,194
3 to 4 years	661	679
4 to 5 years	267	216
Over 5 years	33	63
Total	5,799	6,303

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Notes payable - trade	334	297
Accounts payable - trade	33,676	48,956
Accounts payable - other	20,577	21,993
Total	54,589	71,247

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Current liabilities		
Lease obligations	7,528	7,815
Financial liabilities measured at amortized cost	183	194
Financial liabilities measured at FVTPL		
Derivatives	2,175	1,507
Total	9,887	9,517
Non-current liabilities		
Lease obligations	18,821	18,319
Financial liabilities measured at amortized cost	2,114	1,997
Financial liabilities measured at FVTPL		
Derivatives	2,360	63
Total	23,295	20,379

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Present value of defined benefit obligations	54,810	55,384
Fair value of plan assets	(55,183)	(57,071)
Subtotal	(373)	(1,686)
Present value of the unfunded defined benefit obligation	5,018	4,860
Net defined benefit liabilities	4,645	3,173
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	5,716	5,427
Retirement benefit assets	(1,071)	(2,253)
Net balance	4,645	3,173

Overseas plan

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Present value of defined benefit obligations	28,360	26,981
Fair value of plan assets	(17,154)	(19,215)
Subtotal	11,205	7,766
Present value of the unfunded defined benefit obligation	2,350	2,539
Net defined benefit liabilities	13,556	10,306
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	13,599	10,938
Retirement benefit assets	(43)	(632)
Net balance	13,556	10,306

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Retirement benefit liabilities	19,316	16,366
Retirement benefit assets	(1,114)	(2,886)
Net defined benefit liabilities recognized in the consolidated statement of financial position	18,201	13,479

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:

	Domestic plan (Millions of yen)		Overseas plan (Millions of yen)	
	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Balance at the beginning of the year	57,674	59,828	25,486	30,710
Current service cost	2,541	2,653	627	620
Interest expense	329	405	483	448
Remeasurement	1,300	(493)	2,814	(2,791)
Actuarial gains or losses arising from changes in demographical assumptions	1,807	822	514	(441)
Actuarial gains or losses arising from changes in financial assumptions	(982)	(1,481)	2,297	(2,197)
Actuarial gains or losses arising from experience adjustments	475	165	2	(152)
Past service cost	—	—	(59)	—
Benefits paid	(1,829)	(2,150)	(1,199)	(1,332)
Foreign exchange differences	—	—	2,557	1,865
Other	(188)	—	0	—
Balance at the end of the year	59,828	60,244	30,710	29,521

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2021 were 15.5 years for domestic and 17.0 years for overseas plans. For the year ended March 31, 2022, the durations were 15.6 years for domestic and 15.9 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	
	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Balance at the beginning of the year	48,929	55,183	14,250	17,154
Interest income	292	392	268	271
Remeasurement	5,815	1,242	1,422	572
Return on plan assets excluding interest income	5,815	1,242	1,422	572
Employer contributions	1,551	1,653	581	1,153
Benefits paid	(1,489)	(1,518)	(1,017)	(1,118)
Foreign exchange differences	—	—	1,645	1,179
Other	83	117	3	2
Balance at the end of the year	55,183	57,071	17,154	19,215

The Group’s pension assets are sound, but risk margin contributions are made to prepare for risks that may arise in the future. The Group expects to make a contribution of 4,289 million yen to the defined benefit plans during the year ending March 31, 2023.

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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Balance at the beginning of the year	1,842	1,935
Interest income	7	8
Remeasurement	7	(31)
Return on reimbursement rights excluding interest income	7	(31)
Employer contributions	69	68
Benefits paid	(25)	(23)
Foreign exchange differences	34	21
Balance at the end of the year	1,935	1,978

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

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.

FY2021 (As of March 31, 2022) (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	—	3,783	3,783
Equity instruments	14,363	—	14,363
Domestic stocks	7,696	—	7,696
Foreign stocks	6,667	—	6,667
Debt instruments	15,429	—	15,429
Domestic bonds	8,592	—	8,592
Foreign bonds	6,837	—	6,837
Investments in life insurance company general accounts (Note 1)	—	12,219	12,219
Alternatives (Note 2)	—	11,274	11,274
Other	—	—	—
Total	29,793	27,277	57,071

(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

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.

FY2021 (As of March 31, 2022) (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	—	1,036	1,036
Equity instruments	4,119	—	4,119
Domestic stocks	—	—	—
Foreign stocks	4,119	—	4,119
Debt instruments	2,203	—	2,203
Domestic bonds	—	—	—
Foreign bonds	2,203	—	2,203
Insurance	—	3,207	3,207
Alternatives (Note)	—	8,099	8,099
Other	—	548	548
Total	6,323	12,891	19,215

(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

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Weighted-average discount rate	0.3 to 0.8%	0.4 to 0.9%

Overseas plan

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Weighted-average discount rate	0.4 to 3.0%	0.9 to 3.5%

<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:	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
increases by 0.5%	decrease by 4,230	decrease by 4,264
decreases by 0.5%	increase by 4,786	increase by 4,810

Overseas plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
increases by 0.5%	decrease of 2,176	decrease of 2,058
decreases by 0.5%	Increase of 2,001	Increase of 1,590

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥12,268 million and ¥12,955 million for the years ended March 31, 2021 and 2022, 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 ¥153,960 million and ¥160,860 million for the years ended March 31, 2021 and 2022, 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, 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
Increase	263	2,546	890	3,700
Decrease (used)	(835)	(2,507)	(1,011)	(4,353)
Decrease (reversal)	—	(250)	(126)	(376)
Increase due to passage of time	16	—	—	16
Foreign exchange differences	17	209	106	333
Balance as of March 31, 2022	1,832	3,322	1,028	6,184

(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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Current liabilities	4,015	3,211
Non-current liabilities	2,848	2,972
Total	6,864	6,184

27. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Other current liabilities		
Accrued bonuses	13,729	16,314
Accrued unused paid absences	8,583	8,665
Accrued expenses	24,575	24,483
Other	4,522	4,053
Total	51,412	53,516
Other non-current liabilities		
Other long-term employee benefits	418	519
Deferred income	588	618
Other	40	59
Total	1,047	1,197

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, 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
Increase	—	—	—	213
Balance as of March 31, 2022	600,000,000	262,220,530	19,209	17,866

(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, 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)
Increase	1,445,715	(3,009)
Decrease	(38,632)	57
Balance as of March 31, 2022	3,683,103	(5,428)

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.

The increase in treasury stock by 1,445,715 shares for the year ended March 31, 2022 represents the acquisition of treasury stock by 1,433,200 shares pursuant to a Board of Directors resolution adopted on February 1, 2022, the portion of treasury stock acquired by associates of 9,931 shares and the Company's purchase of odd lots of 2,584 shares. The decrease in treasury stock by 38,632 shares was due to the exercise of stock options of 38,600 shares and the transfer of odd lots in response to purchase requests of 32 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:

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

FY2021 (Year ended March 31, 2022)

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
The Board of Directors Meeting held on November 8, 2021	7,808	30.00	September 30, 2021	November 30, 2021

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

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

FY2021 (Year ended March 31, 2022)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 18, 2022	8,801	34.00	March 31, 2022	June 2, 2022

30. Revenue

(1) Disaggregation of revenue

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

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.

FY2021 (Year Ended March 31, 2022)

(Millions of yen)

	Reportable segment						Total
	Printing & Solutions	Personal & Home	Machinery	Network & Contents	Domino	Others	
Japan	34,342	3,107	24,754	28,958	8	14,057	105,228
The Americas	156,981	27,708	15,838	90	21,693	—	222,312
Europe	139,390	14,027	9,541	—	31,227	—	194,187
Asia and others	50,581	4,229	23,493	124	19,587	2	98,017
China	42,952	922	37,665	379	9,209	64	91,192
Consolidated	424,247	49,995	111,292	29,552	81,726	14,123	710,938
Leases	46	—	129	6,824	1,976	1,504	10,480
Revenue from IFRS 15	424,201	49,995	111,163	22,728	79,750	12,619	700,458

(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)

	FY2020 (As of April 1, 2020)	FY2020 (As of March 31, 2021)
Receivables from contracts with customers	95,857	92,838
Contract liabilities	5,603	7,143

(Millions of yen)

	FY2021 (As of April 1, 2021)	FY2021 (As of March 31, 2022)
Receivables from contracts with customers	92,838	103,236
Contract liabilities	7,143	9,408

Revenue recognized in the years ended March 31, 2021 and 2022 that was included in the contract liability balance at the beginning of the period is ¥4,535 million and ¥5,713 million, respectively.

Revenue recognized in the years ended March 31, 2021 and 2022 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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Raw materials costs	241,645	298,754
Employee benefit expenses	55,439	59,568
Depreciation and amortization	21,041	20,235
Other	27,082	25,056
Total	345,209	403,614

32. Selling, General and Administrative Expenses

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

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Employee benefit expenses	93,813	101,244
Depreciation and amortization	17,210	18,465
Freight expenses	18,196	21,499
Advertising expenses	10,143	11,274
Other	69,162	70,287
Total	208,526	222,771

33. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Gain on sales of fixed assets	752	74
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	—	15
Other	770	681
Gain on cancellation of leases	1,133	98
Insurance revenue	1,026	58
Foreign exchange gains	—	25
Income from government grants	1,638	2,910
Refund income	—	846
Other	786	911
Total	6,107	5,621

The breakdown of other expenses is as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Loss on sales and disposal of fixed assets	1,611	745
Impairment losses	30,787	2,123
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	1,180	—
Loss on cancellation of leases	988	310
Foreign exchange losses	228	—
Disaster losses	96	—
Credit losses	345	601
Structural reform expenses (Note)	4,706	18
Loss on liquidation of subsidiaries	751	—
Other	754	873
Total	41,451	4,672

(Note) Structural reform expenses for the years ended March 31, 2021 is mainly site reorganization expenses 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 ¥47 million for the year ended March 31, 2021 and ¥49 million for the year ended March 31, 2022. Otherwise, "Other income" includes the government grants of ¥1,638 million for the year ended March 31, 2021 and ¥2,910 million for the year ended March 31, 2022 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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Interest income		
Financial assets measured at amortized cost	868	1,224
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives (Note)	1,106	2,621
Dividend income	229	232
Other	4	0
Total	2,209	4,079

The breakdown of finance expenses is as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Interest expense		
Financial liabilities measured at amortized cost	647	257
Interest expense on lease liabilities	736	499
Net interest expense on net defined benefit liability	244	181
Foreign exchange losses (Note)	572	2,374
Other	29	24
Total	2,231	3,338

(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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Profit attributable to ordinary shareholders of the parent company	24,520	61,030
Net income used in the calculation of diluted earnings per share	24,520	61,030
Average number of shares – basic	259,868,447	259,827,718
Increase of shares – basic		
Stock acquisition rights (shares)	802,833	786,922
Average number of shares – diluted	260,671,280	260,614,640

(Yen)

Basic earnings per share	94.36	234.89
Diluted earnings per share	94.07	234.18

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:

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

FY2021 (Year ended March 31, 2022)

(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	(4,637)	―	(4,637)	1,402	(3,234)
Remeasurements of the net defined benefit liability (asset)	5,067	―	5,067	(1,235)	3,831
Share of other comprehensive income of investments accounted for using the equity method	(0)	―	(0)	―	(0)
Subtotal	430	―	430	167	597
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	34,752	―	34,752	870	35,622
Subtotal	34,752	―	34,752	870	35,622
Total	35,182	―	35,182	1,037	36,219

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

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Gains on investments in equity instruments designated as FVTOCI	70	(18)
Remeasurements of the net defined benefit liability (asset)	8	1
Exchange differences on translating foreign operations	37	35
Total	116	18

38. Liabilities Arising from Financing Activities

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

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	—	8,278	—	(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.

FY2021 (Year ended March 31, 2022)

(Millions of yen)

	As of March 31, 2021	Cash flow	Non-cash changes					As of March 31, 2022
			Foreign exchange differences	Fair value	New leases	Amortized cost	Other	
Long-term borrowings (Note 1)								
Long-term borrowings	57,458	(19,096)	2,428	—	—	37	—	40,827
Derivatives	3,193	(900)	—	(2,566)	—	—	—	(273)
Subtotal	60,651	(19,997)	2,428	(2,566)	—	37	—	40,553
Lease obligations (Note 2)	26,349	(8,825)	1,273	—	7,624	—	(287)	26,134
Total	87,001	(28,822)	3,701	(2,566)	7,624	37	(287)	66,688

(Notes)

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

2)"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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Right-of-use assets related to leases	8,954	6,973

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
July 16, 2021	The Company directors	35,100	Same as above	1	The Company directors	1,917
	The Company executive officers	26,400			The Company executive officers	1,917

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

	FY2020 (Year ended March 31, 2021)		FY2021 (Year ended March 31, 2022)	
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)
Unexercised balance at beginning of year	784,100	1	762,100	1
Granted	74,700	1	61,500	1
Forfeited	—	—	—	—
Exercised	96,700	1	38,600	1
Matured	—	—	—	—
Unexercised balance at end of year	762,100	1	785,000	1
Exercised balance at end of year	77,200	1	38,600	1

The weighted-average stock price on the exercise date is ¥2,201 for the stock options exercised during the year ended March 31, 2021 and ¥2,296 for those exercised during the year ended March 31, 2022.
The exercise price of unexercised stock options is ¥1 as of March 31, 2021, and ¥1 as of March 31, 2022. The weighted-average remaining contractual term was 22 years for the year ended March 31, 2021 and 19 years for the year ended March 31, 2022.

(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 ¥1,619 for the year ended March 31, 2021 and ¥1,917 for the year ended March 31, 2022.

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

(Yen)

	FY 2020 (Year ended March 31, 2021)		FY 2021 (Year ended March 31, 2022)	
	The Company directors	The Company executive officers	The Company directors	The Company executive officers
Stock price at the date of grant	1,908	1,908	2,278	2,278
Exercise price	1	1	1	1
Expected volatility	33.52%	34.50%	33.41%	33.41%
Expected life	6years	8years	7years	7years
Expected dividend	2.36%	2.35%	2.46%	2.46%
Risk-free interest rate	(0.13%)	(0.10%)	(0.13%)	(0.13%)

(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 ¥129 million for the year ended March 31, 2021 and ¥123 million for the year ended March 31, 2022.

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Interest-bearing debt	57,458	40,827
Cash and cash equivalents	(191,002)	(167,915)
Net interest-bearing debt	(133,544)	(127,087)
Capital (equity attributable to owners of the parent company)	483,050	561,146

(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, 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
Reclassification to credit-impaired financial assets	(62)	62	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	62	241	303
Write-offs	(2)	(216)	(218)
Foreign exchange differences	19	121	141
Other	(7)	7	(0)
Balance as of March 31, 2022	332	1,883	2,215

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, 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
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	(10)	(10)
Write-offs	—	(30)	(30)
Foreign exchange differences	0	0	0
Balance as of March 31, 2022	2	17	19

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, 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
Reclassification to non-credit-impaired financial assets	645	(645)	—
Reclassification to credit-impaired financial assets	(429)	429	—
New financial assets and derecognized financial assets	3,720	(110)	3,610
Write-offs	(401)	(150)	(552)
Foreign exchange differences	6,779	105	6,885
Other	(460)	460	—
Balance as of March 31, 2022	102,745	2,266	105,012

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, 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
New financial assets and derecognized financial assets	(651)	(4)	(655)
Write-offs	(3)	(30)	(33)
Foreign exchange differences	207	5	212
Balance as of March 31, 2022	5,550	95	5,645

Of the financial assets that are written off, there were no financial assets for which collecting activities continued in the year ended March 31, 2021 and 2022.

d. Risk profile

The description of credit risk profiles by external credit ratings, etc., is as follows:

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

FY2021 (As of March 31, 2022)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	91,575	30	91,606
Within 30 days past due	8,296	8	8,305
31 to 60 days past due	1,308	9	1,317
61 to 90 days past due	656	9	665
Over 90 days past due	909	2,207	3,116
Total	102,745	2,266	105,012

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	5,521	79	5,600
Within 30 days past due	8	—	8
Over 90 days past due	20	15	35
Total	5,550	95	5,645

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	5,502
Rating A	5,110
Total	10,612

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2022 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:

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	1,205
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

FY2021 (As of March 31, 2022)

(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	71,247	71,247	71,247	―	―	―	―	―
Borrowings	40,827	40,869	20,134	20,134	―	―	200	400
Lease obligations	26,134	27,894	8,029	5,112	3,307	2,481	1,743	7,221
Other	2,192	2,192	194	235	185	342	73	1,160
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	1,489	1,489	1,489	―	―	―	―	―
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	81	81	18	63	―	―	―	―
Total	141,972	143,774	101,114	25,545	3,492	2,823	2,016	8,781

<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)

	FY2020 (Year ended March 31, 2021)		FY2021 (Year ended March 31, 2022)	
	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	(175)	(175)	(77)	(77)
EUR	328	328	217	217
GBP	(18)	(18)	(53)	(53)
CNY	23	23	38	38

<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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Profit before income taxes	1,910	1,679
Comprehensive income for the year (before tax effects)	1,910	1,679

<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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Comprehensive income for the year (before tax effects)	212	166

(3) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	191,002	167,915
Trade and other receivables	93,055	102,685
Other financial assets	19,561	23,246
Financial assets measured at FVTPL		
Other financial assets	3,616	4,906
Equity instruments measured at FVTOCI		
Other financial assets	21,254	16,656
Total	328,492	315,410
Liabilities:		
Lease obligations		
Other financial liabilities	26,349	26,134
Financial liabilities measured at amortized cost		
Trade and other payables	54,589	71,247
Bonds and borrowings	57,458	40,827
Other financial liabilities	2,297	2,192
Financial liabilities measured at FVTPL		
Other financial liabilities	4,536	1,571
Total	145,231	141,972

(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)

	FY2020 (As of March 31, 2021)		FY2021 (As of March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Other financial assets	19,561	19,557	23,246	23,215
Liabilities:				
Bonds and borrowings	57,458	57,420	40,827	40,744
Other financial liabilities	28,647	28,647	28,326	28,326

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 5.8x and 23.8x and between 0.7x and 2.9x, 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
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

FY2021 (As of March 31, 2022)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	1,081	3,825	4,906
Financial assets measured at FVTOCI				
Other financial assets	15,115	—	1,541	16,656
Total	15,115	1,081	5,366	21,562
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	1,571	—	1,571
Total	—	1,571	—	1,571

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.

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.

FY2021 (Year ended March 31, 2022)

(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, 2021	3,380	1,990	5,371
Total gains and losses	76	(604)	(527)
Profit or loss (Note 1)	76	—	76
Other comprehensive income (Note 2)	—	(604)	(604)
Purchase	1,072	155	1,227
Sale, etc.	—	—	—
Foreign exchange differences	42	0	42
Other	(748)	—	(748)
Balance as of March 31, 2022	3,825	1,541	5,366

(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, 2022 is ¥76 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.

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

FY2021 (As of March 31, 2022)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	—	23,215	—	23,215
Total	—	23,215	—	23,215
Liabilities:				
Bonds and borrowings	—	40,744	—	40,744
Other financial liabilities	—	28,326	—	28,326
Total	—	69,071	—	69,071

(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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Nidec Corporation	8,786	6,375
Zeon Corporation	4,183	3,225
Citizen Watch Co., Ltd.	577	795
Makita Corporation	745	629
Toho Gas Co., Ltd.	1,366	545
Other	5,595	5,085
Total	21,254	16,656

The breakdown of dividends received that are recognized from equity instruments is as follows:

(Millions of yen)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Financial assets held at the end of the period	198	231
Financial assets derecognized during the period	30	0

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)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Fair value	706	10
Cumulative gain or loss	226	(0)

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 ¥6,057 million and the amount of ¥(3,216) million for the years ended March 31, 2021 and 2022, 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, 2021 and 2022:

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.

FY2021 (As of March 31, 2022)

(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	107,845	(5,159)	102,685	—	102,685
Derivatives	1,081	—	1,081	58	1,022
Total	108,926	(5,159)	103,766	58	103,708

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	76,406	(5,159)	71,247	—	71,247
Derivatives	1,571	—	1,571	58	1,512
Total	77,977	(5,159)	72,818	58	72,759

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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Financial instruments measured at FVTPL (derivatives)	(74)	2,636
Financial instruments measured at FVTPL (other than derivatives) (Note)	773	681
Equity instruments measured at FVTOCI	229	232
Financial assets measured at amortized cost	523	623
Financial liabilities measured at amortized cost	(661)	(271)
Total	790	3,902

(Note) Net gains and losses arising on financial instruments other than derivatives measured at FVTOCI include interest income.

42. Significant Subsidiaries

(1) 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".

As a result of Nissei Corporation becoming a wholly-owned subsidiary during the consolidated fiscal year ended March 31, 2022, there is now no subsidiary of which the Company holds a significant non-controlling interest in the Group's consolidated financial statements.

Ownership ratio and voting rights ratio of the non-controlling interest	Profit allocated to the non-controlling interest	Accumulated amount attributable to the non-controlling interest
FY2020 (Year Ended March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (Year Ended March 31, 2021)
%	(Millions of yen)	(Millions of yen)
39.8	85	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)

	FY2020 (As of March 31, 2021)
Current assets	22,502
Non-current assets	22,923
Current liabilities	3,267
Non-current liabilities	364

(Millions of yen)

	FY2020 (Year ended March 31, 2021)
Revenue	14,911
Profit for the year	259
Comprehensive income for the year	455
Cash dividends paid to non-controlling interests	243
Net cash provided by operating activities	1,614
Net cash used in investing activities	2,913
Net cash used in financing activities	(659)
Net cash flow	3,867

(2) Change in ownership interest of parent in subsidiary not resulting in loss of control
FY2020 (Year ended March 31, 2021)

Not applicable.

FY2021 (Year ended March 31, 2022)

An outline of the transactions with non-controlling interests in conjunction with Nissei Corporation, which is a consolidated subsidiary, becoming a wholly-owned subsidiary is as follows.

(Millions of yen)

Consideration paid	16,715
Decrease in non-controlling interests	(16,845)
Other	20
Increase in capital surplus	149

43. Related Parties

(1) Related party transactions

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.

FY2021 (Year ended March 31, 2022)

(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	3,524	468
	Abeam Systems Corporation	Outsourcing of software developments	4,856	1,244

(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)

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Short-term employee benefits	300	396
Share-based payments	64	67
Total	365	463

44. Commitments

Commitments related to expenditures after the end of the reporting period are as follows:

(Millions of yen)

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Acquisition of property, plant and equipment	11,928	5,039
Acquisition of intangible assets	546	671
Acquisition of investment real estate	—	12
Total	12,475	5,723

45. Contingent Liabilities

Not applicable.

46. Subsequent Events

On April 1, the Company revised its internal management systems in part pursuant to its medium-term business strategy.
In conjunction with these changes, the Industrial Parts business, which had been included in the Machinery Business, was spun off as the Nissei Business, and the Industrial Printing Business, which had been included in the Others business segment, was consolidated with the Domino Business.
In addition, the presentation of reportable segments was modified in accordance with the medium-term strategy. As a result, the Printing & Solutions Business, Personal & Home Business, Machinery Business, Network & Contents Business, Domino Business, and Others business segments have been changed to the Printing & Solutions Business, Machinery Business, Domino Business, Nissei Business, Personal & Home Business,

Network & Contents Business, and Others business segments.
The Group’s revenue and results by reportable segment for the current consolidated fiscal year under the revised reportable segments are as follows.

(Millions of yen)

	Reportable segment						
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)
Revenue Customers Intersegment	424,247 —	90,543 —	84,731 —	20,749 —	49,995 —	29,552 —	11,119 13,680
Total	424,247	90,543	84,731	20,749	49,995	29,552	24,800
Segment profit or loss (indicated by parentheses)	59,754	12,579	5,162	1,376	8,072	(2,700)	370
Other revenue and other expenses	(331)	1	(854)	(27)	134	2,132	(105)
Operating profit or loss (indicated by parentheses) Finance income and finance expenses Profit/(loss) of investments accounted for using the equity method	59,422	12,580	4,307	1,349	8,207	(568)	264
Profit before income taxes							

(Millions of yen)

	Total	Adjustment Amount (Note 2)	Consolidated
Revenue Customers Intersegment	710,938 13,680	— (13,680)	710,938 —
Total	724,619	(13,680)	710,938
Segment profit or loss (indicated by parentheses)	84,614	(61)	84,552
Other revenue and other expenses	949	—	949
Operating profit or loss (indicated by parentheses) Finance income and finance expenses Profit/(loss) of investments accounted for using the equity method	85,563	(61)	85,501 740 186
Profit before income taxes			86,429

(Notes)
1) “Others” consists of real estate and other areas of business.
2) Reconciliation amount of minus 61 million yen for segment profit (operating profit) is for the elimination of intersegment transactions.

(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)	174,013	350,517	534,974	710,938
Quarter profit before income taxes or Profit before income taxes (Millions of yen)	26,734	51,576	76,775	86,429
Profit for the quarter (year) attributable to owners of the parent company (year) (Millions of yen)	18,618	36,812	54,252	61,030
Basic earnings per share (Yen)	71.62	141.61	208.70	234.89

Basic quarter earnings per share (Yen)	71.62	69.99	67.09	26.13

2. Financial statements
(1) Financial statements

Balance sheet

	Notes	Millions of yen FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Assets			
Current assets			
Cash and cash equivalents		18,663	25,450
Deposits paid to subsidiaries and associates	※2	1,996	4,145
Notes receivable		1,306	1,633
Accounts receivable	※2	28,586	40,185
Inventories	※1	12,272	16,232
Prepaid expenses		2,503	2,437
Consumption taxes receivable		3,622	3,757
Other current assets	※2	8,754	7,337
Allowance for doubtful accounts		—	(597)
Total current assets		77,706	100,582
Non-current assets			
Property, plant and equipment			
Buildings		17,538	19,052
Structures		1,157	1,184
Machinery and equipment		3,947	3,908
Vehicles		104	84
Tools, furniture and fixtures		4,450	6,204
Land		5,035	5,035
Construction in progress		1,918	4,432
Total property, plant and equipment		34,152	39,901
Intangible assets			
Software		7,699	8,470
Other intangible assets		1,748	1,695
Total intangible assets		9,447	10,166
Investments and other assets			
Investment securities		20,132	17,045
Shares of subsidiaries and associates		303,751	320,167
Investments in capital of subsidiaries and associates		22,759	22,759
Prepaid pension costs		6,236	5,695
Other		2,833	3,387
Allowance for doubtful accounts		(10)	(10)
Total investments and other assets		355,704	369,045
Total non-current assets		399,304	419,113
Total assets		477,011	519,696

	Notes	Millions of yen	
		FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Liabilities			
Current liabilities			
Accounts payable-Trade	※2	17,103	27,760
Deposits paid to subsidiaries and associates	※2	13,483	12,879
Short-term borrowings		6,769	9,283
Current portion of long-term borrowings		18,976	20,134
Accounts payable-Other	※2	4,840	4,199
Accrued expenses		9,215	10,202
Income taxes payable		3,777	11,737
Provision for bonuses		5,292	5,599
Provision for bonuses for directors (and other officers)		73	143
Provision for product warranties		305	188
Other current liabilities	※2	2,770	2,517
Total current liabilities		82,608	104,645
Non-current liabilities			
Long-term borrowings		38,974	19,997
Long-term accounts payable		233	297
Deferred tax liabilities		3,751	1,294
Asset retirement obligations		64	137
Long-term leasehold and guarantee deposits received		729	727
Other non-current liabilities		2,343	1,150
Total non-current liabilities		46,096	23,604
Total liabilities		128,704	128,250

	Notes	Millions of yen	
		FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Net assets			
Shareholders' equity			
Share capital		19,209	19,209
Capital surplus			
Legal capital surplus		16,114	16,114
Other capital surplus		—	3
Total capital surplus		16,114	16,118
Retained earnings			
Legal retained earnings		4,802	4,802
Other retained earnings			
Reserve for tax purpose reduction entry of non-current assets		3,721	3,513
General reserve		217,000	217,000
Retained earnings brought forward		79,472	128,496
Total retained earnings		304,996	353,812
Treasury shares		(2,730)	(5,681)
Shareholders' equity		337,590	383,458
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		9,651	6,863
Total valuation and translation adjustments		9,651	6,863
Share acquisition rights		1,064	1,124
Total net assets		348,306	391,445
Total liabilities and net assets		477,011	519,696

Statement of income

	Notes	Millions of yen	
		FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Net sales	※2	345,317	417,368
Cost of sales	※2	251,447	309,915
Gross profit		93,870	107,452
Selling, general and administrative expenses	※1、2	65,395	74,073
Operating profit		28,474	33,378
Non-operating income			
Interest and dividend income	※2	27,306	45,926
Foreign exchange gains		252	—
Gain on valuation of derivatives		—	1,320
Others	※2	807	1,208
Total non-operating income		28,366	48,456
Non-operating expenses			
Interest expenses	※2	673	426
Exchange loss		—	1,537
Loss on valuation of derivatives		335	—
Provision of allowance for doubtful accounts		—	597
Others	※2	551	442
Total non-operating expenses		1,560	3,003
Ordinary profit		55,281	78,831
Extraordinary income			
Gain on sales of non-current assets	※2	368	14
Gain on sales of investment securities		325	—
Gain on liquidation of investment securities		—	83
Total extraordinary income		693	98
Extraordinary losses			
Loss on sales non-current assets		—	3
Loss on disposal of non-current assets		537	205
Loss on valuation of shares of subsidiaries and associates		—	299
Loss on sales of investment securities		30	—
Loss on valuation of investment securities		68	9
Total extraordinary losses		637	518
Profit before income taxes		55,337	78,411
Income taxes -current		7,102	14,426
Income taxes - deferred		(773)	(1,228)
Total income taxes		6,328	13,197
Profit		49,008	65,213

Statement of changes in equity

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus	Retained earnings				Treasury shares
		Legal capital surplus	Legal retained earnings	Other retained earnings			
				Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
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

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Treasury shares
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings			
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance as of March 31, 2021	19,209	16,114	—	4,802	3,721	217,000	79,472	(2,730)
Changes of items during the period								
Dividends of surplus							(16,397)	
Reversal of reserve for tax purpose reduction entry of non-current assets					(207)		207	
Profit							65,213	
Acquisition of treasury shares								(3,005)
Disposal of treasury shares			3					54
Net changes in items other than shareholders' equity								
Total changes during the period	—	—	3	—	(207)	—	49,023	(2,951)
Balance as of March 31, 2022	19,209	16,114	3	4,802	3,513	217,000	128,496	(5,681)

(Millions of yen)

	Shareholders' equity	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2021	337,590	9,651	9,651	1,064	348,306
Changes of items during the period					
Dividends of surplus	(16,397)				(16,397)
Reversal of reserve for tax purpose reduction entry of non-current assets	—				—
Profit	65,213				65,213
Acquisition of treasury shares	(3,005)				(3,005)
Disposal of treasury shares	57				57
Net changes in items other than shareholders' equity		(2,788)	(2,788)	60	(2,727)
Total changes during the period	45,867	(2,788)	(2,788)	60	43,139
Balance as of March 31, 2022	383,458	6,863	6,863	1,124	391,445

【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 other than those without a market value, etc.
The market value method is used (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, etc.
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 and amortization 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 uncollectible 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) Standards for Revenue and Expense Recognition

The Company 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 Company mainly sells printers, communication/printing equipment (such as multifunctional machines), domestic sewing machines, industrial sewing machines, machine tools, commercial online karaoke systems, as well as industrial printing equipment. For sales of such products, the performance obligation is satisfied upon delivery as the customer obtains control over the products at that point in time. Therefore, the revenue is 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, as the performance obligations relating to these services are generally satisfied with the passage of time. For those items that satisfy the requirements of paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, revenue is recognized at the time of shipment.

Also, revenue is measured based on the consideration promised in a contract with a customer, less discounts, rebates, returns and other items.

6) 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) Application of consolidated taxation system

The Company applies the consolidated taxation system.

(3) Application of tax effect accounting in relation to the transition from the consolidated taxation system to the group tax sharing system.

The Company will transition from a consolidated taxation system to a group tax sharing system as of the following fiscal year. With respect to the transition to a group tax sharing 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 under 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.

The Company plans to apply the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No. 42, August 12, 2021), which specifies the accounting treatment and disclosure of corporate taxes, local corporate taxes, and tax effect accounting in cases where the group tax sharing system is applied as of the beginning of the following fiscal year.

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	Previous Fiscal Year (Millions of yen)	Current Fiscal Year (Millions of yen)
(Balance Sheet) Shares of subsidiaries and associates	195,579	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 financial statements.

Changes in accounting policies
(1) Application of the Accounting Standard on Recognition of Revenue
The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised March 31, 2020); referred to as the “Revenue Recognition Standard”) was applied as of the beginning of the current fiscal year. In accordance with such application, revenue is recognized at the time of transfer of control over promised goods or services to the customer in the amount expected to be received in exchange for those goods or services.
With regard to application of the Revenue Recognition Standard, the Company complied with the provisional measures specified in the proviso to Paragraph 84 of the Revenue Recognition Standard, whereby the cumulative effect of retroactive application of new accounting policies prior to the beginning of the current fiscal year is added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied starting from initial balance. However, the new accounting policy was not applied retroactively to contracts to which the method stipulated in Paragraph 86 of the Revenue Recognition Standard was applied and for which almost the entire amount of revenue was recognized in accordance with the previous treatment prior to the beginning of the current fiscal year.
Also, sales promotion expenses and the like paid as consideration by the Company to customers by identifying performance obligations under contracts with customers were treated as selling, general and administrative expenses as in the past and were deducted from net sales starting this fiscal year.
As a result, net sales for the fiscal year decreased by 2,023 million yen, the cost of sales decreased by 22 million yen, selling, general and administrative expenses decreased by 1,989 million yen, and operating profit, recurring profit, and profit before income taxes each decreased by 11 million yen. There was no impact on the balance of retained earnings at the beginning of the fiscal year.
(2) Application of the Accounting Standard for Fair Value Measurement.
The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; referred to as the “Fair Value Measurement Standard” since the beginning of the current fiscal year and will prospectively apply the new accounting policies specified in the Fair Value Measurement Standard in accordance with Paragraph 19 of the Fair Value Measurement Standard and the provisional measures specified in paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised July 4, 2019).
This change did not have any impact on the financial statements.

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.
Measures such as vaccines are being considered and economic activity is on a recovery trend, but we do not

know when the global semiconductor shortage will be resolved and the supply shortage is likely to continue, and there is a high possibility that sea freight will continue to rise due to port congestion and imbalance between supply and demand.

Due to these differences and other reasons, the uncertainty over the Company's future business activities continues.

The Company has made forecasts and determinations based on forecasts with the assumption that these conditions will continue to affect business results throughout the following fiscal year, and there may be material impacts on the financial statements in the next and subsequent fiscal years depending on actual results.

Notes to balance sheet

(※1) The breakdown of inventories is as follows:

	Millions of yen	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Merchandise and finished goods	2,821	4,731
Work in process	1,921	2,453
Raw materials and supplies	7,529	9,046
Total	12,272	16,232

(※2) Receivables and debts to affiliated companies

	Millions of yen	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Short term receivables	34,135	43,534
Short term debts	36,689	46,818

Notes to statement of income

(※1) The approximate ratio of expenses belonging to selling expenses is 30% in the previous fiscal year and 43% in the current fiscal year. The approximate ratio of expenses belonging to general and administrative expenses is 70% in the previous fiscal year and 57% in the current fiscal year.

The main items and amounts of selling, general and administrative expenses are as follows:

Millions of yen

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Provision for product warranties	—	△111
Salary / Bonus	10,314	10,051
Provision for bonuses	2,410	2,529
Retirement benefit expenses	1,313	1,154
Provision for bonuses for directors (and other officers)	73	143
Depreciation	4,355	4,578
Commission expenses	6,743	6,967
License fee	6,834	7,572

(※2) Items related to transactions with affiliated companies are included as follows:

Millions of yen

	FY2020 (Year ended March 31, 2021)	FY2021 (Year ended March 31, 2022)
Transaction volume from business transactions		
Net sales	304,547	360,217
Purchase of goods	198,827	241,451
Other operating expenses	11,770	13,910
Transaction volume other than business transactions	34,650	56,245

Notes to securities

1. Shares of subsidiaries and associates

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	FY2020 (As of March 31, 2021)
Shares of subsidiaries	286,963
Shares of associates	1,098

These are not included in the "subsidiary stocks and affiliated company stocks" in the above table because there are no market prices and it is extremely difficult to determine market prices.

FY2021 (As of March, 31 2022)

(Millions of yen)

	Book Value	Market Value	Difference
Shares of subsidiaries	—	—	—

(※) Amounts of shares and the like for which there are no market prices not included in the above that are reported on the balance sheet.

(Millions of yen)

Classification	FY2021 (As of March 31, 2022)
Shares of subsidiaries	319,069
Shares of associates	1,098

2. Impaired securities
FY2020(As of March,31 2021)
Not applicable.

FY2021(As of March,31 2022)
Disclosure is omitted as it is immaterial.

When impairing the stock of subsidiaries and affiliated companies that have no market values, impairment is performed in cases where the substantial value of the stocks at the end of the period has dropped 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	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Deferred tax assets		
Loss on valuation of investment securities	8,416	8,523
Provision for bonuses	1,619	1,713
Depreciation and amortization	1,526	1,661
Contribution of securities to retirement benefit trust	720	720
Accrued enterprise tax	327	645
Accrued expenses	429	410
Accounts payable	415	375
Loss on valuation of inventories	349	329
Product warranty	93	28
Other temporary differences	728	1,475
Deferred tax assets subtotal	14,625	15,882
Valuation allowance	(8,487)	(8,777)
Valuation allowance subtotal	(8,487)	(8,777)
Total deferred tax assets	6,137	7,105
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(3,804)	(2,574)
Retirement benefit trust refund securities	(2,464)	(2,464)
Prepaid pension costs	(1,908)	(1,742)
Reserve for tax purpose reduction entry of non-current assets	(1,640)	(1,549)
Other temporary differences	(71)	(68)
Total deferred tax liabilities	(9,889)	(8,399)
Net deferred tax liabilities	(3,751)	(1,294)

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

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Statutory tax rate	30.60%	30.60%
(Adjustment)		
Dividend income, etc. Amount that is not permanently included in profits	(14.31%)	(17.06%)
Transfer pricing adjustment	(2.74%)	5.28%
Research and development expenses tax credit	(2.64%)	(2.52%)
Withholding taxes on distributions	0.77%	0.71%
Increase / decrease in valuation allowance	(0.02%)	0.37%
Deemed direct foreign tax credit	(0.18%)	(0.26%)
Items that are not permanently deducted, such as entertainment expenses	0.15%	0.23%
Others	(0.19%)	(0.52%)
Income tax burden rate after tax effect accounting is applied	11.44%	16.83%

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.

Notes to revenue recognition

(Information that serves as the basis for understanding revenue from contracts with customers)
As discussed in "Reporting standards for revenue and costs" under "Significant Accounting Policies."

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	55,076	*1 3,742	346	2,202	58,472	39,420
	Structures	3,673	198	94	158	3,777	2,593
	Machinery and equipment	23,813	1,154	1,770	1,097	23,198	19,290
	Vehicles	487	41	113	36	416	331
	Tools, furniture and fixtures	74,642	*2 6,134	*3 3,158	4,370	77,618	71,413
	Land	5,035	—	—	—	5,035	—
	Construction in progress	1,918	*4 5,638	*5 3,124	—	4,432	—
	Total	164,648	16,909	8,607	7,865	172,950	133,049
Intangible assets	Software	51,875	*6 4,586	907	3,808	55,555	47,084
	Others	13,634	*7 2,605	*8 2,479	180	13,760	12,065
	Total	65,510	7,192	3,386	3,988	69,315	59,149

(※)1 Main changes in the current period

*1 Construction of Minato warehouse	¥1,717million
Construction of Heiwa dormitory	¥995million
Headquarters sash replacement	¥201million
*2 Acquisition of mold	¥5,132 million
*3 Disposal of mold	¥2,591 million
*4 Construction of Hoshizaki factory	¥3,109 million
Construction of Minato warehouse	¥1,361 million
Construction of Heiwa dormitory	¥674 million
*5 Transfer of Minato warehouse	¥1,717 million
Transfer of Heiwa dormitory	¥995 million
*6 Acquisition of outsourced development software	¥2,109 million
Transfer of in-house software	¥1,532 million
Transfer of outsourced development software	¥440 million
*7 Acquisition of in-house software	¥1,600 million
*8 Transfer of in-house software	¥1,532 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	597	—	607
Provision for bonuses	5,292	5,599	5,292	5,599
Provision for bonuses for directors (and other officers)	73	143	73	143
Provision for product warranties	305	166	283	188

(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, 2021 to the filing date of Annual Securities Report.

   (1) Annual Securities Report, Attached Documents, and Confirmation Letter
   Business term (129th): From April 1, 2020 to March 31, 2021
   Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021

   (2) Internal Control Report and Attached Documents
   Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021

   (3) Quarterly Report and Confirmation Letter
   First quarter of 130th business term (from April 1, 2021 to June 30, 2021)
   Filed with the Director-General of the Kanto Local Finance Bureau on August 11, 2021
   Second quarter of 130th business term (from July 1, 2021 to September 30, 2021)
   Filed with the Director-General of the Kanto Local Finance Bureau on November 11, 2021
   Third quarter of 130th business term (from October 1, 2021 to December 31, 2021)
   Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2022

   (4) Extraordinary Reports
   Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 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 (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 the Director-General of the Kanto Local Finance Bureau on June 24, 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 (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).

   (5) Revised extraordinary report
   Filed with the Director-General of the Kanto Local Finance Bureau on July 21, 2021
   A revision to the extraordinary report filed on June 24, 2021 (issuance of share options to Company Directors and Executive Officers)

   (6) Reports on the Status of Treasury Shares
   Reporting period (from February 1, 2022 to February 28, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on March 4, 2022
   Reporting period (from March 1, 2022 to March 31, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on April 5, 2022
   Reporting period (from April 1, 2022 to April 30, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on May 9, 2022
   Reporting period (from May 1, 2022 to May 31, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on June 3, 2022

Part II Information about Reporting Company's Guarantor, etc.

Not applicable.

(TRANSLATION)

Independent Auditor's Report

June 20, 2022

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, 2022, 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, 2021 to March 31, 2022, 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, 2022, 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, 2022 was JPY 79,366 million or 9.8% of total assets on the consolidated statement of financial position, and included the goodwill relating to the acquisition of DPS in the amount of JPY 78,898 million. The Group describes the assumptions used in the goodwill impairment test of the Domino business in Note 17 to the consolidated financial statements. When performing the 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 Kingdom, which is where DPS located. The applied growth rates for subsequent years in the business plan are based on the long-term growth of the world economy and are adjusted in consideration of the uncertainty of future market growth, causing the applied growth rates to decline proportionally. As stated, we determined that the accounting estimates for the goodwill impairment test include uncertainties and require managements' judgements. Considering the quantitative significance as well as qualitative significance, we identified the valuation of goodwill in the Domino business as a key audit matter.	Our audit procedures to test the valuation of goodwill in the Domino business included the following, among others: ● We evaluated the effectiveness of controls over the estimation process of 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 then 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, 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, we evaluated the valuation method and appropriateness of the assumptions used by management in assessing the discount rate. In addition, we performed sensitivity analyses on the discount rate used by management. ● When evaluating management's method of reflecting uncertainties to the growth rates for subsequent years, we assessed the consistency between the growth rates for subsequent years and available external data with the assistance of our valuation specialists.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, 2022.

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, 2022, 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 20, 2022

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, 2022, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 130th fiscal year from April 1, 2021 to March 31, 2022, 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, 2022, 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, Shares of subsidiaries and associates as of March 31, 2022 was JPY 320,167 million or 61.6% 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. Considering the quantitative significance as well as qualitative 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.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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