Annual Securities Report

(The 131st Fiscal Term)
from April 1, 2022 to March 31, 2023

BROTHER INDUSTRIES, LTD.

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

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Fiscal year	The 131st Fiscal Term (from April 1, 2022 to March 31, 2023)
Company name	Brother Kogyo Kabushiki Kaisha
Company name in English	BROTHER INDUSTRIES, LTD.
Title and name of representative	Representative Director & President Ichiro Sasaki
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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)				
		127th fiscal term	128th fiscal term	129th fiscal term	130th fiscal term	131st fiscal term
Fiscal year end		March, 2019	March, 2020	March, 2021	March, 2022	March, 2023
Revenue	(Millions of yen)	683,972	637,259	631,812	710,938	815,269
Profit before tax	(Millions of yen)	72,274	67,046	42,944	86,429	56,953
Profit for the year attributable to owners of the parent company	(Millions of yen)	53,902	49,566	24,520	61,030	39,082
Comprehensive income attributable to owners of the parent company	(Millions of yen)	45,115	19,729	69,219	97,231	59,896
Equity attributable to owners of the parent company	(Millions of yen)	424,759	428,520	483,050	561,146	596,619
Total assets	(Millions of yen)	708,604	731,472	743,896	811,149	850,486
Owners' equity per share	(Yen)	1,635.22	1,649.22	1,858.28	2,170.46	2,334.34
Basic earnings per share for the year	(Yen)	207.54	190.80	94.36	234.89	152.67
Diluted earnings per share for the year	(Yen)	206.90	190.21	94.07	234.18	152.22
Ratio of owners' equity to gross assets	(%)	59.9	58.6	64.9	69.2	70.2
Rate of return on equity attributable to owners of the parent company	(%)	13.1	11.6	5.4	11.7	6.8
Price-earnings ratio	(Times)	9.9	8.7	26.0	9.5	13.0
Net cash provided by (used in) operating activities	(Millions of yen)	73,280	87,748	109,265	72,254	14,432
Net cash provided by (used in) investing activities	(Millions of yen)	(22,624)	(27,955)	(25,080)	(40,781)	(32,198)
Net cash provided by (used in) financing activities	(Millions of yen)	(39,040)	(14,916)	(74,038)	(65,191)	(36,638)
Cash and cash equivalents at the end of year	(Millions of yen)	131,152	168,422	191,002	167,915	119,042
Number of employees [Excluding average number of temporary employees]	(Number of persons)	37,769 [5,907]	37,697 [4,672]	38,741 [5,441]	41,215 [4,553]	41,653 [3,272]

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		127th fiscal term	128th fiscal term	129th fiscal term	130th fiscal term	131st fiscal term
Year end		March, 2019	March, 2020	March, 2021	March, 2022	March, 2023
Net sales	(Millions of yen)	401,366	344,452	345,317	417,368	463,063
Recurring profit	(Millions of yen)	48,818	41,455	55,281	78,831	27,348
Profit for the year	(Millions of yen)	40,548	35,283	49,008	65,213	28,088
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	257,755,930
Net assets	(Millions of yen)	290,531	308,364	348,306	391,445	394,232
Total assets	(Millions of yen)	472,924	491,675	477,011	519,696	523,824
Net assets per share	(Yen)	1,113.10	1,181.12	1,334.14	1,507.76	1,536.40
Amount of dividends per share (Amount of interim dividend per share included in the above)	(Yen)	60.00 (30.00)	60.00 (30.00)	60.00 (27.00)	64.00 (30.00)	68.00 (34.00)
Profit per share for the period	(Yen)	155.91	135.64	188.34	250.67	109.58
Profit per share for the period after adjustment for potential shares	(Yen)	155.44	135.22	187.76	249.91	109.26
Equity ratio	(%)	61.2	62.5	72.8	75.1	75.1
Rate of return on equity	(%)	14.6	11.8	15.0	17.7	7.2
Price-earnings ratio	(Times)	13.1	12.2	13.0	8.9	18.2
Payout ratio	(%)	38.5	44.2	31.9	25.5	62.1
Number of employees [Excluding average number of temporary employees]	(Persons)	3,865 [487]	3,800 [402]	3,803 [385]	3,867 [459]	3,890 [516]
Total shareholder return (Comparison indicator: Tokyo Stock Price Index (including dividends))	(%) (%)	85.2 (95.0)	71.7 (85.9)	106.3 (122.1)	100.3 (124.6)	93.2 (131.8)
Highest stock price	(Yen)	2,539	2,364	2,592	2,622	2,690
Lowest stock price	(Yen)	1,517	1,380	1,530	1,916	1,881

Notes

1. The Highest and lowest stock price are those recorded on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 and on the First Section of the Tokyo Stock Exchange before that date.
2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied since the beginning of the 130th fiscal term, and key financial data for the 130th fiscal term and later 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
February 2022	NISSEI CORPORATION became a wholly-owned subsidiary as a result of a tender offer for shares
April 2022	Brother Group Vision “At your side 2030” launched

April 2022	BROTHER INDUSTRIES, LTD shares transferred from the First Section to the Prime Market of the Tokyo Stock Exchange in conjunction with a reorganization of market categories
May 2022	CS B2024— Medium-term business strategy “Take off towards our new future” formulated
September 2022	BROTHER INDUSTRIES (VIETNAM) LTD. received the Gold certification from the Responsible Business Alliance (RBA), a first for the Brother Group

3. Description of business

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the "Company" or “Brother”) and its affiliated companies (the "Group") operates seven main businesses, consisting of the Printing & Solutions Business, Machinery Business, Domino Business, Nissei Business, Personal & Home Business, Network & Contents 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 seven 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.

From this fiscal year, the reporting segment categories have been changed and are 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, BROTHER MACHINERY INDIA PRIVATE LTD. was established and added to the scope of consolidation. In addition, BROTHER INDUSTRIES TECHNOLOGY (Malaysia) SDN. BHD. was liquidated and BROTHER MACHINERY VIETNAM CO., LTD. was acquired and absorbed by BROTHER INDUSTRIES (VIETNAM) LTD., and both companies were removed from the scope of consolidation.

Business	Details of Principal Business Activities
Printing & Solutions Business	Manufacture and sale of printers, All-in-Ones, label printers, label writers, and scanners
Machinery Business	Manufacture and sale of machine tools, industrial sewing machines, and garment printers
Domino Business	Manufacture and sale of industrial printing equipment
Nissei Business	Manufacture and sale of reducers and gears and leasing of real estate
Personal & Home Business	Manufacture and sale of home sewing machines
Network & Contents Business	Manufacture, sale, and leasing of commercial online karaoke systems, provision of content services, and operation of karaoke clubs
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	Machinery Business	Domino Business	Nissei Business	Personal & Home Business	Network & Contents 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 INDUSTRIES, LTD. BROTHER INTERNATIONAL CORPORATION (U.S.A.) BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH BROTHER MACHINERY SHANGHAI LTD. BROTHER MACHINERY (ASIA) LTD. and others	DOMINO U.K. LTD. DOMINO AMJET INC. and others	NISSEI CORPORATION 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	XING 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	BROTHER INDUSTRIES, LTD. BROTHER MACHINERY XIAN CO., LTD. and others	DOMINO U.K. LTD. DOMINO AMJET INC. and others	NISSEI CORPORATION and others	TAIWAN BROTHER INDUSTRIES, LTD. BROTHER INDUSTRIES SAIGON, LTD. and others	BROTHER INDUSTRIES, LTD. and others
R&D	BROTHER INDUSTRIES, LTD.	BROTHER INDUSTRIES, LTD.	BROTHER INDUSTRIES, LTD. DOMINO U.K. LTD. and others	NISSEI CORPORATION	BROTHER INDUSTRIES, LTD.	BROTHER INDUSTRIES, LTD. XING INC

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.		Details of relationship		
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)	Provision of loans	Business transactions	Leasing of equipment
(Consolidated Subsidiaries)										
BROTHER INTERNATIONAL CORPORATION (U.S.A.) *1	Somerset, New Jersey, U.S.A.	U.S. dollars 7,034,000	P&S, Machinery Nissei, P&H	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, Nissei	-	100.0	1	1	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	-	-	3	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.	Same as above	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	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 INDUSTRIES (U.K.) LTD. *1	Wrexham, Wales, United Kingdom	British pounds 9,700,000	P&S	100.0	-	1	1	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	-	-	5	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	-	1	3	No	Manufacture of Brother products	Yes
BROTHER INTERNATIONAL (HK) LTD.	New Territories, 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	-	-	1	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	-	-	3	No	Sales of Brother products	No
BROTHER INDUSTRIES (VIETNAM) LTD. *1	Hai Dung Province, Vietnam	U.S. dollars 121,000,000	P&S	100.0	-	2	5	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	2	3	No	Manufacture of Brother products	No
BROTHER MACHINERY INDIA PRIVATE LTD.*1	Bengaluru, India	Indian rupees 793,110,000	Machinery	100.0	0.0	-	3	No	Sales of Brother products	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)			
BROTHER MACHINERY SHANGHAI LTD.	Shanghai, China	Renminbi 50,000,000	Machinery	-	100.0	-	5	No	Sales of Brother products	No
BROTHER INDUSTRIES SAIGON, LTD. *1	Dong Nai Province, Vietnam	U.S. dollars 28,000,000	P&H	100.0	-	-	4	No	Manufacture of Brother products	Yes
BROTHER INDUSTRIES (PHILIPPINES), INC. *1	Batangas Province, Philippines	Philippine pesos 6,763,400,000	P&S	100.0	-	2	3	No	Manufacture of Brother products	Yes
NISSEI GEAR MOTOR MFG. (CHANGZHOU) CO., LTD.	Changzhou City, Jiansu Province, China	U.S. dollars 17,200,000	Nissei	-	100.0	-	-	No	No	No
BROTHER INTERNATIONAL CORPORATION *1	Mizuho-ku, Nagoya	Millions of yen 630	P&S, P&H	100.0	-	-	3	No	Sales of Brother products	Yes
BROTHER REAL ESTATE. LTD.	Mizuho-ku, Nagoya	Millions of yen 300	Other (Real estate industry)	100.0	-	-	2	No	Management of BIL real estate	Yes
XING INC. *1	Mizuho-ku, Nagoya	Millions of yen 7,122	N&C	100.0	-	-	4	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	Nissei	100.0	-	-	3	No	Manufacturing outsourcing and purchasing Brother parts	No
STANDARD CORP.	Minato-ku, Tokyo	Millions of yen 90	N&C	-	100.0	-	-	No	No	No
65 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	- [22.3]	-	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)	207,652	126,120
Income before tax (Millions of yen)	2,723	12,239
Profit for the year (Millions of yen)	1,840	10,754
Total equity (Millions of yen)	88,760	40,817
Total assets (Millions of yen)	126,459	63,630

5. Employees

(1) Information about group

As of March 31, 2023

Segment titles	Number of employees	
Printing & Solutions	28,031	[2,521]
Machinery	1,869	[332]
Domino	3,240	[135]
Nissei	928	[116]
Personal & Home	2,617	[54]
Network & Contents	3,231	[20]
Other	1,004	[66]
Corporate (shared)	733	[28]
Total	41,653	[3,272]

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 consolidated 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 Personal & Home Business decreased by 1,027 compared to the previous consolidated fiscal year; the main reason for the decrease was a change in production volume.

(2) Information about reporting company

As of March 31, 2023

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
3,890 [516]	43.5	14.5	7,843,066

Segment titles	Number of employees
Printing & Solutions	2,075 [186]
Machinery	786 [244]
Domino	158 [32]
Personal & Home	240 [22]
Network & Contents	42 [4]
Other	61 [10]
Corporate (shared)	528 [18]
Total	3,890 [516]

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 (15) but excluding employees seconded to other companies (324).
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, 2023, membership was 2,671 employees (including 57 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, 2023, membership was 322 employees.

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

(4) Percentage of female workers in managerial posts, percentage of male workers taking childcare leave, and wage difference between male and female workers

Current Fiscal Year						
Company	Percentage of female workers in managerial posts (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 4)		Wage difference between male and female workers (%) (Note 1, 5)		
				All workers	Fulltime workers	Part-time & fixed term workers
Reporting company	6.0	67.0	(Note 2)	72.9	70.6	82.1
BROTHER SALES, LTD.	3.5	66.7	(Note 3)	64.8	67.0	78.9
NISSEI CORPORATION	2.9	21.4	(Note 3)	57.2	67.8	39.1
XING INC.	4.6	28.5	(Note 2)	65.7	70.0	39.1
STANDARD CORP.	4.4	0.0	(Note 2)	61.7	81.6	92.9
BETOP STAFF, LTD.	25.0	0.0	(Note 3)	72.6	73.1	69.4

Notes

1. Calculated in accordance with the Act on the Promotion of Women’s Active Engagement in Professional Life (Act No. 64 of 2015).
2. The rate of taking childcare leave specified in Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No, 76 of 1991).
3. The Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No, 76 of 1991) does not require disclosure, but when calculating indicators, the rate of taking childcare leave specified in Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated.
4. With regard to the percentage of male workers who take childcare leave, the numbers of subject workers at each company are as follows:
   Reporting company, 63; BROTHER SALES, LTD., 12; NISSEI CORPORATION, 14;
   XING INC., 7; STANDARD CORP., 1; BETOP STAFF, LTD., 1
5. The disparity in wages between male and female workers is due to differences in job rank and composition of workers by job type. There are no differences in wage structures or systems based on sex.

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, 2023).

(1) Brother Group Vision "At your side 2030"

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 due to customers altering their purchasing behavior in response to the increasing pace of digitalization and automation, changes in society resulting from the COVID-19 pandemic, and the emergence of geopolitical risks.

In order to grow sustainably in the midst of these major environmental changes, the Brother Group formulated a new Group Vision, entitled "At your side 2030" and launched it in FY2022.

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 follows: "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 (from FY2022 to FY2024)

In 2022, the Brother Group formulated the CS B2024 Medium-Term Business Strategy by backcasting from the Group Vision "At your side 2030" and identified issues to be addressed in the first three years in order to achieve the Group Vision. 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 the theme "Take off towards our new future" in the CS B2024, the Brother Group is undertaking business portfolio transformation, including expansion 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

The Group is pursuing 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.

In FY2022, despite the impact of shortages of semiconductors and other materials, sales to the automobile, mainly EV[*1] related, and general machinery markets grew steadily. In order to achieve further growth, we have positioned China, India, and Japan as priority areas, and are strengthening our sales and service infrastructure by opening new bases and annexing showrooms to existing bases. In terms of manufacturing, we are working to improve productivity at our manufacturing sites in Japan and have decided to build a new factory in India in order to deliver products with shorter delivery times to customers in the Indian market, which is expected to grow significantly in the future. In terms of products, we are focusing on the development of products with improved productivity and environmental performance. In FY2022, we were expanding our product lineup by launching seven new models, including Brother's first simultaneous 5-axis machining center[*2] and multi-face machining center.[*3]

- Accelerate growth in the Domino business

The Group is accelerating growth in the Domino business by continuously introducing new products and enhancing the product lineup in the coding and marking area. In the digital printing area, we are enhancing product strength and actively engage in sales and marketing activities such as resuming participation in exhibitions, which was restricted during the COVID-19 pandemic. For the business overall, we are accelerating growth by increasing customer experience value through stronger ties with customers and reinforce the foundations of industrial inkjet technologies to ensure long-term competitiveness.

2 Towards transformation in the Printing area

- Accelerate P&S business model transformation

We are striving to further strengthen the profitability of existing businesses even amid the harsh market environment. At the same time, we are promoting 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.

With regard to the transformation of printing business models, the Group launched a flat-rate subscription service for the SOHO market in Europe in FY2022 following the earlier introduction in the United States. We are also undertaking a variety of initiatives including introduction of a new printing business model for inkjet All-in-Ones in China, that uses a mobile app on a smartphone or other device to charge users only for the number of pages needed.

3 Towards the business portfolio of the future

- Create new businesses that help to address materialities

We are searching 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 as its core, and expansion of its range of applications

We are advancing the evolution of printing technology with inkjet as its core and expand its range of applications in both the industrial and consumer areas. In FY2022, we developed a latex wide-format printer for sign and display applications, a new area of the industrial printing field for Brother. We are also reinforcing our inkjet production foundation by constructing a new factory building at the Hoshizaki Factory (located in Nagoya City, Aichi Prefecture), which produces inkjet heads and other related components.

4 Management foundation transformation for a sustainable future

- Undertake environmental efforts towards carbon neutrality

We are promoting efforts towards achieving targets for CO_2 emissions reduction, resource circulation, and biodiversity conservation stated in the Brother Group Environmental Vision 2050. In particular, we are reducing CO_2 emissions through various measures to achieve carbon neutrality in the Brother Group’s business activities by 2050. For details, refer to “2. Approach to and initiatives relating to sustainability.”

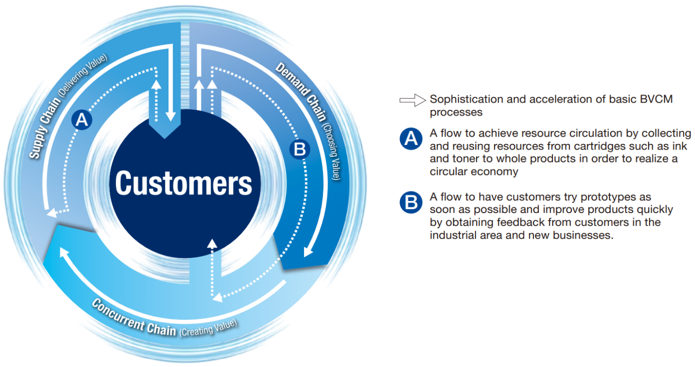
- Enhance and expand connections with customers by promoting DX

The Brother Group is promoting DX to connect with large numbers of customers and continuously provide more value than ever before. Brother’s DX strategy comprises three pillars: business DX, operational DX, and DX infrastructure building. The objective of business DX is to directly connect with customers by using data and provide additional value to customers. By analyzing data, we are digitally transforming business models and business processes in each business and accelerating the creation of new business. In the area of operational DX, we learned lessons from our experiences with supply chain disruptions due to the COVID-19 pandemic and geopolitical risks, and are taking action to create connected factories, visible factories and never-stop factories, and to build a resilient and sustainable supply chains as our highest priority. To implement business DX and operational DX, we are building data utilization foundations and developing DX human resources as DX infrastructure. The Company is developing DX core human resources who can drive business DX in each business segment as digital technology experts as well as digitalization promotion leaders who drive increases in business efficiency and digitalization in each department and is educating all employees so that they can acquire fundamental knowledge concerning DX. We believe that the development of DX human resources will not only expand value provided to customers, but also contribute to employee growth and improvement of employee engagement.

- Foundation for all transformations

As a cornerstone of transformation, the Group is continuously evolving Brother Value Chain Management (BVCM),[*4] Brother's unique management system, encouraging employees to take on challenges, and improving employee engagement to continue enhancing the productivity and creativity of the Brother Group itself.

To evolve BVCM, we are promoting the development of systems for recovering and recycling products with the aim of creating a circular economy as well as sophisticating and accelerating fundamental processes. In industrial areas, we obtain feedback from customers during the development stage and take actions to promptly improve products.



For information concerning employee engagement, refer to "2. Approach to and initiatives relating to sustainability."

◆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 are promoting group-wide efforts to address them as management challenges.

Materiality		Targets for FY2024	FY2022 Results
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	- Launched a total of seven new models in the SPEEDIO series, boasting high environmental performance and productivity
		In P&S business, build platform to connect directly with customers towards improving LTV[*5] of customers	- Strengthened efforts to connect interactively with customers, including subscription services in each region
	Realizing a diverse and active society	Visualize employee engagement at the global level and improve engagement survey scores	- Conducted employee engagement survey[*6]
		Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan	- Identified the current status of HR policies and issues at major facilities outside Japan
		Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working[*6]	- Expanded Program to Develop Female Managerial Candidates*[6]

	Pursuing a responsible value chain	Expand the scope and subjects of human rights risk assessment on suppliers	- Expanded the number of businesses and suppliers covered in supply chain human rights due diligence on primary suppliers - Conducted ongoing Conflict Minerals Survey
		Attain RBA[*7] Gold certification for three Group manufacturing facilities	- Received RBA Gold Certification at the Vietnam Factory[*8] as a first facility in the Group
Protect the earth	Reducing CO_2 emissions	[Scope 1 and 2[*9]] 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[*9]] Take measures to reduce 150,000 tons through own effort Ref.) FY2030 target: 30% reduction from the FY2015 level	- [Scope 1,2] Implemented energy-saving and energy creating measures such as more efficient use of electricity and introduction of solar power generation, and expect to achieve the reduction target for FY2022 - [Scope 3, Resource Circulation] Implemented measures centered on improving energy efficiency of new products as planned, and consider additional measures for FY2023
	Circulating resources	Achieve ratio of virgin materials used in products of 81% or less Ref.) FY2030 target: below 65%	- Expect to achieve target for FY2022 by implementing measures such as using recycled materials in some products and changing to recyclable cushioning materials

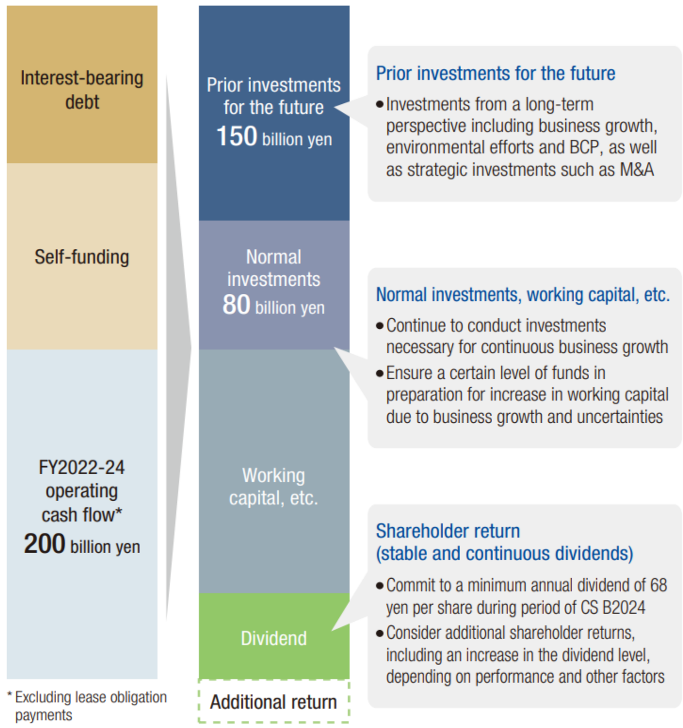
◆Financial policy

The Brother Group seeks to continuously increase corporate value over the long term and believes that this can be achieved not just by increasing sales and profit, but also by contributing to sustainability. Under the CS B2024, we are effectively using capital and aggressively investing for the future with the objectives of transforming our business portfolio and transforming our management foundations for a sustainable future while making the investments that are ordinarily necessary for the continuation of business. In addition to profit growth, we will improve asset efficiency and optimize cost of capital for higher ROE as well as stable shareholder returns. Furthermore, we are taking actions to address the materialities and promoting management that emphasizes sustainability to build trust with shareholders over the long term.

- Capital policy

While strengthening shareholder returns, we will proactively implement prior investments for the future in addition to regular investments by utilizing operating cash flow generated from business growth as well as interest-bearing debt.

Cash allocation



- Prior investments for the future

The Brother Group established an investment quota of 150 billion yen for prior investment to implement business portfolio transformation and management foundation transformation for 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, for business portfolio transformation. In addition, we are implementing environmental measures and strengthening our supply chains for management foundation transformation for a sustainable future.

Theme		Main items	Amount
Business portfolio transformation	- For expansion in the Industrial area - For 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**
	- For 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**

The progress to date of prior investment for the future is described in the table below.

Theme		Details	Schedule	Total Investment (including investment in years other than FY2022)
Business portfolio transformation	Completion of new factory building at Hoshizaki Factory (production facilities for inkjet heads and related components)	- Construction to reinforce industrial inkjet manufacturing facilities in order to expand in the Industrial area - First adoption by the Brother Group of a seismic isolation structure as a BCP measure	Started August 2020 Completed January 2023	Approx. 10 billion yen
	Construction of new factory building at Philippines Factory (production facilities for inkjet printers)	- Construction of a facility to respond to further increases in product sales for the transformation of the Printing area - Strengthen BCP measures, including development of warehouse functions for storing parts and products, to reinforce supply chains	Started April 2022 Scheduled for completion in January 2024	Approx. 8 billion yen
	Decision to construct new factory for the Industrial Equipment business in India	- Construct a machine tool factory in the outskirts of Bangalore in southern India to expand in the Industrial area - Establish a system for delivering products in a shorter time to customers in the Indian market, which is expected to grow	Scheduled to start in June 2023 Scheduled for completion in September 2024	Approx. 2 billion yen
	Decision to construct new Nissei factory building	- Construct a new factory building on the grounds of the Nissei Factory (Anjo City, Aichi Prefecture) to increase production capacity in the machinery and FA areas - Secure gear production capacity to expand sales for FA and robot applications	Scheduled to start in July 2023 Scheduled for completion in FY2024	Approx. 1.7 billion yen
	Decision to construct new warehouse at Minato Factory	- Construct a new warehouse on the grounds of the Minato Factory (Nagoya City, Aichi Prefecture) to respond to the increased demand for storage of products and parts in conjunction with the expansion of business in the Industrial area - The floor will be raised as a BCP measure to respond to tsunami risks	Scheduled to start in autumn 2024 Scheduled for completion in November 2025	Approx. 5 billion yen
Management foundation transformation for a sustainable future	Installation of solar panels at multiple sites	- Installation of solar panels at multiple sites as an environment measure - Renewable energy used for a portion of the electricity needed for operations will contribute to achieving carbon neutrality, a target under the Brother Group Environmental Vision 2050	—	—
	Updating of ERP system at Americas regional headquarters	- Revamped ERP systems and business processes as a DX investment	Implemented July 2022	Approx. 2.5 billion yen

- Shareholder returns

Under the CS B2024, the Brother Group will provide stable and continuous shareholder returns while aggressively making prior investment for the future, taking into comprehensive consideration the need to secure necessary internal reserves, the status of cash flows, and other factors. Specifically, we set a minimum dividend level of 68 yen per share and will consider additional shareholder returns including a higher dividend level based on business performance and other factors. We will also flexibly carry out share repurchases.

◆ Financial targets

In the leadup to 2030, the final fiscal year of "At your side 2030," the Brother Group has set targets for FY2024 of 800 billion in revenue and an operating profit ratio of at least 10%. In addition, we are aiming for ROE of at least 10%, which is higher than the cost of capital, while taking into consideration the harsh business environment and investment for the future.

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] Abbreviation for "electric vehicle."

*[2] A machine tool capable of simultaneous machining control in five axes (the X, Y, and Z linear axes as well as the tilting and rotation axes).

*[3] A machine tool equipped with a large tilting rotary table as standard equipment.

*[4] Brother's unique customer-oriented management system defining the flow of value provision to customers

*[5] Abbreviation for "lifetime value." Customer lifetime value, which is the value to customers and profits generated for companies over the entire usage period of products and services

*[6] Implemented at Brother Industries, Ltd.

*[7] Abbreviation for "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.

*[8] BROTHER INDUSTRIES (VIETNAM) LTD.

*[9] 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. Approach to and initiatives relating to sustainability

1. Sustainability

(1) Governance

The Sustainability Committee was established in April 2022 to promote sustainability-focused management based on the Basic Policy on Sustainability*. The Sustainability Committee is chaired by the Representative Director & President and consists of those in charge of each of the subcommittees described below. Executive Officers of managing executive level or higher, business Executive Officers, and other persons designated by the President as needed (Hereafter the person who chairs the Sustainability Committee is referred to as the Sustainability Committee Chairperson).

Subcommittees have been set up under the Sustainability Committee for the purpose of promoting various sustainability activities in their specific fields. Each subcommittee has a subcommittee owner who oversees the activities of the subcommittee. In principle, subcommittee owners are Executive Officers nominated by the Sustainability Committee Chairperson. Each subcommittee holds meetings as required, convened by the relevant subcommittee owner.

When a subcommittee is established, revised, or abolished, a meeting of the Sustainability Committee is held at the discretion of the Sustainability Committee Chairperson, and the purpose and role of the subcommittee, as well as necessary matters, such as the subcommittee owner and members, are clarified as required before the subcommittee is established, revised, or abolished with the approval of the Chairperson.

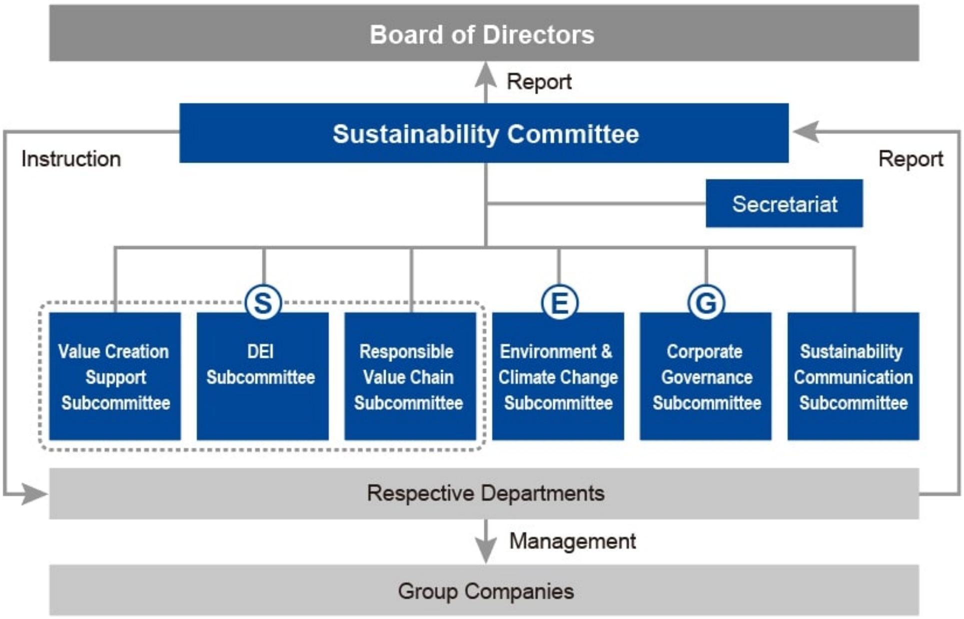
The Sustainability Committee holds regular meetings and extraordinary meetings. Extraordinary meetings are convened by the Sustainability Committee Chairperson as required. When formulating or revising any of the following important matters, they are first reviewed by the Sustainability Committee or a subcommittee, followed by discussion by the Strategy Meeting composed mainly of senior executive officers and resolution by the Board of Directors.

- Formulation and revision of the Basic Policy on Sustainability
- Identification and revision of the materialities
- Establishment and revision of sustainability targets
- Other important matters related to sustainability

The Sustainability Committee Chairperson, or a person nominated by them, periodically reports to the Board of Directors regarding the Sustainability Committee’s plans and results.

Furthermore, regarding disclosure of the Integrated Report, in order to be properly accountable to stakeholders, particularly investors, the Sustainability Committee is involved in the approval of its content at two stages—planning and final disclosure. In addition, internal auditing departments monitor all stages of planning, production, and disclosure to confirm whether the approval process is appropriate.

Sustainability Promotion Structure



Chairman	Ichiro Sasaki（Representative Director & President）
Person in Charge of Subcommittee	Kazufumi Ikeda（Representative Director & Senior Managing Executive Officer） Responsible for : Value Creation Support Subcommittee・DEI Subcommittee
	Toshihiro Itou（Managing Executive Officer） Responsible for : Responsible Value Chain Subcommittee・ Environment & Climate Change Subcommittee・Corporate Governance Subcommittee・ Sustainability Communication Subcommittee

* “Basic Policy on Sustainability”
Brother, which started its business by providing repair services for sewing machines, commenced production of sewing machines based on the ambition to turn the import-based industry into an export-based industry to create jobs for people who want to work. The desire to create durable sewing machines has been passed down as the “At your side.” spirit that always places customers first in the Brother Group Global Charter, which provides the foundation for all Brother Group activities. The Charter states that the Brother Group enhances corporate value by expanding the value provided to customers and by returning economic performance generated through business to stakeholders and the global environment.
As in the past, the Brother Group will continue facing the issues of its customers and society, defining materialities (key social issues) to be undertaken, and solving them. By doing so, it will aim to achieve its “At your side 2030” vision, that is to say, “By being ‘At your side.,’ we enable people’s productivity and creativity, contribute to society, and help protect the earth”, and the Sustainable Development Goals (SDGs) identified by the United Nations.

(2) Strategy
The Brother Group is committed to practicing sustainability-focused management in order to sustainably provide value to its customers and solve social issues through its business activities, in the spirit of “At your side.”
In the Brother Group Vision “At your side 2030,” the Group has defined “Our Purpose” as “By being ‘At your side.,’ we enable people’s productivity and creativity, contribute to society, and help protect the earth.” In its CS B2024 medium-term business strategy, which was formulated and launched by backcasting from the Vision, the Group positioned contributing to sustainability as its priority management issue, identified materialities for the first time, and set FY2024 targets for resolving those materialities.

(3) Risk Management

The Brother Group has established the Risk Management Committee chaired by the Representative Director & President and formulated a comprehensive risk management system based on the Brother Group's Risk Management Regulations with the aim of reducing risks that are likely to have a serious impact on the Group's management. Each organization and subsidiary within the Group understands the risks and their probability of occurrence and makes efforts to manage risks by implementing measures for avoiding or reducing the impact of risks. Systems are in place for regularly reporting the status of such implementation to the Board of Directors. The Group constantly recognizes and responds to risks relating to compliance, product safety, export control, information management, environmental laws, safety and health, disaster prevention, and the supply chain. Together with strengthening business continuity in times of crisis and re-examining structures for lasting value creation, it will aim to recognize and respond to risks with an even more medium- to long-term strategic perspective than before. (For details, refer to "4. Information about Reporting Company, 4. Corporate governance, (1) Overview of corporate governance, 5) Status of development of an internal control system, 3. Risk management system," and for specific risks and countermeasures, refer to "3. Business risks.")

At the same time, in readiness for 2030, the Group formulated the Brother Group Vision "At your side 2030" which indicates Brother's raison d'être and value proposition to society, while recognizing the changes in the business environment surrounding the Brother Group. Using SDGs as the starting point, the Group identified items that are key social issues to achieve the Vision and evaluated their importance for society and for the Group. Based on the opinions of external experts and other factors, and following discussions at the Strategy Meetings and at meetings of the Board of Directors, five materialities were identified.

In FY2022, the Sustainability Committee was established for the purpose of promoting sustainability and managing risks. Like the Risk Management Committee, the Sustainability Committee is chaired by the Representative Director & President. It identifies challenges necessary for resolving the materialities, determines and implements appropriate measures, and periodically monitors the progress of those measures.

Going forward, the Sustainability Committee and its subcommittees will further discuss and reinforce their responses with respect to the identification, evaluation and proper directions about sustainability-related risks and opportunities. This includes supporting people's value creation, DE&I, human rights in the value chain, reducing CO_2 emissions, and circulating resources.

(4) Metrics and Targets

The Brother Group has set sustainability targets for the period of CS B2024 to address the five materialities identified for achieving "At your side 2030," and will promote the efforts as important management issues.

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[*1] 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[*2]
	Pursuing a responsible value chain	- Expand the scope and subjects of human rights risk assessment on suppliers - Attain RBA[*3] Gold certification for three Group manufacturing facilities
Protect the earth	Reducing CO_2 emissions	- [Scope 1 and 2[*4]] 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[*4]] 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%

*1 LTV
The abbreviation for Life Time Value, which is the value to customers and profits generated for companies over the entire usage period of products and services.

*2 Implemented at Brother Industries, Ltd.

*3 RBA
The abbreviation for Responsible Business Alliance (an international organization promoting CSR), which establishes standards 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.

*4 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).

* For progress in achieving the FY2024 targets, refer to "1. Management policy, management environment, issues to address, (2) Medium- to long-term management strategies, Materiality and sustainability targets."

In addition, with regard to reducing CO_2 emissions (Scopes 1 and 2) above, the degree of achieving these targets is used as a performance-linked benchmark in the stock-based remuneration paid to directors and other officers. (For details, refer to "4. Information about Reporting Company, 4. Corporate governance, (4) Remuneration for directors (and other officers).")

2. Human Capital

◆Strategy, Metrics and Targets

The most important foundation for the Brother Group's sustainable growth is its human resources. The Brother Group has made "realizing a diverse and active society" one of its materialities and has established the following targets for FY2024: "improving employee engagement*," "encouraging the assignment of local employees to top management positions of facilities outside Japan," and "strengthening the talent pipeline for gender balance and establishing an environment for achieving diverse ways of working." Toward the "management foundation transformation for a sustainable future" set forth in the CS B2024 medium-term business strategy, the Brother Group will continue to enhance its own productivity and creativity, as well as take actions to further strengthen its human capital such as by creating a comfortable working environment for every employee.

* Relationships in which employees and the company are equal and provide value to each other.

<Views on ensuring diversity>

The Brother Group believes that recruiting more diverse personnel as well as diverse work styles and career development are imperative in these times of significantly changing business and market environments.

The Basic Policies in the Brother Group Global Charter (Global Charter) include the concept: "The Brother Group respects diversity, provides a working environment that enables our associates to utilize their talents and abilities to the fullest, and gives them great opportunity through challenging work assignments. The Group also provides them with fair evaluations and financial rewards for their efforts and achievements." Also, the Codes of Practice in the Global Charter state, "We must always honor individuals and diversity, and act with trust and respect."

The Brother Group has proactively and continuously recruited diverse human resources, including women, non-Japanese, and mid-career workers with varying professional backgrounds, and promoted them to managerial positions. It is also working to create workplace environments that maximize their individual potential, and to provide education and training to all levels, from new employees to management.

<Targets for ensuring diversity/Status of ensuring diversity>

(1) Promoting women to managerial posts

Brother Industries, Ltd. (hereafter referred to as "BIL" in this chapter) formulated the Action Plan to Support the Success of Women based on the Act on the Promotion of Women's Active Engagement in Professional Life. It aims to increase the number of women in senior positions (equivalent to managerial positions, or professions receiving the equivalent treatment) from 52 as of the end of March 2023, to more than 60 by the end of FY2025. From the perspective of development, BIL supports employee's growth regardless of gender, but in order to create an environment that promotes work life balance and also making managerial positions more attractive, BIL also provides learning opportunities, such as discussion meetings introducing the careers of female managers in BIL, lectures with experts, career training with female workers outside the company, and outside counseling for manager candidates. 24 employees participated in the Women's Leadership Training session held in September 2022. Other activities to create a safe working environment include telecommuting for child-rearing/nursing and return-to-work seminars for employees on maternity leave.

(2) Promoting non-Japanese to managerial posts

BIL hires and promotes employees regardless of nationality to ensure human resources who can play a core role in the business. As of the end of March 2023, the foreign employee ratio is 1.6% and the foreign manager ratio is 0.4%. Furthermore, BIL's foreign Executive Officer ratio was 10.0% and 10.5% as of the end of March 2022 and March 2023, respectively. BIL has been promoting the globalization of its executive personnel by appointing qualified persons, regardless of their nationality, to executive positions at group companies in various countries and regions to realize community-based management. At each of its sites, the Group actively promotes local employees to executive positions—this includes promotion to the position of president at sales facilities of regional headquarters in the U.S. and China. At group companies outside Japan, local employees occupied 69% of management positions in FY2022, increasing from 55% in FY2017. Based on such circumstances, BIL recognizes that the current level of promoting non-Japanese to managerial posts in the Group is adequate, and therefore BIL does not set any targets.

(3) Promotion of mid-career recruits to managerial positions

At BIL, the ratio of mid-career recruits was 45.5% in FY2022, while the ratio of mid-career recruits in managerial positions was 24.8%. Since the number of mid-career recruits depends on the labor market environment, BIL has not set a target for the promotion of mid-career recruits to managerial positions. However, in order to accelerate business portfolio transformation in the future, it intends to actively recruit expert personnel from outside the company.

<Policies on human resource development and BIL internal environment improvement to ensure diversity, and their status>

BIL's human resource development policy for ensuring diversity is to develop global personnel who can provide superior value while respecting the diversity and personality of its employees. Also, as part of its environmental improvement policy, BIL strives to create a foundation for diversified personnel's active roles, so that the employees can be highly motivated and receive opportunities for various career paths and flexible work styles.

<Improving employee engagement>

In order to realize the transformation required to achieve the Brother Group Vision and to encourage employees to take on new challenges, the Brother Group has made "visualize employee engagement at the global level and improve engagement survey scores" one of its materiality targets for FY2024, aiming for a relationship in which employees and the company are equal to each other and provide value to each other. In addition to an employee awareness survey that has been conducted annually since 2008, BIL conducted a new employee engagement survey in FY2022. The results of the survey revealed that about half of the employees felt "support for their growth" from the organization, with a high level of "alignment with the organization" and "sense of contribution," indicating that engagement was high overall. Alongside activities to share the Brother Group Global Charter, the Brother Group plans to improve engagement across the Group by implementing initiatives to enhance the quality of each employee's target setting and to promote self-directed career development, as well as by promoting a global engagement survey.

<Promoting Health and Productivity Management>

The Brother Group considers that managing the health of each and every employee is important for them to exhibit their talent and skills over a long period. In September 2016, BIL established the Brother Group Health & Productivity Management Philosophy and also formulated Healthy Brother 2025, a set of long-term targets to be achieved by FY2025 with the aim of allowing employees to actively demonstrate their abilities in a wide variety of areas. These targets include a smoking rate of less than 10% and a secondary cancer screening rate of 90% or above. BIL has also built a health and productivity management promotion system with the Representative Director & President serving as the Chief Health Officer (CHO). Under this system, BIL, the labor union, and the health insurance society collaborate with each other, working on initiatives to further increase the ratio of employees who exercise regularly. In addition, BIL is working strategically to maintain and improve the health of its employees through measures such as creating a health and productivity management strategy map to visualize the flow of issues in health and productivity management and the efforts to solve them. As a result, in 2022, BIL was selected as a Certified Health & Productivity Management Outstanding Organization, making it the sixth time for BIL to be selected under the program.

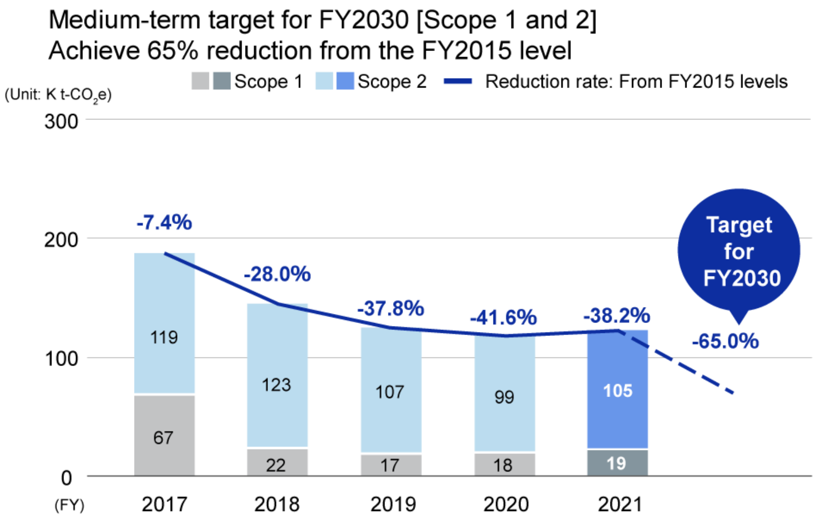
3. Environmental Initiatives

◆Brother Group Environmental Vision 2050

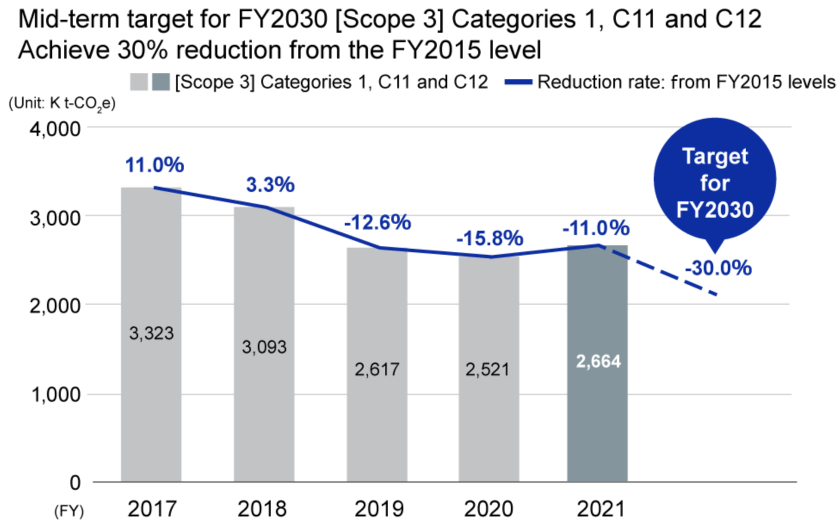
As a company that uses energy and resources to provide products made from bio-based materials such as paper, thread, and cloth, in 2018, BIL formulated the Brother Group Environmental Vision 2050, focusing on the three pillars of reduction of CO_2 emissions, resource circulation, and biodiversity conservation. The Vision recognizes the key social issues of climate change, resource depletion, environmental pollution, and destruction of the ecosystem as business risks for the Brother Group and clearly states the Group's continuous commitment to solving these issues over the long term. In 2022, anticipating the accelerating moves toward a sustainable society, BIL subsequently revised its targets for reducing CO_2 emissions and circulating resources into their current form.

Brother Group Environmental Vision (2050 targets)

Targets and goals		Medium-term Targets for FY2030
Reduction of CO_2 emissions	Aim to achieve carbon neutrality within the entire Group in all business operations and minimize CO_2 emissions from the entire value chain so as to contribute toward creating a carbon-free society **Main efforts** Introduction of solar power generation, renewal of air conditioning facilities, renewal and adoption of energy-saving for production facilities, etc.	•[Scopes 1 and 2] Achieve 65% reduction from the FY2015 level •[Scope 3 C1, C11, and C12] Achieve 30% reduction from the FY2015 level * The medium-term target for FY2030 has been recognized as a target based on scientific evidence (1.5°C target) by the Science Based Targets initiative (SBTi), an international initiative established to help achieve greenhouse gas emission reduction targets. SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
Resource Circulation	Maximize resource circulation within the entire Group toward 2050 to ensure the sustainable use of resources and minimize the environmental impact due to wastes **Main efforts** Expansion of cyclical businesses, reuse of products and parts, use of recycled materials, etc.	•Reduce the ratio of virgin materials used in products*1 to 65% or less*2 by FY2030 through the expansion of circular-economy-based businesses and materials recycling. •The Group's manufacturing facilities continuously endeavor to ensure efficient use of water resources and proper treatment of wastewater. *1 Including packaging materials *2 Applies to the Printing and Solutions Business, Personal and Home Business, and Machinery Business
Biodiversity conservation	Minimize the environmental impact of business operations within the entire Group on the ecosystem and promote activities to restore and conserve the ecosystem beyond the impact **Main efforts** Biodiversity conservation activities, reduction of CO_2 emissions, and promotion of resource circulation	•The Brother Group assesses the environmental impact of its business operations on the ecosystem and the effectiveness of restoration and conservation activities, and works to avoid and reduce the environmental impact on the ecosystem. •The manufacturing and sales facilities of the entire Group work on ecosystem restoration and conservation activities on a voluntary basis depending on the situation in each region.



* The graph above shows actual CO_2 emissions for FY2021.



* The graph above shows actual CO_2 emissions for FY2021.

◆Support for the TCFD

In order to contribute to the development of society and future of the earth, the Brother Group has identified the reduction of CO_2 emissions as a materiality—one of the important issues to be solved—and has set CO_2 emission reduction targets as sustainability goals. In February 2020, the Brother Group expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).
Based on these TCFD recommendations, the risks and opportunities of climate change with regard to its Printing & Solutions Business, Personal & Home Business, Machinery Business, and new businesses were analyzed, and relevant information was disclosed in FY2021. In addition to expanding the scope of its business analysis and striving to enhance its information disclosure, the Group will step up its climate change countermeasures in order to contribute to the formation of a decarbonized society.

(1) Governance
The Brother Group has established the Board of Directors, Strategy Meeting, and Sustainability Committee as described in 1. Sustainability, (1) Governance and 4. Corporate governance, (1) Overview of corporate

governance. Regarding the promotion of sustainability activities in the area of the environment, including climate change, the Climate Change Response Subcommittee has been established, with the environment officer appointed as the subcommittee owner to oversee the subcommittee's activities. BIL is also making its initiatives effective by linking officer remuneration with the degree to which climate change targets are achieved.

When formulating or revising any important matters related to the environment, including climate change, they are first reviewed by the Sustainability Committee or Climate Change Response Subcommittee, followed by discussion by the Strategy Meeting and resolution by the Board of Directors. In addition, the Sustainability Committee Chairperson, or a person nominated by them, periodically reports to the Sustainability Committee and the Board of Directors regarding the Sustainability Committee's plans and results. The Climate Change Response Subcommittee manages the progress of sustainability targets and promotes activities in the area of the environment, including climate change.

(2) Strategy (scenario analysis)

The Brother Group Environmental Vision 2050 places the reduction of CO_2 emissions as an important matter for the Brother Group. While recognizing that climate change, which is becoming increasingly serious around the globe, is an important social issue, the Group regards climate change as both a business risk and opportunity for the Group and is striving to resolve it on a long-term and continuous basis.

In FY2020, the Group assessed the importance of climate-related risks and opportunities that could impact its businesses between 2020 and the future for its main businesses based on the recommendations of TCFD. It identified seven key risks and opportunities and evaluated their impact on the Group's businesses and financial performance based on the "1.5°C scenario in which global warming countermeasures are progressing and the realization of a decarbonized society approaches" and the "4.0°C scenario in which countermeasures against global warming do not go beyond current measures around the world, and temperatures rise further."

Reference was made to the Sustainable Development Scenario (SDS) by the International Energy Agency (IEA), the RCP 8.5 scenario by the Intergovernmental Panel on Climate Change (IPCC), and Aqueduct (a water risk assessment tool) for the 1.5°C and 4.0°C scenarios.

The results of this analysis showed that, in both aspects of risks and opportunities, the promotion of carbon neutrality—especially the promotion of response to a circular economy—is important to the Brother Group. Going forward, the Group will further strengthen initiatives such as CO_2 emission reduction activities and the expansion of recycling businesses.

Transition risks (policy and legal risks, market changes)

Changes in the external environment	Financial impact	Impact on the Brother Group	Countermeasure
Introduction of carbon tax or increase in carbon tax rate	Medium	Increases in product and service costs due to introduction of carbon tax or increase in carbon tax rate	・Reduce CO_2 emissions at business sites[*1] Promote energy-saving measures and utilize renewable energy at each site ・Reduce CO_2 emissions in products[*2] Improve the energy-saving performance of products Reduce the number of parts and reduce packaging materials ・Participate in industry activities that encourage companies to become carbon neutral Participate in the Green x Digital Consortium of the Japan Electronics and Information Technology Industries Association (JEITA)

Shift from gas/diesel vehicles to electric vehicles	Medium	Falling demand for metalworking parts for internal combustion engines	・Develop small machine tools for EVs*3 Develop new products in the SPEEDIO series featuring high environmental performance and productivity
Circular economy Strengthening of environmental regulations Growing market demand	-	Sales opportunity losses owing to lag in meeting environmental regulations and market demand in the communications and printing equipment sectors	・Reduce waste and reduce virgin materials*4 Use recycled materials and reused materials in products Use recyclable cushioning materials in packaging ・Research future regulatory movements Collect information on environmental regulatory trends in Europe and incorporate into product development

Physical risks (Acute)

Changes in the external environment	Financial impact	Impact on the Brother Group	Countermeasure
Intensified damage from extreme weather events such as cyclones and floods	Medium	Production stoppage due to floods	・Secure parts inventories to withstand temporary suspensions of production ・Implement risk countermeasures through multi-site production for some models ・Strategically consider parts suppliers and their upstream suppliers

Opportunities (Products and services)

Changes in the external environment	Impact on the Brother Group	Countermeasure
Increasing need for customers to reduce CO_2 emissions	Growing demand for energy-efficient products and low-carbon products	・Expand sales of ENERGY STAR compliant products ・Invest to gather information on future environmental technologies Invest in Mirai Creation Fund III and WiL Ventures III
Shift from gas/diesel vehicles to electric vehicles	Growing demand for machine tools due to an increase of new manufacturing workpieces for electric vehicle-related parts, etc.	・Develop small machine tools for EVs*5 Develop new products in the SPEEDIO series featuring high environmental performance and productivity
Circular economy	Secure business opportunities through the expansion of circular-economy-based businesses	・Expand circular-economy-based businesses such as subscription services*6

*1:

■ Efforts to Reduce CO_2 Emissions in Offices

The Brother Group is working as one to strengthen its environmental efforts to create a society that is capable of sustainable development. Its efforts include stepping up energy-saving activities at workplaces (for example, introducing high-efficiency equipment) and utilizing renewable energy. In addition to these efforts for reducing CO_2 emissions, by offsetting remaining emissions with carbon credits, two of the Brother Group’s manufacturing facilities (BROTHER INDUSTRIES (U.K.) LTD. and BROTHER INDUSTRIES (SLOVAKIA) s.r.o) have been certified as carbon neutral facilities after being determined to have met the PAS 2060* standard.

* Publicly Available Specification 2060: An international standard that certifies the achievement of carbon neutrality

*2:

■ Efforts to Reduce CO_2 Emissions in Products

The Brother Group is committed to reducing the CO_2 emissions of its products through a combination of accumulated ingenuity and technological innovations at each stage of the product lifecycle.

<Inkjet printers>

A higher ink capacity has been achieved compared to previous cartridges by reconstructing the functions of previous cartridges into a simpler structure, thereby reducing the number of parts and improving the volume efficiency of the ink storage. Reducing the frequency of cartridge replacement leads to less cartridge disposal and less use of packaging materials, which also contributes to the reduction of CO_2 emissions.

<GTX Pro series of garment printers>

Switching from the previous cartridge replacement system to a pouch replacement system or bottle supply system for consumable ink contributes to a reduction of plastic and packaging materials used for consumables, and also reduces CO_2 emissions compared to the previous system.

*3, *5:

■ Commitment to the shift from gas/diesel vehicles to electric vehicles (EV)

By developing the “SPEEDIO” series of products, which is capable to meet various processing needs including large aluminum parts (inverter cases, battery cases, pump housing, large valves, etc.) required for EV components for which demand is increasing, the Brother Group provides EV parts processing solutions and addresses both the risks and opportunities of the automobile industry’s shift from gas/diesel vehicles to EV.

The “SPEEDIO” series achieves high productivity and energy savings, such as by reducing cycle times through shorter tool change and non-cutting times, reducing power consumption during operation thanks to a highly efficient spindle motor and power regeneration system, and reducing power consumption during idle times with an automatic work light off function, thereby contributing to reducing CO_2 emissions during EV parts processing.

*4, *6:

■ Efforts for a circular economy

In addition to reducing waste and curbing the input of virgin materials in its products, the Brother Group has positioned three major initiatives in terms of both risk and opportunity to realizing and expanding circular-economy-based businesses: expanding the collection and recycling of consumable printer cartridges, promoting the reuse of products, and expanding businesses that stay connected to customers, such as subscription services. In this way, the Group is promoting the effective use of resources and the recycling of resources and is also contributing to the reduction of CO_2 emissions.

<Recycling of toner cartridges>

Collected end-of-life toner cartridges are remanufactured at the Brother Group’s recycling sites into toner cartridges having the same quality as brand new products and are delivered to customers again. This method of closed-loop recycling contributes to the effective utilization of natural resources through waste reduction and also results in a reduction of CO_2 emissions.

(3) Risk Management

Recognizing that important social issues such as climate change, resource depletion, environmental pollution, and ecosystem destruction are risks to the Brother Group’s business, the Brother Group Environmental Vision

2050 makes it clear that the Group will strive to resolve these issues on a long-term, ongoing basis.
In FY2022, the Brother Group established the Sustainability Committee for the purpose of promoting sustainability and managing risks, including responses to climate change. Chaired by the Representative Director & President, the Sustainability Committee identifies and evaluates climate change risks identified as materialities and directs appropriate responses. Established as a subcommittee of the Sustainability Committee, the Climate Change Response Subcommittee identifies important challenges, such as climate change, and determines and implements appropriate measures. The subcommittee has also set ambitious targets to address climate change and periodically monitors progress.

(4) Metrics and Targets
Under the Brother Group Environmental Vision 2050, in the reduction of CO_2 emissions, the Brother Group aims to achieve carbon neutrality* in all business operations and minimize CO_2 emissions from the entire value chain by FY2050. In addition, the medium-term target for FY2030—which serves as a milestone—is to reduce CO_2 emissions (Scope 1 and 2) from the Brother Group by 65% compared to FY2015, and to reduce emissions by 30% compared to FY2015 at each stage of the procurement, use and disposal of products (categories C1, 11, and 12 of Scope 3), which emit particularly significant amounts of CO_2 in the value chain.
This medium-term target for FY2030 for reducing CO_2 emissions has been certified as the "1.5°C target" by the Science Based Targets initiative (SBTi), an international initiative.
Similarly, under resource circulation in the Brother Group Environmental Vision 2050, the Brother Group aims to maximize resource circulation to ensure the sustainable use of resources and to minimize environmental impact caused by waste by 2050. The medium-term target for FY2030, which serves as a milestone to achieve the Brother Group Environmental Vision 2050, is to reduce the ratio of virgin materials used in products to 65% or less by FY2030 through the expansion of circular-economy-based businesses and materials recycling.
Furthermore, as a milestone toward achieving the medium-term target for FY2030, the Group has set short-term targets for 2024 in the Brother Group Environmental Action Plan 2024 and is promoting activities.
* Achieve overall zero CO_2 emissions from the Brother Group

Theme	Target for FY2024	Progress
Reducing CO_2 emissions	[Scope 1 and 2] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024) [Scope 3] Take measures to reduce 150,000 tons through own efforts	[Scopes 1 and 2] Implemented energy-saving and energy-generation measures through own efforts, such as more efficient use of electricity and the introduction of solar power generation. In addition, purchase the required amount of CO_2-free electricity. Making steady progress toward achieving the target. [Scope 3] Implemented measures as planned, focusing on improving the energy-saving performance of new products. Will consider additional reduction measures to compensate increased production due to recovery from parts supply shortage.
Circulating resources	Achieve ratio of virgin materials used in products of 81% or less	Implemented measures such as using recycled materials in some products and changing to recyclable cushioning materials. Making steady progress toward the 2024 target. Will consider additional measures to increase the reuse and recycling of hardware and consumables.

3. 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. 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 relations, conditions in Russia and Ukraine, and other developments relating to international circumstances are recognized as risks that that could have a major impact on business. Trade friction, rising costs for energy and various materials as well as changes in government policies, legal systems, and regulations that the Company is unable to foresee could have an adverse impact on the Company's business results.	The Group closely monitors international conditions and responds to risks determined to be of concern through Group-wide collaboration by making dynamic responses based on information gathered by local subsidiaries. The Group responds to commercial risks by continuously ascertaining regulatory trends in each country and responding appropriately. With regard to the conflict in Russia and Ukraine, which has become protracted, we will continuously gather information on various international developments, including economic sanctions and tightening of regulations by individual countries and we will make appropriate 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. In the post-COVID environment, there is a rapid shift to blended working styles that include both working from home and in the office, and the trend of declining printing volumes by office equipment may change. 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. In the home office printing market, 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. On the other hand, the industrial printing market continues to grow against a backdrop of the transition from analog to digital as well as needs for unmanned operation and labor saving. We will leverage our accumulated diverse technologies to expands business with a focus on the Domino Business.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
3. Competition with other companies	The Group is exposed to intense competition with other companies in numerous markets including in the Printing & Solutions Business. We anticipate 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 CO2 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 Vietnam, Philippines, China, and other countries, and sales facilities are located in countries around the world. If social disorder spreads as a result of economic conflict or war in countries or regions, the resurgence of infectious disease, large-scale fires, massive earthquakes, climate change in conjunction with global warming, or other causes, resulting in restricted flows of people and goods, there is a risk of impediments to parts procurement and production. In addition, if global logistics are disrupted and there is a shortage of space on ships, or stagnation of shipping containers occurs, there is a risk that imports of parts and product shipments will be delayed and shipping costs will increase. 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 Vietnam, Philippines, China, 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 In production systems, we produce key consumables at multiple sites and implement risk countermeasures such as maintaining spare production equipment and parts inventories. We obtain parts from multiple suppliers and take action to reduce reliance on a specific country or supplier. At sales sites, we will continue to optimize inventory levels to prevent product shortages. 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 routes and 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 on the policy on its website. We also explain the policy to suppliers by conducting supplier briefings and providing written explanations and request that major tier 1 suppliers take action to address human rights. We seek to engage in responsible procurement throughout the supply chain by making similar requests to upstream suppliers through tier 1 suppliers. In the current fiscal year, we established the Brother Group Human Rights Global Policy to encourage action on human rights. We have requested understanding of this policy and cooperation with the Company's measures by all of the Company's officer and employees as well as all parties involved in our products and services. We also joined the Responsible Business Alliance (RBA) and request that suppliers comply with the RBA Code of Conduct to reinforce systems for assessing and remediating risks in the supply chain relating not only to human rights, but also including health, safety, and the global environment. With regard to responsible procurement of minerals, we established a Responsible Minerals Procurement Policy and posted it on our website. In addition, we conduct surveys on the use of minerals and conduct procurement in collaboration with our suppliers to ensure transparency in supply chains regarding mineral procurement and avoid 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 procured parts and materials used in Group products will again be difficult to procure due to fire or natural disaster such as earthquake affecting suppliers or withdrawal from business by suppliers in response to changes in the business environment or review of business portfolio. Various prices are increasing as a result of a combination of factors including higher prices for raw materials, such as semiconductors, cardboard (paper), aluminum, steel plate, and copper, and rising prices for energy, such as crude oil and natural gas, and there is a risk that those prices will remain high. 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 continue to take measures such as procuring parts through long-term arrangements and maintaining inventories, procuring products from multiple sources, and considering alternate products that could be used by modifying designs and are building resilient supply chains. In response to rising prices for parts and materials, we are reducing impacts on expected profits by incorporating the risks of high prices for raw materials including resin materials, electronic parts, steel plate, and copper at the time of planning. To reduce procurement costs, we accurately ascertain changes in individual markets and request that suppliers restore prices to the previous levels at appropriate times. In conjunction with these efforts, we are undertaking VA proposal measures in collaboration with suppliers.
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> The Group believes that legal and ethical compliance is essential for avoiding various risks in management. 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 headquarters 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. In the Machinery Business in particular, there are risks arising from the transition from internal combustion engine vehicles to electric vehicles in the automobile industry. 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.	・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. Also, in the Machinery Business, we provide “SPEEDIO” series products that can proceed EV parts processing solutions and respond to the risk of a transition to EVs in the automobile industry by developing the large aluminum products needed for EVs, demand for which is increasing in place of internal combustion engine parts and meet various processing needs. 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. To achieve this target, we have positioned expanding collection and recycling of printer consumable cartridges, promoting product reuse, and expanding business that maintains connections with customers such as subscription services as important initiatives, and we are promoting effective use and circulation of resources, contributing to CO2 reductions. 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. We analyzed the financial impact of climate change on the Group’s main business and disclosed the results on the Web and other media. Going forward, we will work to enhance information disclosures even further.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
	・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.	・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 the 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 recent international conditions and regulatory trends, we anticipate that the security trade control restrictions on machine tools will be made even stricter. 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 while maintaining appropriate legal compliance structures, we continuously evaluate and improve management status, educate employees, and collaborate with Group subsidiaries and companies that comprise our supply chains with a focus on the industrial equipment business to strengthen security trade control systems and conduct effective and efficient management and operations adapted to the particulars of risks.

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	・Occupational accidents, human injury The Group operates business sites around the world, and awareness regarding diversity, the environment, and safety as well as the laws that must be complied with vary among the countries and regions where these business sites are located. Under these labor conditions, there are various risks in the labor environment ranging from the minor to serious disasters that can result in disability. In addition, damage caused by recent natural disasters that exceeded expectations and accidents involving fire, explosion, and so on caused by machinery and equipment can result not only in a suspension of operations at manufacturing sites, but also a failure to fulfill our social responsibilities, and this could have an impact on the Group business results. ・Recruiting human resources Competition to secure human resources in labor markets is fierce, and if it becomes difficult to recruit and retain talented human resources, the inability to invest adequate resources in research and development could lead to a deterioration of product competitiveness and the lack of labor capacity could impede the stable supply of products, resulting in impacts on the Group's business results. Although the likelihood of occurrence is currently low, this can be expected to occur, particularly in the case where brand image is substantially harmed, and the impact will depend on the particulars of the matter.	・Occupational accidents, human injury 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. ・Recruiting human resources The Group works to recruit the human resources needed for each function carried out globally including planning, development, design, manufacturing, sales, and service. To promote human resource retention, we take measures to develop human resources systems 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 70,840 million yen (8.3% of total assets) in its consolidated financial statements as of March 31, 2023, of which goodwill relating to the Domino Business acquired in 2015 accounts for 70,373 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. The recoverable amount decreased during the current consolidated fiscal year, mainly due to higher discount rates in reflection of rising interest rates, and as a result, impairment losses of 10,625 million yen were recorded on a portion of goodwill in the Domino business.	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. Based on results for the fiscal year ended March 31, 2023, each one-yen increase in the value of the yen against the euro results in a decrease in annual profit of approximately 1 billion yen. Also, each one-yen decrease in value against the dollar results in a decrease in annual profit of approximately 600 million yen. 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. (2) There is a possibility of the institution of litigation by a third party against the Group in relation to the patent rights or other intellectual property rights of the third party. If the third party's claims were upheld, the Group may be enjoined from selling its products and may be required to pay compensatory damages. (3) The Group conducts its business activities while entering into license agreements relating to patents and other intellectual property rights with other companies as necessary. However, there could be an impact on business activities depending on the terms and conditions of such license agreements. (4) An inventor could institute litigation regarding rewards for an invention.	(1) The Group enforces intellectual property rights against infringing conduct by third parties while giving consideration to the degree of impact on business results and reputation. (2) The Group conducts business activities while respecting the patent rights and other intellectual property rights of other companies, but in the event that a third-party institutes litigation on the grounds of infringement, after carefully investigating the details, the Group will take countermeasures such as defending against the litigation or reaching a settlement. (3) The Group acquires numerous patent rights as the result of research and development. The Group takes countermeasures, such as licensing some of the patent rights that it holds to other parties, while entering into agreements to minimize the impacts on business activities. (4) The Group has established rules on rewards for inventions and provides appropriate rewards to inventors.

4. 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.

a Business results

During the current consolidated fiscal year, the impact of the COVID-19 pandemic on the global economy diminished, but due to the prolonged conflict in Ukraine, soaring prices for parts, materials, and energy, advancing global inflation, and other factors, the outlook for the global economy remains uncertain.
As for the business environment relating to the Group, in the printing market, demand for devices for use while working or studying from home showed signs of slowing as new working styles becomes established under the "living with COVID" environment. In Machinery Business related areas, although overall demand for machine tools trended downward, demand in the automotive and general machinery markets was solid. Regarding industrial sewing machines, demand for capital investment in apparel equipment in Asia was down due to concerns regarding an economic downturn. In Domino Business related areas, results were solid, supported by steady demand for daily necessities including foods, beverages, and pharmaceuticals. In Nissei Business related areas, demand for capital expenditure was solid due to rising need for factory automation and other factors. The demand for home sewing machines, which increased during stay-at-home restrictions, has ceased in each region. In the karaoke market in Japan, customer traffic is recovering in conjunction with the easing of COVID-19 related restrictions.
Under these circumstances, the Group's consolidated performance during the current consolidated fiscal year included higher revenue in the P&S Business as a result of a positive impact from foreign exchange effects as well as firm sales of hardware in conjunction with easing of supply constraints due to shortages of parts and materials. In the Machinery Business, despite effects from supply constraints due to shortages of parts and materials, revenue was higher in the industrial equipment business due to solid demand in the automotive and general machinery market. In the industrial sewing machine business, although demand declined, revenue remained flat from the previous fiscal year due to positive foreign exchange effects. In the Domino Business, revenue increased as a result of positive foreign exchange effects and solid performance, mainly by consumables. In the Nissei Business, increased demand for capital investment resulted in higher revenue. In the P&H Business, although stay-at-home demand has ceased, revenue was on par with the previous fiscal year due to positive foreign exchange effects. Revenue in the N&C Business increased in conjunction with a recovery in customer traffic.
As a result of these developments, revenue increased 14.7% year-on-year to 815,269 million yen. Despite

effects from price adjustments, business segment profit decreased sharply, down 28.6% year-on-year to 60,404 million yen due primarily to changes in the sales composition of hardware and consumables in the P&S business and a decrease in gross profit in conjunction with lower sales of consumables as well as higher selling, general and administrative expenses and costs for parts and materials and other factors. Despite gains on the sale of fixed assets, operating profit was 55,378 million yen, a significant year-on-year decrease of 35.2%, due to recording impairment losses on a portion of goodwill in the Domino Business. Profit for the year attributable to owners of the parent company was 39,082 million yen, a substantial year-on-year decrease of 36.0%.

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

Current fiscal year
U.S. Dollar: 134.95 yen   Euro: 141.24 yen

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

Performance by business segment was as follows.
Starting in the current consolidated fiscal year, reporting segment categories were changed based on the CS B2024 Medium-Term Business Strategy, which covers the period from FY2022 to FY2024. In the year-on-year comparisons below, figures for the previous fiscal year have been rearranged according to the modified segment categories for comparative analysis. For details, refer to "5. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated financial statements and Notes to the Consolidated Financial Statements, 6. Segment Information."

1) Printing & Solutions Business

Revenue: 496,726 million yen (+17.1 % year-on-year)

○ Communications and printing equipment: 435,075 million yen (+18.6% year-on-year)

Regarding hardware, sales of laser All-in-Ones and printers were firm in comparison to the previous fiscal year, when sales were affected by supply constraints caused by shortages of parts and materials. Sales of inkjet All-in-Ones were also strong, mainly in Asia. On the other hand, sales of consumables were down due to channel inventory controls in Europe and the U.S. and other factors. The positive impact of foreign exchange rates resulted in an increase in revenue for the segment as a whole.

○ Labeling: 61,650 million yen (+7.5% year-on-year)

Despite effects on hardware from supply constraints due to shortages of parts and materials, revenue increased due to positive foreign exchange effects.

Business segment profit: 37,088 million yen (-37.9% year-on-year)

Operating profit: 36,454 million yen (-38.7% year-on-year)

Although price adjustments were implemented, profit was down sharply as a result of lower gross profit due to changes in the sales composition of hardware and consumables and a decrease in sale of consumables as well as soaring parts and materials costs, higher selling, general and administrative expenses and sales promotion expenses, and other factors.

2) Machinery Business

Revenue: 96,404 million yen (+6.5% year-on-year)

○ Industrial equipment: 61,296 million yen (+8.4% year-on-year)

Despite affects from supply constraints caused by shortages of parts and materials, revenue increased due to firm demand in the automotive and general machinery markets and positive foreign exchange effects.

○ Industrial sewing machines: 35,108 million yen (+3.3% year-on-year)

Although sales of industrial sewing machines and garment printers decreased due to concerns regarding an economic slowdown, revenue was on a par with the previous fiscal year due to positive foreign exchange effects.

Business segment profit: 9,538 million yen (- 24.2% year-on-year)

Operating profit: 9,841 million yen (- 21.8% year-on-year)

Profit decreased due to higher selling, general and administrative expenses, a surge in parts and materials costs, and other factors.

3) Domino Business

Revenue: 100,830 million yen (+19.0% year-on-year)

Sales of consumables for coding and marking equipment and digital printers were solid and there were positive foreign exchange effects, resulting in higher revenue.

Business segment profit: 5,572 million yen (+8.0% year-on-year)

Operating loss: 5,787 million yen (operating profit in the previous fiscal year: 4,307 million yen)

Despite higher selling, general and administrative expenses in conjunction with the resumption of sales activities, business segment profit increased due to positive foreign exchange effects. An operating loss was recorded as a result of the recording of impairment losses on a portion of goodwill due to higher discount rates reflecting rising interest rates.

4) Nissei Business

Revenue: 23,485 million yen (+13.2% year-on-year)

Revenue increased as a result of firm performance by reducers in respond to higher capital investment demand.

Business segment profit: 1,901 million yen (+38.2% year-on-year)

Operating profit: 1,817 million yen (+34.7% year-on-year)

Profit increased substantially as a result of the effect of higher revenue.

5) Personal & Home Business

Revenue: 51,004 million yen (+ 2.0% year-on-year)

Although stay-at-home demand has ceased, revenue was on par with the previous fiscal year as a result of positive foreign exchange effects.

Business segment profit: 5,781 million yen (-28.4% year-on-year)

Operating profit: 5,852 million yen (-28.7% year-on-year)

Profit was down sharply as a result of changes in the product mix caused by a decrease in sales of middle- and high-end models as well as effects from soaring costs for logistics, parts, and materials.

6) Network & Contents Business

Revenue: 35,254 million yen (+19.3% year-on-year)

Revenue increased due to higher sales at karaoke clubs and solid sales of karaoke systems as customer traffic recovered following the easing of activity restrictions to prevent the spread of COVID-19.

Business segment profit: 457 million yen (business segment loss in the previous fiscal year: 2,700 million yen)

Operating profit: 815 million yen (operating loss in the previous fiscal year: 568 million yen)

Business segment profit was in the black due to effects from higher revenue and other factors.

b Financial position

Cash and cash equivalents decreased, while trade and other receivables and inventories increased, and as a result, total assets were 850,486 million yen, an increase of 39,336 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 253,806 million yen, an increase of 3,868 million yen compared to the end of the previous consolidated fiscal year.

Total equity increased 35,468 million yen compared to the end of the previous consolidated fiscal year to 596,680 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: 133.53 yen   Euro: 145.72 yen

c 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 119,042 million yen, a decrease of 48,872 million yen compared to the end of the previous consolidated fiscal year as a result of a 14,432 million yen increase from operating activities, a 32,198 million yen decrease from investing activities, and a 36,638 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 14,432 million yen after deducting income taxes of 35,304 million yen paid as a result of 56,953 million yen in profit before income taxes, increases in assets from non-monetary losses including depreciation and amortization of 42,575 million yen, an increase in funds of 6,174 million yen due to an increase in trade and other payables, a decrease in funds of 16,125 million yen due to an increase in trade and other receivables, a decrease in funds of 44,252 million yen due to an increase in inventories, and other factors.

2) Cash flows from investing activities

Cash flows used in investing activities were 32,198 million yen, mainly due to purchases of property, plant and equipment of 31,191 million yen, purchases of intangible assets of 11,291 million yen, and revenue from the sale of investment real estate of 6,500 million yen.

3) Cash flows from financing activities

Cash flows used in financing activities were 36,638 million yen mainly due to the proceeds from short-term borrowings of 15,571 million yen, the repayment of long-term borrowings of 19,997 million yen, the repayment of lease obligations of 7,690 million yen, the payment of dividends of 17,510 million yen, and the purchase of treasury shares of 7,003 million yen.

d 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

Refer to "3. Business risks"

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

Under the CS B2024 Medium-Term Business Strategy, the Group set performance targets of 800 billion yen in revenue, an operating profit margin of at least 10.0%, and ROE of at least 10.0% for FY2024, the final year of the strategy.

Performance in the current consolidated fiscal year, the first year of the CS B2024 Medium-Term Business Strategy, included revenue of 815.3 billion yen, an operating profit margin of 6.8%, and ROE of 6.8% due to recording impairment losses on a portion of goodwill in the Domino Business.

	FY2022 Performance	CS B2024 (FY2024) Performance Targets
Revenue	815.3 billion yen	800.0 billion yen
Operating profit ratio	6.8%	At least 10.0%
ROE	6.8%	At least 10.0%

Average currency exchange rates (consolidated) were as follows.

Current fiscal year
U.S. Dollar: 134.95 yen Euro: 141.24 yen

When CS B2024 was formulated
U.S. Dollar: 108.00 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 119,042 million yen in cash and cash equivalents, equal to approximately two 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.

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 short-term borrowings was 15,592 million yen. These borrowings are denominated in

Canadian dollars and Japanese yen. The balance of long-term borrowings to be repaid within one year was 21,230 million yen. These borrowings are denominated in U.S. dollars and Japanese yen. The balance of long-term borrowings was 600 million yen, and they are denominated in 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 under the CS B2024 Medium-Term Business Strategy.

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

5. 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

6. 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 2,261 employees engaged in research and development.
The Group's total R&D expenditures during the current consolidated fiscal year were 45,385 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-J7600CDW, a new A3 inkjet printer that achieves both high-speed printing and durability by using the MAXIDRIVE new technology.

In the area of labeling, we launched the QL-820NWBc, a commercial thermal label printer that can print in both black and red as a new thermal label printer.

R&D expenses in this segment were 27,352 million yen.

(2) Machinery Business

We contribute to higher productivity and new value creation by customers through products such as machine tools that are optimized for processing components for automobiles and IT devices, industrial sewing machines that achieve usability, high-quality sewing and energy savings, garment printers that meet digital printing needs for apparel, and other products.

Key results during the current consolidated fiscal year include launch of the SPEEDIO S300Xd1, S500Xd1, and S700Xd1 (S series) compact machining centers, which achieve overwhelming high productivity, as new machine tool products.

R&D expenses in this segment were 5,214 million yen.

(3) 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 6,206 million yen.

(4) Nissei Business

We respond appropriately to diverse customer needs and contribute to customer value creation in areas that are expected to grow including automation and labor saving through gear motors with a wide range of product variations, high-rigidity reducers that drive industrial robots and factory automation devices, high-precision and high-quality gears, and other products.

Key results during the current consolidated fiscal year include launch of the DGF series of UXiMO flat, lightweight, high-rigidity reducers.

R&D expenses in this segment were 857 million yen.

(5) 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 SOLEIL CRW home embroidery machine equipped with wireless LAN and other functions to quickly complete embroidery work as a new home embroidery machine.
R&D expenses in this segment were 2,821 million yen.

(6) 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 764 million yen.

(7) Other Business
R&D expenses in this segment were 2,168 million yen.

3. Information about Facilities

1. Overview of capital expenditures

The Group's capital expenditures for the current consolidated fiscal year were 43,839 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	23,238	Manufacturing facilities for communications and printing equipment, etc.
Machinery	2,280	Manufacturing facilities related to machine tools, industrial sewing machine, and garment printers
Domino	3,813	Manufacturing facilities related to industrial printing equipment
Nissei	2,137	Manufacturing facilities related to reducers and gears
Personal & Home	1,125	Manufacturing facilities related to home sewing machines
Network & Contents	3,616	Investments related to online karaoke systems and telecommunications systems
Other Business and Corporate	7,626	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, 2023

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, label printers, label writers, and home sewing machines	3,321	1,165	337 (42)	7,638	12,462	2,398 [202]
Hoshizaki Factory (Minami-ku, Nagoya, Aichi)	Printing & Solutions	Processing facilities for printer heads	4,886	3,416	10 (32)	267	8,580	214 [56]
Momozono Factory (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	422	239	12 (4)	151	826	47 [15]
Kariya Factory (Kariya-shi, Aichi)	Printing & Solutions, Machinery	Manufacturing facilities for label printers, label writers, machine tools, and garment printers	5,617	1,535	160 (133)	1,191	8,504	765 [248]
Logistics Center (Minami-ku, Nagoya, Aichi) *1	Other	Logistics facilities	794	49	135 (22)	9	989	- [-]
Research & Development Center (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	650	215	396 (4)	180	1,442	100 [4]
Head office (Mizuho-ku, Nagoya, Aichi)	——	Other facilities	1,819	21	71 (4)	5,631	7,544	321 [12]

(2) Domestic subsidiaries

As of March 31, 2023

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	5,328 [511]	6,197	2,906 (97)	384	14,817	826 [79]
BROTHER REAL ESTATE. LTD. B 6 Ueda rental buildings (Tenpaku-ku, Nagoya, Aichi) 13 other sites *3	Other	Stores for rent and parking lots	776	-	1,075 (6) [5]	591	2,443	- [-]

(3) Overseas subsidiaries

As of March 31, 2023

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.	2,028	100	1,899 (416)	7,674	11,703	695 [173]
BROTHER INDUSTRIES (U.S.A.) INC. (Tennessee, U.S.A.) *3	Printing & Solutions, Nissei	Manufacturing facilities for OEM products (mailing printers), etc.	2	113	- (-) [18]	56	172	89 [56]
BROTHER INDUSTRIES (U.K.) LTD. (Wrexham, Wales, U.K.) *3	Printing & Solutions	Manufacturing facilities for consumables for printers and All-in-Ones, etc.	154	113	- (-) [42]	129	397	177 [14]
BROTHER TECHNOLOGY (SHENZHEN) LTD. (Shenzhen City, Guangdong Province, China) *3	Same as above	Manufacturing facilities for printers and All-in-Ones	639	285	- (-) [64]	6,468	7,393	2,841 [-]
BROTHER INDUSTRIES (VIETNAM) LTD. (Hai Duong Province, Vietnam) *3	Same as above	Same as above	5,810	2,254	- (-) [210]	1,421	9,486	11,327 [-]
BROTHER INDUSTRIES (PHILIPPINES), INC. (Batangas Province, Philippines) *3	Same as above	Manufacturing facilities for printers, All-in-Ones, and label writers	8,677	1,629	- (-) [134]	3,678	13,985	7,043 [711]
ZHUHAI BROTHER INDUSTRIES, CO., LTD. (Zhuhai City, Guangdong Province, China) *3	Printing & Solutions, Domino	Manufacturing facilities for label printers, label writers, and industrial printing equipment	146	231	- (-) [30]	515	892	636 [212]

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	
TAIWAN BROTHER INDUSTRIES, LTD. (Kaohsiung City, Taiwan) *3	Personal & Home	Manufacturing facilities for home sewing machines	193	35	- (-) [9]	142	372	335 [-]
BROTHER INDUSTRIES SAIGON, LTD. (Dong Nai Province, Vietnam) *3	Same as above	Manufacturing facilities for home sewing machines	1,078	456	- (-) [56]	513	2,048	1,667 [-]
BROTHER MACHINERY XIAN CO., LTD. (Xian City, Shaanxi Province, China) *3	Machinery	Manufacturing facilities for machine tools and industrial sewing machines	3,003	1,432	- (-) [79]	1,571	6,007	610 [6]
DOMINO U.K. LTD. (Liverpool, Cambridge, U.K.) *3	Domino	Manufacturing facilities for industrial printing equipment and consumables	1,184	2,767	2,790 (26) [180]	5,737	12,479	899 [25]
DOMINO AMJET INC. (Illinois, U.S.A.)	Same as above	Manufacturing facilities for consumables for industrial printing equipment	604	108	847 (32)	1,318	2,878	312 [-]

Notes

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 436 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, 2024 (Millions of yen)	Descriptions and objectives of facilities, etc.	Financing method
Printing & Solutions	30,800	Manufacturing facilities related to printers, All-in-Ones, electronic stationery, and scanners	Own capital or borrowings
Machinery	4,500	Manufacturing facilities related to machine tools, industrial sewing machine, and garment printers	Own capital or borrowings
Domino	3,700	Manufacturing facilities for industrial printing equipment	Own capital or borrowings
Nissei	4,000	Manufacturing facilities for reducers and gears.	Own capital or borrowings
Personal & Home	1,900	Manufacturing facilities for home sewing machines	Own capital or borrowings
Network & Contents	5,300	Investments related to online karaoke systems and telecommunications systems	Own capital or borrowings
Other Business and Corporate	6,300	IT-related investment and construction of and improvements to buildings, etc.	Own capital or borrowings
Total	56,500		

(2) Disposals of significant facilities

There are 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, 2023)	Number of issued shares as of filing date (Shares) (June 23, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	257,755,930	257,755,930	Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market	Number of shares per unit = 100 shares
Total	257,755,930	257,755,930	-	-

(2) Share acquisition rights

1. Employee stock option plans

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, 2023) is reflected. As of the end of the preceding month of the filing date (May 31, 2023), 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, 2023) is reflected. As of the end of the preceding month of the filing date (May 31, 2023), there were 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	242 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 35,900 (Note) 2	Common shares 24,200 (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, 2023) is reflected. As of the end of the preceding month of the filing date (May 31, 2023), there were 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*	202 (Note) 1	302 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 20,200 (Note) 2	Common shares 30,200 (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, 2023) is reflected. As of the end of the preceding month of the filing date (May 31, 2023), there were 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*	400 (Note) 1	390 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 40,000 (Note) 2	Common shares 39,000 (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, 2023) is reflected. As of the end of the month preceding the filing date (May 31, 2023), there had been no changes from the end of the current 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*	390 (Note) 1	705 [675] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 39,000 (Note) 2	Common shares 70,500 [67,500] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 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, 2023) 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, 2023), 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*	474 [457] (Note) 1	523 [495] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 47,400 [45,700] (Note) 2	Common shares 52,300 [49,500] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 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, 2023) 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, 2023), 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*	650 (Note) 1	735 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 65,000 (Note) 2	Common shares 73,500 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From July 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, 2023) is reflected. As of the end of the month preceding the filing date (May 31, 2023), there had been no changes from the end of the current 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*	715 (Note) 1	615 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 71,500 (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, 2023) is reflected. As of the end of the month preceding the filing date (May 31, 2023), there had been no changes from the end of the current 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)
September 1, 2022 (Note)	(4,464,600)	257,755,930	-	19,209	-	16,114

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

(5) Shareholding by shareholder category

As of March 31, 2023

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	-	60	38	255	631	21	14,444	15,449	-
Number of shares held (number of units)	-	863,524	83,405	241,180	944,476	145	443,180	2,575,910	164,930
Percentage of shareholdings	-	33.52	3.24	9.36	36.67	0.01	17.20	100.00	-

Notes
1. Of 1,566,943 treasury shares, 15,669 units are included in “Individuals and others” and 43 shares in “Status of shares less than one unit.”
The 1,566,943 treasury shares represent the number of such shares recorded on the shareholders' register. The actual number of treasury shares as of March 31, 2023 is 1,565,943 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.
3. The “Financial institution” column above includes 2,580 units of Company shares held by the Board Incentive Plan trust.

(6) Major shareholders

As of March 31, 2023

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	39,042	15.24
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	12,484	4.87
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)	11,984	4.68
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	3.45
Sumitomo Mitsui Financial Group, Inc.	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,398	2.11
The Brother Group Employee Stock Ownership Association	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467-8561, Japan	4,626	1.81
Sumitomo Life Insurance Company (Standing agent: Custody Bank of Japan, Ltd.)	2-1, Yaesu 2-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,499	1.76
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)	4,169	1.63
JP MORGAN CHASE BANK 385781 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	3,118	1.22
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)	3,041	1.19
Total	-	97,214	37.95

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), Custody Bank of Japan, Ltd. (trust account), SSBTC CLIENT OMNIBUS ACCOUNT, STATE STREET BANK WEST CLIENT - TREATY 505234, JP MORGAN CHASE BANK 385781, and STATE STREET BANK AND TRUST COMPANY 505103 are all shares related to the trust business of each company.
3. In addition to the above, the Company holds 1,565 thousand shares as treasury shares, but these shares do not have voting rights pursuant to Article 308, paragraph (2) of the Companies Act. Furthermore, these treasury shares do not include the Company shares held by the Board Incentive Plan trust.
4. The Report of Possession of Large Volume (amended report) made available for public inspection as of October 20, 2022 indicates that BlackRock Japan Co., Ltd. and eight joint holders hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2023, 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. (%)
BlackRock Japan Co., Ltd.	8-3 Marunouchi, 1-chome, Chiyoda-ku, Tokyo	4,616,400	1.79
Aperio Group, LLC	Suite 204, Three Harbor Drive, Sausalito, California, United States	260,569	0.10
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA, Amsterdam, Netherlands	711,839	0.28
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London EC2N 2DL, United Kingdom	605,504	0.23
BlackRock Asset Management Canada Limited	161 Bay Street, Suite 2500, Toronto, Ontario, Canada	298,500	0.12
BlackRock Asset Management Ireland Limited	1F, 2 Ballsbridge Park, Ballsbridge, Dublin 4, D04 YW83, Ireland	1,810,879	0.70
BlackRock Fund Advisors	400 Howard Street, San Francisco, California, United States	3,855,000	1.50
BlackRock Institutional Trust Company, N.A	400 Howard Street, San Francisco, California, United States	3,392,949	1.32
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London EC2N 2DL, United Kingdom	339,534	0.13
Total	-	15,891,174	6.17

5. The Report of Possession of Large Volume (amended report) made available for public inspection as of February 20, 2023 indicates that Mitsubishi UFJ Financial Group, Inc. and three joint holders hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2023, 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. (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	4,036,974	1.57
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	8,768,745	3.40
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	2,080,300	0.81
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	325,084	0.13
Total	-	15,211,103	5.90

(7) Voting rights

1. Issued shares

As of March 31, 2023

Categories	Number of shares		Number of voting rights	Description
Shares with no voting rights		-	-	-
Shares with restricted voting rights (Treasury shares, etc.)		-	-	-
Shares with restricted voting rights (Other)		-	-	-
Shares with full voting rights (Treasury shares, etc.)	Common shares	1,565,900	-	Number of shares per unit = 100 shares
Shares with full voting rights (Other)	Common shares	256,025,100	2,560,241	The same as above
Shares less than one unit	Common shares	164,930	-	-
Total number of issued shares		257,755,930	-	-
Number of voting rights held by all shareholders		-	2,560,241	-

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.
3. The “Shares with full voting rights (Other)” column includes 258,000 Company shares held by the Board Incentive Plan trust.

2. Treasury shares, etc.

As of March 31, 2023

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	1,565,900	-	1,565,900	0.61
Total	-	1,565,900	-	1,565,900	0.61

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.
3. The Company shares held by the Board Incentive Plan trust are not included in the above treasury shares.

(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	1,433,200	2,999,837,782
Treasury shares acquired during the fiscal year	3,031,400	6,999,994,274
Total number of outstanding shares to be acquired pursuant to resolution and total value	1,035,400	167,944
Non-exercise ratio as of the end of the fiscal year (%)	18.8	0.0
Treasury shares acquired during the current period	—	—
Non-exercise ratio as of the filing date (%)	18.8	0.0

(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	1,596	3,775,199
Treasury shares acquired during the current period	133	281,341

Notes

1. The number of treasury shares acquired during the current period does not include the shares less than one unit purchased from June 1, 2023 to the filing date of this Securities Report.
2. The acquired treasury shares above do not include Company shares acquired by the Board Incentive Plan trust.

(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	4,464,600	8,889,777,582	-	-
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)	26	51,714	-	-
(Exercise of stock options)	89,000	104,774,553	7,500	12,091,704
Total number of treasury shares held	1,565,943	-	1,558,576	-

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, 2023 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, 2023 to the filing date of this Securities Report.
3. The number of treasury shares handled and the number of treasury shares held above do not include the Company shares held by the BIP trust.

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 34 yen per share declared at the end of the first half and previously paid, the dividend for the year is 68 yen per share, an increase of 4 yen from the previous consolidated fiscal year.

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 9, 2022 Board of Directors resolution	8,708	34.0
May 17, 2023 Board of Directors resolution	8,710	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

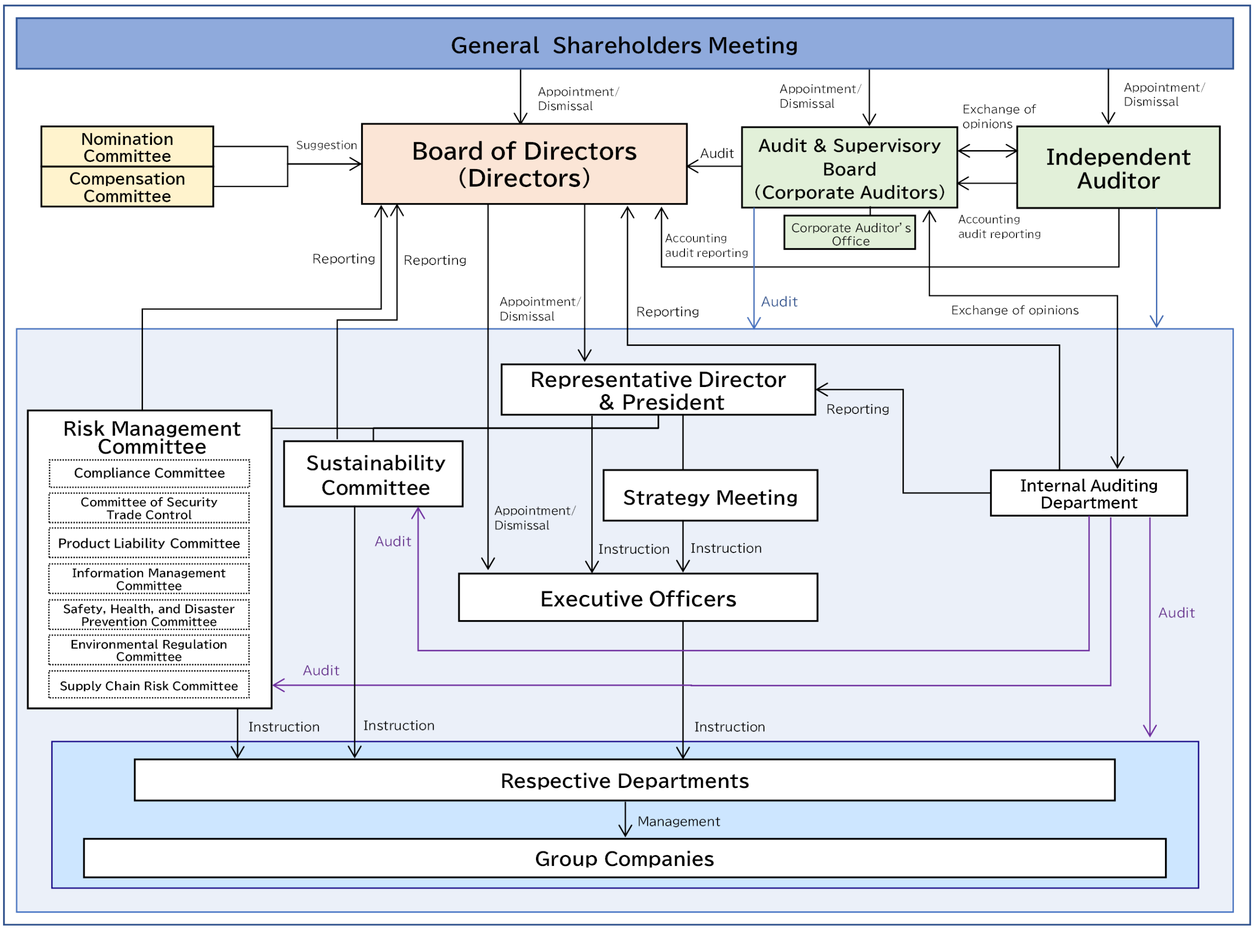
The Company believes that objective and neutral management supervisory function from an external standpoint that is important in corporate governance. Based on the idea that supervision by more than one Independent Director is appropriate as a framework to strengthen management supervisory function, 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.

7 Activities of the Board of Directors and the arbitrary Nomination Committee and Compensation Committee during the current fiscal year

The Company has established the Nomination Committee and the Compensation Committee as arbitrary advisory bodies to the Board of Directors concerning the nomination and remuneration of Directors and Executive Officers. The activities of the Board of Directors and these committees during the current fiscal year are as follows.

The specific activities of the Compensation Committee and the Board of Directors with regard to determining the amount of officer remuneration, etc. are described in "10) Compensation Committee's activities in the course of determining the amount of officer compensation" and "11) Board of Directors' activities in the course of determining the amount of officer compensation" in "(4) Remuneration for Directors (and other officers)" below.

Body	Number of meetings	Main items of discussion (in no particular order)	Attendance
Board of Directors	12	Matters related to financial results (quarterly, full year), shareholder returns Group financing New medium-term business strategy, capital policy, sustainability targets Personnel matters for officers and general managers, introduction of new human resources system Revision of officer remuneration policies, payment of annual bonuses to Directors Update of the basic policy on internal control systems Risk management, control of group companies Periodic verification of cross-shareholdings IR activity reports Conflict of interest management Audits by corporate auditors, internal audit reports Evaluation of the effectiveness of the Board of Directors Matters related to general meetings of shareholders Individual investment projects, business progress management, etc.	9 Directors (except for the following two members) attended 12/12 meetings 1 Director (Keisuke Takeuchi) attended 11/12 meetings 1 Director (Taizo Murakami) attended 10/10 meetings (all 11 Directors) All Corporate Auditors attended all meetings (all 5 Corporate Auditors)
Nomination Committee	3	Structure of Directors and Corporate Auditors for the current fiscal year Structure of Executive Officers, Directors, and Corporate Auditors for the next fiscal year Board of Directors skills matrix	All committee members attended all meetings (7 committee members)
Compensation Committee	2	Performance indicators in new stock-based remuneration plan Annual bonuses paid during the current fiscal year Remuneration system and remuneration levels for Directors and Executive Officers	All committee members attended all meetings (7 committee members)

(2) Information about officers

1 Directors, Corporate Auditors, and Executive Officers

14 males, 2 females (female ratio of 12.5%)

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	(Note 4)	29
			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		
			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)		
Representative Director & President*	Ichiro Sasaki	April 30, 1957	April 1983	Joined the Company	(Note 4)	44
			January 2005	Managing Director of Brother U.K. Ltd.		
			April 2008	General Manager of NID Research & Development Dept. of the Company		
			April 2009	Executive Officer of the Company		
			April 2013	Managing Executive Officer of the Company		
			June 2014	Director & Managing Executive Officer of the Company		
			June 2016	Representative Director & Managing Executive Officer of the Company		
			April 2017	Representative Director & Senior Managing Executive Officer of the Company		
			June 2018	Representative Director & President of the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director & Vice President* Responsible for: Management Information System Dept. New Business Development Dept.	Tadashi Ishiguro	June 21, 1960	April 1984	Joined the Company	(Note 4)	32
			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)		
Representative Director & Senior Managing Executive Officer * Responsible for: Corporate Planning Dept., Human Resources Dept., Nissei Business.	Kazufumi Ikeda	August 29, 1962	April 1985	Joined the Company	(Note 4)	8
			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		
			April 2023	Director & Senior Managing Executive Officer		
			June 2023	Representative Director & Senior Managing Executive Officer (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director & Senior 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)	12
			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		
			April 2023	Director & Senior Managing Executive Officer		
			June 2023	Representative Director & Senior Managing Executive Officer (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	Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation)	(Note 4)	6
			June 2000	Director of JGC Corporation (now JGC Holdings Corporation)		
			June 2001	Managing Director of JGC Corporation		
			June 2002	Senior Managing Director of JGC Corporation		
			June 2006	Director and Vice President of JGC Corporation		
			March 2007	President and Representative Director of JGC Corporation		
			June 2009	Chairman and Representative Director of JGC Corporation		
			June 2014	Principal Corporate Advisor of JGC Corporation		
			June 2017	Outside Director of the Company (current position)		
			June 2019	Outside Director of Japan Post Bank Co., Ltd. (current position)		
Director	Aya Shirai	May 23, 1960	April 1979	Joined All Nippon Airways Co., Ltd.	(Note 4)	4
			June 1993	Member of Amagasaki City Council		
			December 2002	The Mayor of Amagasaki City		
			June 2011	Outside Director of Gunze Limited		
			April 2013	Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation		
			June 2015	Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. Outside Director of Sumitomo Precision Products Co., Ltd.		
			June 2018	Outside Director of Sanyo Chemical Industries, Ltd. (current position)		
			June 2019	Outside Director of the Company (current position)		
			June 2022	Outside Director of The Royal Hotel, Ltd. (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Kazunari Uchida	October 31, 1951	April 1974 January 1985 June 2000 April 2006 February 2012 June 2012 August 2012 December 2013 June 2014 February 2015 March 2016 June 2020 April 2022	Joined Japan Airlines Co., Ltd. Joined Boston Consulting Group Japan Representative of Boston Consulting Group Professor of Faculty of Commerce at Waseda University Outside Auditor of Kewpie Corporation Outside Director of Lifenet Insurance Company Outside Director of Mitsui-Soko Co., Ltd. (now Mitsui-Soko Holdings Co., Ltd.) Outside Director of Japan ERI Co., Ltd. Outside Director of ERI Holdings Co., Ltd. Independent Advisory Committee Member of the Company Outside Director of Kewpie Corporation Outside Director of Lion Corporation (current position) Outside Director of the Company (current position) Professor Emeritus at Waseda University (current position)	(Note 4)	2
Director	Naoki Hidaka	May 16, 1953	April 1976 April 2001 April 2007 April 2009 April 2012 June 2013 April 2015 June 2018 June 2019 June 2020 March 2021 June 2022	Joined Sumitomo Corporation General Manager of Chicago Office, Sumitomo Corporation of America Executive Officer, General Manager of Metal Products for Automotive Industries Div. of Sumitomo Corporation Managing Executive Officer, General Manager of Chubu Regional Business Unit of Sumitomo Corporation Senior Managing Executive Officer, General Manager of Kansai Regional Business Unit of Sumitomo Corporation Representative Director, Senior Managing Executive Officer, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation Representative Director, Executive Vice President, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation Special Advisor of Sumitomo Corporation Advisor of Sumitomo Corporation Director of the Company (current position) Outside Director of Nabtesco Corporation (current position) Outside Director of Topcon Corporation (current position)	(Note 4)	2

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)	1
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 Corporate Auditor of the Company (current position)	(Note 5)	5
Standing Corporate Auditor	Takeshi Yamada	June 5, 1963	April 1987 May 1993 April 2002 June 2005 April 2014 April 2017 April 2018 April 2023 June 2023	Joined the Company Brother Industries (U.K.) Brother Sales, Ltd. Brother International Corporation (U.S.A.) Director of Brother International Corporation (U.S.A.) Representative Director & President of Brother International Corporation General Manager, Corporate Planning Dept. of the Company Deputy General Manager, Corporate Auditors' Office of the Company Corporate Auditor of the Company (current position)	(Note 6)	7

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Akira Yamada	May 16, 1953	April 1986 June 1991 January 1992 March 1994 January 2015 June 2015 December 2015 December 2016 June 2018 June 2021	Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki Registered as an attorney in New York (current position) Partner of Miyake & Yamazaki Resident Partner of Bangkok Office of Miyake & Yamazaki Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. External Audit & Supervisory Board Member of Denyo Co., Ltd. Representative of Three Fields L.L.C. (current position) Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position) Corporate Auditor of the Company (current position) Outside Director (Member of the Audit and Supervisory Committee) of Denyo Co., Ltd. (current position)	(Note 7)	1
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 6)	2

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Chika Matsumoto	February 22, 1961	October 1990 March 1994 August 2007 July 2013 July 2017 July 2020 June 2023	Joined Chuo Shinko Audit Corporation (later changed its name to Misuzu Audit Corporation) Registered as a CPA (current position) Partner of AZUSA Audit Corporation (now KPMG AZSA, LLC) (current position) Board member of KPMG AZSA LLC Member of Management Oversight Committee, KPMG AZSA LLC General Manager of Nagoya Office, KPMG AZSA LLC (current position) Corporate Auditor of the Company (current position)	(Note 6)	-
Total						169

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. Kazuya Jono, and Ms. Chika Matsumoto are Outside Auditors.
4. For one year from the closing of the Ordinary General Meeting of Shareholders held on June 22, 2023
5. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 24, 2020
6. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 22, 2023
7. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 20, 2022
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 * is affixed in the table above concurrently serve as Executive Officers. In addition to the five Directors, the executive officers comprise: one Senior Managing Executive Officer (Mr. Makoto Hoshi), five Managing Executive Officers (Mr. Tsuyoshi Suzuki, Mr. Tetsuro Koide, Mr. Toshihiro Itou, Ms. Yumiko Iwadare, and Mr. Yasuyuki Hasegawa), four Executive Officers (Mr. Tatsuya Sato, Mr. Yoshiichi Sugimoto, Mr. Tatsuo Terakura, and Mr. Masahiro Akita), three Group Managing Executive Officers (Mr. Isao Noji, Mr. Donald Cummins, and Mr. Robert Pulford); and one Group Executive Officer (Mr. Koichi Yasui).
   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; however, given the nature of the panel and the amount paid, 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. 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 has appointed Ms. Chika Matsumoto as an Outside Auditor. She audits the Company's management from a standpoint that is independent of the Company's managing executives based on her extensive experience, insight, and achievements gained from her years of career as a certified public accountant.

In FY2022, the Company outsourced consulting work to KPMG AZSA LLC where Ms. Matsumoto serves as head of the Nagoya Office. The transaction value of that consulting work was approximately 10 million yen. In addition, Ms. Matsumoto was an employee of the Company from April 1983 to August 1985, although more than 37 years have passed since she resigned from the Company. In light of the nature of such transactions and her past career, the Company has deemed that there is no risk of these affecting Ms. Matsumoto's independence.

The Company's capital relationship with each of its Outside Auditors, Mr. Akira Yamada 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. Kazuya Jono, and Ms. Chika Matsumoto 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 three 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) A certified public accountant who currently serves or served within the past three years as an Accounting Auditor of the Company, etc., or currently belongs or belonged within the past three years to an auditing firm, which serves as the Accounting Auditor of the Company, etc.

(4) A consultant, accounting specialist, or a legal expert who currently receives or received within the past three 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.)

(5) An individual who currently serves as a business executor of a company, at which an individual from the Company, etc. serves as its Director.

(6) An important individual (*3) who is currently a close relative (*4) of the individuals mentioned in (1)through (5)above.

*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), (2) and (5) 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(3) above, it refers to certified public accountants belonging to respective auditing firms.

As for (4) 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 collaborations 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 Keizo Obayashi has many years of experience mainly in management planning and accounting at the Company and its group companies. Corporate Auditor Takeshi Yamada has many years of experience mainly in management planning at the Company and its group companies. Outside Auditor Akira Yamada has many years of experience in both domestic and international corporate legal affairs as an attorney at law. Outside Auditor Kazuya Jono has many years of experience in financial business at financial institutions. Outside Auditor Chika Matsumoto has many years of experience in auditing accounts at audit corporations as a certified public accountant. Corporate Auditor Keizo Obayashi, Outside Auditors Kazuya Jono and Chika Matsumoto have 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 FY2022. 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, etc.)

In FY2022, 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 sustainability management
・Status of responses to information security
・Status of responses to risk management

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.

Furthermore, with the easing of restrictions on activities during the COVID-19 pandemic, the Company resumed actual inspections of overseas subsidiaries, etc. By using in-person and remote interviews, etc. in

combination, it has also become possible to conduct more efficient and effective audit activities.
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 (14 staff) under the Representative Director & President, which is independent of the business departments.
For the purpose of maintaining and improving the Group's internal control, the Internal Auditing Department, under the direction of the Representative Director, verifies the internal control of each department in the Company, verifies the internal control of group subsidiaries in cooperation with their internal auditing departments, and reports the results to the Representative Director & President.
The Internal Auditing Department evaluates the effectiveness of the Group's internal control over financial reporting from an independent standpoint and reports to the Representative Director & President.
The Internal Auditing Department regularly reports audit plans and audit results directly to the Board of Directors and to the Audit & Supervisory Board.
In addition to regularly exchanging information and opinions with the full-time Corporate Auditors, the Internal Auditing Department also attends three-party auditing communication meetings, and regularly exchanges information and opinions with the Corporate Auditors and the Independent Auditor.

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 23 certified public accountants and 28 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	FY2021		FY2022	
	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	120	0	120	1
Consolidated subsidiaries	87	—	71	—
Total	207	0	191	1

(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.
(FY2022)
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	FY2021		FY2022	
	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	—	136	—	101
Consolidated subsidiaries	611	170	849	195
Total	611	306	849	296

(FY2021)
The non-audit services at the Company and its consolidated subsidiaries are mainly market research expenses.
(FY2022)
The non-audit services at the Company and its consolidated subsidiaries are mainly tax related advisories.

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, 2022 to March 31, 2023)

Categories	Total amount of remuneration, etc. (Millions of yen)	Total amount by type of remuneration (Millions of yen)				Number of eligible officers
		Basic remuneration	Annual bonus	Stock-based remuneration		
				Basic remuneration	Performance -based remuneration	
Director (including Outside Directors)	416 (56)	272 (56)	60 (-)	41 (-)	41 (-)	12 (5)
Corporate Auditor (including Outside Auditors)	77 (27)	77 (27)	- (-)	- (-)	- (-)	5 (3)
Total (including Outside Directors and Outside Auditors)	494 (84)	350 (84)	60 (-)	41 (-)	41 (-)	17 (8)

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 number of officers receiving remuneration shown in the table above includes one Director (excluding Outside Directors) who resigned during FY2022.
3. Since performance-based remuneration related to stock-based remuneration is linked to the performance targets in the current medium-term business strategy (FY2022–FY2024), performance-based remuneration for FY2022 is the base points of performance-based remuneration (same number as fixed points) converted to monetary values.

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

Under this policy, the Company’s director remuneration is composed of the following i through iii.

i. Basic remuneration: A fixed amount of remuneration paid to all directors.

ii. 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.

iii. 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 Officers (excluding Outside Directors) are paid only basic remuneration and stock-based remuneration, while Outside Directors and part-time Directors are paid only basic remuneration.

In addition, the Company ensures objectivity and transparency regarding the amounts and calculation methods of all forms of director remuneration 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.”), and any 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
Basic remuneration for Directors 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 principle, 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.

i. 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."
ii. Based on the allocation ratio from i., 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.

iii. 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.
iv. 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.
v. 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.

The reason for selecting profit for the year and revenue as indicators in the calculation of annual bonuses is to further clarify the link between bonuses and the level of business performance each fiscal year and to further promote the sharing of interests with shareholders.
The actual values of these indicators used as the basis for calculating FY2022 annual bonuses are 815,269 million yen for revenue and 39,082 million yen for profit for the year. (Note: Since the Company's annual bonuses are calculated based on the amounts of profit for the year and revenue each fiscal year, there is no target value for the calculation.)

4) Details of stock-based remuneration, details of performance indicators, and policy on determination of calculation method, payment timing, and conditions
Stock-based remuneration incorporates variable remuneration linked to business performance over the three years of the medium-term business strategy for the purpose of contributing to enhancing corporate value over the medium to long term. Furthermore, 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, with Directors receiving the grant of shares and so on as stock-based remuneration, in principle, once they have resigned their position, Director.
The shares and so on granted as stock-based remuneration are calculated according to the following formula.

i. 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 as the "applicable period") in each fiscal year, and the value accumulate.
ii. 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.

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

The target value of each of the performance-based indicators for stock-based remuneration and the reasons for selecting them as indicators are as follows.

Type of indicator	Target value	Reason for selecting as an indicator
Revenue	FY2024 (fiscal year ending March 31, 2025): 800 billion yen	Among the performance targets in the medium-term business strategy, revenue is highly important as an indicator for measuring improvement in corporate value
Profit for the year	FY2024 (fiscal year ending March 31, 2025): Ratio of profit for the year to revenue of at least 7%	Profit for the year is highly important as an indicator for measuring improvement in corporate value
ESG	47% reduction in CO_2 emissions during the target period (FY2022–FY2024) compared to FY2015 for Scopes 1 and 2	Among the sustainability targets in the medium-term business strategy, climate change countermeasures (reduction of CO_2 emissions) are of high social importance
TSR OP ratio	100% or more during the target period (FY2022–FY2024) (see description above for a definition of terms)	TSR is highly important as an outcome of management that includes not only a company's business performance but also its stock price

* Since target values relate to the end of the final year of the medium-term business strategy (March 31, 2025), actual values for FY2022 are not shown.

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

The ratio of remuneration, etc. for each full-time Director who concurrently serves as an Executive Officer is as follows when actual values agree with the short-term and medium-term performance targets. Basic

remuneration (fixed) : Annual bonus (performance-linked) : Stock-based remuneration (performance-linked) = Approximately 5:3:2.
The ratio of remuneration, etc. for each full-time Director who does not concurrently serve as an Executive Officer (excluding Outside Directors) is as follows when actual values are in agreement with the medium-term performance targets. Basic remuneration (fixed) : Stock-based remuneration (performance-linked) = Approximately 3:1.
In addition, 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.

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

ii. 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 Director.

iii. 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 cases where a Director engages in non-conforming conduct, accounting fraud, or the like, the Company may demand that the Director return all or part of the remuneration previously paid pursuant to a recommendation by the Compensation Committee and a decision of the Board of Directors.

8) Matters on remuneration decided at General Meetings of Shareholders

i. The resolution of the 130th Ordinary General Meeting of Shareholders held on June 20, 2022 stipulates that basic remuneration (fixed remuneration) for Directors shall be limited to 400 million yen per year.

ii. The resolution of the 114th Ordinary General Meeting of Shareholders held on June 23, 2006 stipulates that basic remuneration (fixed remuneration) for Corporate Auditors shall be limited to 140 million yen per year.

iii. The resolution of the 130th Ordinary General Meeting of Shareholders held on June 20, 2022 stipulates that annual bonuses (performance-based bonuses) for full-time Directors who concurrently serve as Executive Officers shall be limited to “no more than 0.4% of the amount of profit for the year attributable to owners of the parent company for the relevant fiscal year.”

iv. The resolution of the 130th Ordinary General Meeting of Shareholders held on June 20, 2022 stipulates that a performance-linked stock-based remuneration plan is to be introduced. Company shares, etc. are granted to eligible Directors, etc. through a trust established by the Company. Following is an outline of this.

Persons eligible for grant of Company shares, etc.	Directors of the Company (excluding Outside Directors, part-time Directors, and non-residents of Japan) Executive Officers of the Company (excluding non-residents of Japan)
Maximum amount of money contributed by the Company	Amount obtained by multiplying 220 million yen by the number of years in the applicable period The maximum amount for the initial applicable period, namely the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, is 660 million yen

Maximum number of Company shares that can be granted to Directors, etc. for each applicable period and method of acquisition of Company shares by the trust	Number of shares that is equivalent to the number of points obtained by multiplying 110,000 points (equivalent to 110,000 shares) by the number of years in the applicable period The maximum number of points for the initial applicable period, namely the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, is 330,000 points (equivalent to 330,000 shares) The trust will acquire Company shares from either the Company (issuance of new shares or disposal of treasury shares) or the stock market
Details of target achievement	Varies depending on the degree to which the targets in the medium-term business strategy, etc. were achieved during the applicable period For the initial applicable period, namely the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, varies within a range of 0%–150% depending on the degree to which the targets for consolidated revenue, consolidated profit, CO_2 reduction, and TSR are achieved in the final fiscal year Specific details concerning the achievement of targets for applicable periods beginning in or after the fiscal year ending March 31, 2026 will be determined separately by the Board of Directors
When Company shares, etc. are granted	In principle, when the Director, etc. resigns their position

9) Reason that the Board of Directors deems remuneration for individual Directors in FY2022 to be consistent with the policy

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.

10) 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 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 FY2022.

May 11, 2022 Operational review of some performance indicators for stock-based remuneration (BIP Trust)
Remuneration system and levels for full-time Directors who do not concurrently serve as Executive Officers
Annual bonuses paid during the current fiscal year
Agenda items at the 130th Ordinary General Meeting of Shareholders related to Directors and Corporate Auditors and to officer remuneration (Agenda Items 4–6)

December 20, 2022 Assessment of officer remuneration levels

11) 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 FY2022 as indicated below.

May 11, 2022 Introduction of new stock-based remuneration plan

Remuneration system and levels for full-time Directors who do not concurrently serve as Executive Officers

June 20, 2022 Performance-based remuneration

Revision of policies on determining the remuneration of Directors, etc. (officer remuneration policies)

August 5, 2022 Establishment of trust related to performance-linked stock-based remuneration

Disposal of treasury shares through third-party allocation to Board Incentive Plan trust

(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	18	366
Other than unlisted shares	15	12,805

(Issues whose holdings increased during the current fiscal year)

Not applicable.

(Issues whose holdings decreased in the current fiscal year)

	Number of issues	Total sales value related to decreased holdings (Millions of yen)
Unlisted shares	1	10
Other than unlisted shares	-	-

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
	4,476	6,375		
Zeon Corporation	2,365,000	2,365,000	Maintenance of relationships concerning parts procurement	Yes
	3,308	3,225		
Citizen Watch Co., Ltd.	1,526,900	1,526,900	Maintenance of cooperative manufacturing and sales relationship	No
	1,187	795		
Sanyo Denki Co., Ltd.	125,400	125,400	Maintenance and reinforcement of trading relationship	Yes
	771	617		
MS&AD Insurance Group Holdings, Inc	131,700	131,700	Maintenance of comprehensive insurance trading relationship	No
	540	523		
Okaya & Co., Ltd.	52,000	52,000	Maintenance of relationship concerning parts and materials procurement and hardware sales	Yes
	539	507		
Toho Gas Co., Ltd.	200,000	200,000	Development of business relationship	Yes
	492	545		
Okuma Corporation	64,000	64,000	Maintenance of trading relationship	Yes
	378	326		
Yamazen Corporation	300,000	300,000	Maintenance of hardware sales and purchasing relationship	Yes
	305	283		
Ushio Inc.	120,300	120,300	Maintenance of relationships concerning parts procurement	Yes
	200	219		
Ryosan Company, Limited	59,900	59,900	Maintenance of relationships concerning parts procurement	Yes
	196	131		
Chiyoda Integre Co., Ltd.	87,800	87,800	Maintenance of relationships concerning parts procurement	Yes
	195	185		
Jichodo Co., Ltd.	22,200	22,200	Maintenance of trading relationship	Yes
	152	155		

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
	Number of shares	Number of shares		
	Amount recorded on the balance sheet (Millions of yen)	Amount recorded on the balance sheet (Millions of yen)		
Yuasa Trading Co., Ltd.	11,000	11,000	Maintenance of hardware sales and purchasing relationship	Yes
	41	31		
Meiko Trans Co. Ltd.	16,000	16,000	Maintenance of transport service trading	Yes
	18	18		

Deemed Shareholdings

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Ownership of Brother Industries share
	Number of shares	Number of shares		
	Amount recorded on the balance sheet (Millions of yen)	Amount recorded on the balance sheet (Millions of yen)		
Mitsubishi UFJ Financial Group, Inc.	1,532,400	1,532,400	Restriction on exercising its voting rights	No
	1,299	1,165		
ITFOR Inc.	1,420,000	1,420,000	Restriction on exercising its voting rights	Yes
	1,222	1,117		
Sumitomo Mitsui Financial Group, Inc.	134,300	134,300	Restriction on exercising its voting rights	No
	711	524		

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, 2022 to March 31, 2023 and the non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 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 FY2021 (As of March 31, 2022)	Millions of yen FY2022 (As of March 31, 2023)
Assets			
Current assets			
Cash and cash equivalents	8, 41	167,915	119,042
Trade and other receivables	9, 41	102,685	123,260
Other financial assets	10, 41	11,419	10,867
Inventories	11	169,583	222,133
Other current assets	12	24,843	36,441
Subtotal		476,447	511,746
Non-current assets classified as held for sale	13	297	—
Total current assets		476,745	511,746
Non-current assets			
Property, plant and equipment	14, 17	117,127	128,496
Right-of-use assets	17, 22	21,136	25,002
Investment property	15	7,858	6,217
Goodwill and intangible assets	16, 17	121,689	114,220
Investments accounted for using the equity method	18	1,862	2,006
Other financial assets	10, 19, 41	33,389	29,497
Deferred tax assets	20	21,261	20,818
Other non-current assets	12, 25	10,078	12,480
Total non-current assets		334,404	338,740
Total assets		811,149	850,486

	Notes	Millions of yen FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	23, 41	71,247	82,755
Bonds and borrowings	21, 41	20,121	36,823
Other financial liabilities	21, 22, 24, 41	9,517	9,387
Income tax payables		14,084	5,472
Provisions	26	3,211	4,031
Contract liabilities	30	7,807	6,556
Other current liabilities	27	53,516	56,249
Total current liabilities		179,506	201,276
Non-current liabilities			
Bonds and borrowings	21, 41	20,705	600
Other financial liabilities	21, 22, 24, 41	20,379	23,105
Retirement benefits liabilities	25	16,366	14,997
Provisions	26	2,972	3,593
Deferred tax liabilities	20	7,207	7,055
Contract liabilities	30	1,600	2,049
Other non-current liabilities	27	1,197	1,127
Total non-current liabilities		70,431	52,529
Total liabilities		249,937	253,806
Equity			
Capital stock	28	19,209	19,209
Capital surplus	28	17,866	17,849
Retained earnings		554,910	568,055
Treasury stock	28	(5,428)	(3,533)
Other components of equity		(25,411)	(4,962)
Equity attributable to owners of the parent company		561,146	596,619
Non-controlling interests		65	60
Total equity		561,211	596,680
Total equity and liabilities		811,149	850,486

Consolidated Statement of Income

	Notes	Millions of yen FY2021 (Year ended March 31, 2022)	Millions of yen FY2022 (Year ended March 31, 2023)
Revenue	6, 15, 30	710,938	815,269
Cost of sales	11, 14, 15, 16, 25, 31, 34	(403,614)	(495,681)
Gross profit		307,324	319,587
Selling, general and administrative expenses	14, 16, 25, 32, 40	(222,771)	(259,183)
Other income	33, 34, 41	5,621	9,544
Other expenses	17, 25, 33, 41	(4,672)	(14,570)
Operating profit	6	85,501	55,378
Finance income	35	4,079	6,306
Finance expenses	35	(3,338)	(4,983)
Share of profit/(loss) of investments accounted for using the equity method	18	186	251
Profit before income taxes		86,429	56,953
Income tax expenses	20	(24,914)	(17,866)
Profit for the year		61,515	39,086
Profit for the year attributable to:			
Owners of the parent company		61,030	39,082
Non-controlling interests		484	4
Profit for the year		61,515	39,086

	Notes	Yen FY2021 (Year ended March 31, 2022)	Yen FY2022 (Year ended March 31, 2023)
Earnings per share			
Basic earnings per share	36	234.89	152.67
Diluted earnings per share	36	234.18	152.22

Consolidated Statement of Comprehensive Income

	Notes	Millions of yen	
		FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Profit for the year		61,515	39,086
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	(3,234)	(950)
Remeasurement of the net defined benefit liability (asset)	37	3,831	1,314
Share of other comprehensive income of investments accounted for using the equity method	18, 37	(0)	(0)
Total of items that will not be reclassified subsequently to profit or loss		597	363
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	37	35,622	20,449
Total of items that may be reclassified subsequently to profit or loss		35,622	20,449
Other comprehensive income for the year, net of income tax		36,219	20,813
Comprehensive income for the year		97,734	59,900
Comprehensive income for the year attributable to:			
Owners of the parent company		97,231	59,896
Non-controlling interests		503	3
Comprehensive income for the year		97,734	59,900

Consolidated Statement of Changes in Equity

FY2021 (Year Ended March 31, 2022)

(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, 2021		19,209	17,652	509,662	(2,477)	(60,998)	-
Profit for the year		-	-	61,030	-	-	-
Other comprehensive income		-	-	-	-	35,586	(3,216)
Total comprehensive income/(loss) for the year		-	-	61,030	-	35,586	(3,216)
Acquisition of treasury stock	28	-	-	-	(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		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	28	-	-	(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

FY2022 (Year Ended March 31, 2023)

(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, 2022		19,209	17,866	554,910	(5,428)	(25,411)	-
Profit for the year		-	-	39,082	-	-	-
Other comprehensive income		-	-	-	-	20,449	(950)
Total comprehensive income/(loss) for the year		-	-	39,082	-	20,449	(950)
Acquisition of treasury stock	28	-	-	-	(7,022)	-	-
Disposal of treasury stock		-	(112)	(51)	163	-	-
Cancellation of treasury stock	28	-	(149)	(8,740)	8,889	-	-
Dividends paid	29	-	-	(17,510)	-	-	-
Share-based payment transaction	40	-	244	-	(136)	-	-
Changes in ownership interest in subsidiaries		-	-	-	-	-	-
Reclassification to retained earnings		-	-	364	-	-	950
Total transactions with owners		-	(17)	(25,937)	1,895	-	950
Balance as of March 31, 2023		19,209	17,849	568,055	(3,533)	(4,962)	-

	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, 2022		-	(25,411)	561,146	65	561,211
Profit for the year		-	-	39,082	4	39,086
Other comprehensive income		1,314	20,813	20,813	(0)	20,813
Total comprehensive income/(loss) for the year		1,314	20,813	59,896	3	59,900
Acquisition of treasury stock	28	-	-	(7,022)	-	(7,022)
Disposal of treasury stock		-	-	0	-	0
Cancellation of treasury stock	28	-	-	-	-	-
Dividends paid	29	-	-	(17,510)	(7)	(17,518)
Share-based payment transaction	40	-	-	108	-	108
Changes in ownership interest in subsidiaries		-	-	-	-	-
Reclassification to retained earnings		(1,314)	(364)	-	-	-
Total transactions with owners		(1,314)	(364)	(24,423)	(7)	(24,431)
Balance as of March 31, 2023		-	(4,962)	596,619	60	596,680

Consolidated Statement of Cash Flows

	Notes	Millions of yen FY2021 (Year ended March 31, 2022)	Millions of yen FY2022 (Year ended March 31, 2023)
Cash flows from operating activities			
Profit before income taxes		86,429	56,953
Depreciation and amortization		38,700	42,575
Impairment losses		2,123	11,063
Finance expenses/(income)		(740)	(1,323)
Share of (profit)/loss of investments accounted for using the equity method		(186)	(251)
Losses/(gains) on sale or disposal of fixed assets		670	(4,514)
Decrease/(increase) in trade and other receivables		(2,954)	(16,125)
Decrease/(increase) in inventories		(37,964)	(44,252)
Increase/(decrease) in trade and other payables		12,450	6,174
Decrease/(increase) in retirement benefit assets		(1,748)	(1,735)
Increase/(decrease) in retirement benefit liabilities		(3,646)	(2,103)
Other		2,562	1,636
Subtotal		95,695	48,097
Interest received		1,231	2,222
Dividends received		330	402
Interest paid		(756)	(984)
Income taxes paid		(24,245)	(35,304)
Net cash provided by operating activities		72,254	14,432
Cash flows from investing activities			
Purchases of property, plant and equipment		(26,606)	(31,191)
Proceeds from sales of property, plant and equipment		1,019	759
Purchases of intangible assets		(9,236)	(11,291)
Proceeds from sales of investment properties		—	6,500
Purchases of investments in equity instruments		(1,244)	(1,059)
Proceeds from sales of investments in equity instruments		10	10
Purchases of investments in debt instruments		(9,297)	(3,251)
Proceeds from sales or redemption of investments in debt instruments		5,880	7,695
Other		(1,305)	(370)
Net cash used in investing activities		(40,781)	(32,198)
Cash flows from financing activities			
Proceeds of short-term borrowings	38	—	15,571
Proceeds from long-term borrowings	38	200	—
Repayment of long-term borrowings	38	(20,197)	(19,997)
Repayment of lease obligations	38	(8,825)	(7,690)
Dividends paid	29	(16,397)	(17,510)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(16,715)	—
Purchase of treasury stock		(3,005)	(7,003)
Dividends paid to non-controlling interests		(249)	(8)
Other		(0)	0
Net cash used in financing activities		(65,191)	(36,638)
Effect of exchange rate changes on cash and cash equivalents		10,630	5,531
Net increase/(decrease) in cash and cash equivalents		(23,087)	(48,872)
Cash and cash equivalents at the beginning of the year	8	191,002	167,915
Cash and cash equivalents at the end of the year	8	167,915	119,042

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.
From the current consolidated fiscal year, the reporting segment categories have been changed and the Group operates seven businesses, consisting of the Printing & Solutions Business, Machinery Business, Domino Business, Nissei Business, Personal & Home Business, Network & Contents Business and Other 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, 2023, were approved on June 22, 2023 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.

(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. At the end of each reporting period, the Group assesses 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 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 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

<1> Stock option scheme

The Group had adopted a stock option scheme as an equity-settled share-based payment scheme, but the scheme has been discontinued except for those stock options already granted with the introduction of the performance-linked stock-based remuneration plan.

<2> Performance-linked stock-based remuneration plan

The Group has introduced performance-linked stock-based remuneration as an equity-settled share-based payment scheme for Directors, etc. (excluding Outside Directors, etc.). Under equity-settled share-based payment schemes, the consideration for services received is measured at fair value on the date shares are granted. It is expensed from the grant date over the vesting period with a corresponding amount recognized as an increase in capital.

(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), machine tools, industrial sewing machines, industrial printing equipment, reducers, gears, domestic sewing machines, and commercial online karaoke systems. 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”

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 Company has modified its reportable segment categories effective from the current consolidated fiscal year. 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. 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.
In accordance with this recategorization, the previous consolidated fiscal year is modified using the revised categories.

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.

FY2021 (Year Ended March 31, 2022)

(Millions of yen)

	Reportable segment							Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Revenue										
Customers	424,247	90,543	84,731	20,749	49,995	29,552	11,119	710,938	—	710,938
Intersegment	—	—	—	—	—	—	13,680	13,680	(13,680)	—
Total	424,247	90,543	84,731	20,749	49,995	29,552	24,800	724,619	(13,680)	710,938
Business segment profit/(loss)	59,754	12,579	5,162	1,376	8,072	(2,700)	370	84,614	(61)	84,552
Other income and expenses	(331)	1	(854)	(27)	134	2,132	(105)	949	—	949
Operating profit/(loss)	59,422	12,580	4,307	1,349	8,207	(568)	264	85,563	(61)	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	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Depreciation	18,619	2,661	7,062	1,382	1,105	6,755	1,113	38,700	—	38,700
Impairment losses	139	0	1,176	147	0	575	85	2,123	—	2,123
Capital expenditure (Note 3)	17,234	2,184	3,771	3,034	1,115	5,069	685	33,095	8,780	41,875

(Notes)

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

2) Reconciliation amount of ¥(61) 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.

FY2022 (Year Ended March 31, 2023)

(Millions of yen)

	Reportable segment							Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Revenue										
Customers	496,726	96,404	100,830	23,485	51,004	35,254	11,563	815,269	—	815,269
Intersegment	—	—	—	—	—	—	19,343	19,343	(19,343)	—
Total	496,726	96,404	100,830	23,485	51,004	35,254	30,907	834,612	(19,343)	815,269
Business segment profit	37,088	9,538	5,572	1,901	5,781	457	368	60,708	(304)	60,404
Other income and expenses	(634)	302	(11,360)	(84)	71	358	6,321	(5,025)	—	(5,025)
Operating profit/(loss)	36,454	9,841	(5,787)	1,817	5,852	815	6,689	55,683	(304)	55,378
Finance income and expenses										1,323
Share of profit/(loss) of investments accounted for using the equity method										251
Profit before income taxes										56,953

Other items

	Reportable segment							Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Depreciation	22,520	2,971	7,299	1,568	1,198	5,866	1,150	42,575	—	42,575
Impairment losses	369	—	10,625	0	—	68	—	11,063	—	11,063
Capital expenditure (Note 3)	28,810	2,592	5,698	2,195	1,254	6,159	1,359	48,071	6,916	54,987

(Notes)

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

2) Reconciliation amount of ¥(304) 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 ¥6,916 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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Printing & Solutions		
Communications and printing equipment	366,902	435,075
Labeling	57,345	61,650
Printing & Solutions total	424,247	496,726
Machinery		
Machine tools	56,553	61,296
Industrial sewing machines	33,990	35,108
Machinery total	90,543	96,404
Domino	84,731	100,830
Nissei	20,749	23,485
Personal & Home	49,995	51,004
Network & Contents	29,552	35,254
Others	11,119	11,563
Total	710,938	815,269

(4) Information about geographical areas

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

Revenue from customers

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Japan	105,228	115,764
U.S.A.	173,526	209,392
China	91,192	94,236
Others	340,990	395,874
Total	710,938	815,269

(Note)

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

Non-current assets

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Japan	87,280	92,124
Overseas		
The Americas		
U.S.A.	13,919	15,029
Others	1,985	2,217
The Americas total	15,905	17,247
Europe		
U.K.	113,564	103,422
Others	9,177	9,933
Europe total	122,742	113,356
Asia and others		
China	15,219	18,240
Vietnam	14,319	16,347
Philippines	12,395	16,688
Others	3,727	4,302
Asia and others total	45,661	55,577
Overseas total	184,310	186,181
Total	271,591	278,305

(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

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

FY2022 (Year ended March 31, 2023)
Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Cash and cash equivalents		
Cash and deposits	167,915	119,042
Total	167,915	119,042

The balance of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2022 and March 31, 2023, 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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Notes receivable	6,497	7,067
Accounts receivable	96,738	116,413
Other	1,654	1,716
Allowance for doubtful accounts	(2,204)	(1,936)
Total	102,685	123,260

The receivables expected to be collected more than one year after March 31, 2022 and March 31, 2023 are ¥1,625 million and ¥1,423 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Current assets		
Financial assets measured at amortized cost	10,464	9,562
Financial assets measured at FVTPL		
Derivatives	954	1,305
Items other than derivatives	0	0
Allowance for doubtful accounts	(0)	(0)
Total	11,419	10,867
Non-current assets		
Financial assets measured at amortized cost	12,812	9,610
Financial assets measured at FVTPL		
Derivatives	126	—
Items other than derivatives	3,825	4,605
Financial assets measured at FVTOCI		
Equity instruments	16,656	15,312
Allowance for doubtful accounts	(30)	(31)
Total	33,389	29,497

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Merchandise and finished goods	105,618	148,878
Work in process	13,216	15,000
Raw materials and supplies	50,748	58,254
Total	169,583	222,133

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2022 and 2023 are ¥399,975 million and ¥491,265 million, respectively.
Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (As of March 31, 2023)
Write-down	5,194	7,384

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Other current assets		
Prepaid expenses	7,889	9,815
Advance payments	765	1,325
Consumption taxes receivable	10,377	10,193
Income taxes receivable	3,109	13,182
Other	2,702	1,924
Total	24,843	36,441
Other non-current assets		
Long-term prepaid expenses	3,377	3,994
Retirement benefit assets	2,886	4,653
Insurance funds	2,867	2,787
Other	946	1,045
Total	10,078	12,480

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Non-current assets held for sale		
Property, plant and equipment	297	—
Total	297	—

Non-current assets held for sale during the previous consolidated fiscal year were mainly tangible fixed assets held by Brother Nordic A/S that met the criteria for assets classified as held for sale. The sale was completed during the current consolidated fiscal year

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, 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
Acquisitions	—	2,691	5,495	13,658	10,432	32,277
Sales or disposals	(22)	(666)	(4,478)	(11,146)	(81)	(16,394)
Foreign exchange differences	396	3,596	2,719	1,114	(9)	7,818
Other	27	6,131	3,066	1,091	(9,892)	424
Balance as of March 31, 2023	15,966	140,211	103,140	143,295	5,528	408,141

(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, 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)
Depreciation	—	(5,667)	(6,201)	(11,002)	—	(22,871)
Impairment losses	—	(16)	(6)	(365)	—	(389)
Sales or disposals	—	284	4,222	11,020	—	15,527
Foreign exchange differences	—	(1,852)	(2,045)	(896)	—	(4,794)
Other	—	(563)	923	(589)	—	(229)
Balance as of March 31, 2023	(837)	(80,264)	(77,336)	(121,207)	—	(279,645)

(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, 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
Balance as of March 31, 2023	15,129	59,947	25,803	22,088	5,528	128,496

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	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	14,027	13,741
Acquisitions	6	269
Sales or disposals	(158)	(2,670)
Reclassifications	(156)	395
Foreign exchange differences	21	4
Balance at the end of the year	13,741	11,740

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	(5,779)	(5,882)
Depreciation	(415)	(417)
Sales or disposals	50	529
Reclassifications	268	247
Foreign exchange differences	(6)	(1)
Balance at the end of the year	(5,882)	(5,523)

(Millions of yen)

Carrying amount and fair value	FY2021 (As of March 31, 2022)		FY2022 (As of March 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	7,858	19,658	6,217	17,738

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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Rental income	1,737	1,651
Direct operating expenses arising from investment property that generated rental income	(876)	(794)
Direct operating expenses arising from investment property that did not generate rental income	(5)	(4)

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, 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
Acquisitions	—	4,012	369	—	—	6,633	11,015
Internal generation	—	—	—	276	—	—	276
Sales or disposals	—	(4,920)	—	(0)	—	(37)	(4,957)
Foreign exchange differences	3,155	1,011	—	111	805	855	5,939
Other	—	7,727	—	—	—	(7,575)	152
Balance as of March 31, 2023	121,770	101,024	11,924	4,107	29,231	32,095	300,154

(Note)

Suspense account transfer is included in “Other” of “Software”.

(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, 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)
Amortization	—	(6,566)	(173)	(476)	(1,920)	(2,229)	(11,366)
Impairment losses	(10,625)	(0)	—	—	—	(0)	(10,626)
Sales or disposals	—	4,882	—	—	—	35	4,917
Foreign exchange differences	(1,055)	(1,013)	—	(54)	(387)	(304)	(2,815)
Other	—	(2)	—	—	—	(0)	(2)
Balance as of March 31, 2023	(50,929)	(83,642)	(11,131)	(2,202)	(15,177)	(22,850)	(185,933)

(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, 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
Balance as of March 31, 2023	70,840	17,382	793	1,904	14,054	9,245	114,220

(Note)
Significant intangible assets as of March 31, 2023 are customer related assets. The carrying amount is ¥14,054 million and the remaining amortization period is 7.25 years.

The research and development expenses are as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Research and development expenses	43,818	45,385

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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Property, plant and equipment		
Buildings and structures	148	16
Machinery, equipment and vehicles	137	6
Tools, furniture and fixtures	66	365
Right-of-use assets		
Buildings and structures	648	46
Machinery, equipment and vehicles	44	0
Tools, furniture and fixtures	13	1
Intangible assets		
Goodwill	720	10,625
Software	204	0
Other intangible assets	134	0
Other	6	0
Total of impairment losses	2,123	11,063

(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
In the previous consolidated fiscal year, there was no significant impairment loss.
In the current consolidated fiscal year, there was no significant impairment loss except for the details described in “(3) Impairment test for goodwill.”

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Domino	78,898	70,373
Other	467	467
Total	79,366	70,840

As a result of impairment testing conducted during the current consolidated fiscal year, the amount of goodwill impairment loss recognized in the Domino Business segment was 10,625 million yen. This is primarily attributable to the recoverable amount decreasing due to higher discount rates accompanying rising interest rates.

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 10.09% and 12.21% 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 6.0% and 3.4% to 5.8% for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.
A decrease in future cash flows, which is a major assumption used in impairment testing, or an increase in the discount rate could result in additional impairment losses.

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Carrying amount total	1,862	2,006

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
The share amount of earnings of associates from continuing operations	186	251
The share amount of other comprehensive income from associates	(0)	(0)
The share amount of comprehensive income from associates	186	251

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Total assets of unconsolidated structured entities	111,529	141,783
The Company's maximum exposure to loss		
The carrying amount of the investments recognized by the Company	3,825	4,605
Commitments related to additional investments	4,006	3,141
Total	7,832	7,747

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:

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

FY2022 (Year ended March 31, 2023)

(Millions of yen)

	Balance as of March 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2023
Deferred tax assets					
Inventories	13,338	338	—	76	13,754
Retirement benefit liabilities	3,632	(132)	(557)	134	3,076
Property, plant and equipment	4,514	(152)	—	30	4,392
Accrued bonuses	3,311	(810)	—	52	2,553
Accrued unused paid absences	2,174	(12)	—	12	2,174
Accrued expenses	1,927	137	—	63	2,127
Provisions	691	38	—	12	742
Other	6,099	(388)	917	89	6,718
Subtotal	35,689	(981)	360	472	35,540
Deferred tax liabilities					
Property, plant and equipment	(5,203)	(1,422)	—	(27)	(6,654)
Assets identified by business combinations	(6,177)	394	—	41	(5,741)
Equity instruments designated as FVTOCI	(3,186)	—	329	—	(2,857)
Securities withdrawn from retirement benefit trust	(2,464)	—	—	—	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,549)	89	—	—	(1,459)
Retirement benefit Assets	(756)	(611)	14	0	(1,354)
Other	(2,297)	1,234	—	(182)	(1,244)
Subtotal	(21,635)	(315)	343	(168)	(21,776)
Total	14,053	(1,297)	703	303	13,763

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Deferred tax assets	21,261	20,818
Deferred tax liabilities	(7,207)	(7,055)
Net amount	14,053	13,763

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Deductible temporary differences	85,460	90,849
Unused tax losses	14,206	13,610
Total	99,667	104,459

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
1st year	864	407
2nd year	427	1,054
3rd year	1,063	15
4th year	308	—
5th year and thereafter	11,542	12,133
Total	14,206	13,610

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, 2022 and March 31, 2023 are ¥200,746 million and ¥258,583 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.

In the current consolidated fiscal year, the Company’s tax sharing group incurred a small amount of unused tax losses in part due to sudden foreign exchange fluctuations and soaring parts and materials costs. Considering the future taxable income of the tax sharing group, the impact of the factors negatively affecting profitability in the current fiscal year is temporary as a result of examining the recoverability of deferred tax assets. Given that the Company and the group tax sharing corporations are expected to see an improvement in profitability, it is highly likely that a portion equivalent to national taxes will be deductible from future taxable income. Therefore, deferred tax assets are recognized.

The Group applies International Accounting Standard (“IAS”) 12 “Income Taxes,” Item 4A, which was revised on May 23, 2023 and requires retroactive application, and does not recognize deferred tax assets and liabilities relating to income taxes under OECD Pillar Two, and has not noted information pertaining to these provisions.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Current tax expenses	29,193	16,569
Deferred tax expenses		
Origination and reversal of temporary differences	(4,869)	(35)
Changes of tax rate	1,023	1,234
Other	(433)	97
Subtotal	(4,279)	1,297
Total	24,914	17,866

Current tax expenses include previously unrecognized tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. Current tax expenses decreased by those tax benefits by ¥1,175 million and ¥391 million for the years ended March 31, 2022 and 2023, respectively.

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

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Statutory tax rate	30.60%	30.60%
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.19%)	(9.82%)
Expenses not deductible for tax purposes	2.71%	8.17%
Withholding taxes on distributions	0.80%	2.19%
Changes of tax rate	1.18%	2.19%
Taxes on retained earnings of foreign subsidiaries	0.45%	(1.00%)
Tax credit for R&D expenses	(3.27%)	(0.46%)
Other	(0.45%)	(0.52%)
Average effective tax rate	28.83%	31.36%

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, 2022 and 2023 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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)	Average interest rate (%)	Maturity date
Short-term borrowings	—	15,592	0.41	—
Current portion of long-term borrowings	20,121	21,230	3.40	—
Long-term borrowings	20,705	600	0.54	2026 to 2028
Short-term lease obligations	7,815	8,478	2.71	—
Long-term lease obligations	18,319	20,979	1.91	2024 to 2074
Other	3,763	3,035	—	—
Total	70,725	69,916	—	—
Bonds and borrowings				
Current liabilities	20,121	36,823	—	—
Non-current liabilities	20,705	600	—	—
Other financial liabilities				
Current liabilities	9,517	9,387	—	—
Non-current liabilities	20,379	23,105	—	—
Total	70,725	69,916	—	—

(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 0.39%.

3) Of the Group's long-term borrowings 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, 2022	17,085	4,050	21,136
Balance as of March 31, 2023	20,799	4,202	25,002

<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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Depreciation charge for right-of-use assets		
Buildings and structures	6,569	6,340
Other	1,416	1,579
Total	7,985	7,920
Expenses relating to short-term leases and leases of low-value assets	842	934
Interest expense on lease liabilities	499	545

<3> Increase in right-of-use-assets

The amount of increase in right-of-use-assets in the previous consolidated fiscal year and the current consolidated 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, 2022 and 2023 is ¥10,504 million and ¥9,188 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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Lease income	9,999	10,907

<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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Within 1 year	2,362	2,753
1 to 2 years	1,787	2,083
2 to 3 years	1,194	1,384
3 to 4 years	679	909
4 to 5 years	216	453
Over 5 years	63	148
Total	6,303	7,732

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Notes payable - trade	297	226
Accounts payable - trade	48,956	57,580
Accounts payable - other	21,993	24,948
Total	71,247	82,755

24. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Current liabilities		
Lease obligations	7,815	8,478
Financial liabilities measured at amortized cost	194	148
Financial liabilities measured at FVTPL		
Derivatives	1,507	760
Total	9,517	9,387
Non-current liabilities		
Lease obligations	18,319	20,979
Financial liabilities measured at amortized cost	1,997	2,125
Financial liabilities measured at FVTPL		
Derivatives	63	—
Total	20,379	23,105

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Present value of defined benefit obligations	55,384	52,980
Fair value of plan assets	(57,071)	(59,610)
Subtotal	(1,686)	(6,630)
Effect of the asset ceiling	―	2,809
Present value of the unfunded defined benefit obligation	4,860	4,773
Net defined benefit liabilities	3,173	952
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	5,427	5,162
Retirement benefit assets	(2,253)	(4,209)
Net balance	3,173	952

Overseas plan

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Present value of defined benefit obligations	26,981	22,444
Fair value of plan assets	(19,215)	(15,626)
Subtotal	7,766	6,818
Effect of the asset ceiling	—	—
Present value of the unfunded defined benefit obligation	2,539	2,572
Net defined benefit liabilities	10,306	9,390
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	10,938	9,835
Retirement benefit assets	(632)	(444)
Net balance	10,306	9,390

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Retirement benefit liabilities	16,366	14,997
Retirement benefit assets	(2,886)	(4,653)
Net defined benefit liabilities recognized in the consolidated statement of financial position	13,479	10,343

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)	
	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	59,828	60,244	30,710	29,521
Current service cost	2,653	2,541	620	664
Interest expense	405	503	448	689
Remeasurement	(493)	(3,283)	(2,791)	(6,011)
Actuarial gains or losses arising from changes in demographical assumptions	822	1,215	(441)	(1,437)
Actuarial gains or losses arising from changes in financial assumptions	(1,481)	(4,888)	(2,197)	(4,782)
Actuarial gains or losses arising from experience adjustments	165	390	(152)	208
Past service cost	—	—	—	—
Benefits paid	(2,150)	(2,252)	(1,332)	(1,281)
Foreign exchange differences	—	—	1,865	1,435
Other	—	—	—	—
Balance at the end of the year	60,244	57,753	29,521	25,017

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2022 were 15.6 years for domestic and 15.9 years for overseas plans. For the year ended March 31, 2023, the durations were 15.5 years for domestic and 13.0 years for overseas plans.

<3> Reconciliations of the fair value of plan assets

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

	(Millions of yen) Domestic plan		(Millions of yen) Overseas plan	
	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	55,183	57,071	17,154	19,215
Interest income	392	498	271	443
Remeasurement	1,242	(323)	572	(4,292)
Return on plan assets excluding interest income	1,242	(323)	572	(4,292)
Employer contributions	1,653	3,897	1,153	382
Benefits paid	(1,518)	(1,672)	(1,118)	(971)
Foreign exchange differences	—	—	1,179	729
Other	117	138	2	119
Balance at the end of the year	57,071	59,610	19,215	15,626

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 3,950 million yen to the defined benefit plans during the year ending March 31, 2024.

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	—	—
Interest expense	—	—
Gains (losses) on remeasurement	—	(2,809)
Change in the effect of the asset ceiling	—	(2,809)
Foreign exchange differences	—	—
Balance at the end of the year	—	(2,809)

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Balance at the beginning of the year	1,935	1,978
Interest income	8	10
Remeasurement	(31)	(11)
Return on reimbursement rights excluding interest income	(31)	(11)
Employer contributions	68	67
Benefits paid	(23)	(28)
Foreign exchange differences	21	27
Balance at the end of the year	1,978	2,043

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

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.

FY2022 (As of March 31, 2023) (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	—	4,098	4,098
Equity instruments	14,900	—	14,900
Domestic stocks	8,256	—	8,256
Foreign stocks	6,643	—	6,643
Debt instruments	14,138	—	14,138
Domestic bonds	7,707	—	7,707
Foreign bonds	6,431	—	6,431
Investments in life insurance company general accounts (Note 1)	—	14,336	14,336
Alternatives (Note 2)	—	12,135	12,135
Other	—	—	—
Total	29,039	30,571	59,610

(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

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.

FY2022 (As of March 31, 2023) (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	—	790	790
Equity instruments	1,576	—	1,576
Domestic stocks	—	—	—
Foreign stocks	1,576	—	1,576
Debt instruments	504	1,382	1,887
Domestic bonds	—	—	—
Foreign bonds	504	1,382	1,887
Insurance	—	3,492	3,492
Alternatives (Note)	—	7,345	7,345
Other	—	535	535
Total	2,080	13,545	15,626

(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

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Weighted-average discount rate	0.4 to 0.9%	0.8 to 1.5%

Overseas plan

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Weighted-average discount rate	0.9 to 3.5%	1.4 to 4.8%

<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 has 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:	
	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
increases by 0.5%	decrease by 4,264	decrease by 4,028
decreases by 0.5%	increase by 4,810	increase by 4,550

Overseas plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
increases by 0.5%	decrease of 2,058	decrease of 1,182
decreases by 0.5%	Increase of 1,590	Increase of 1,281

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥12,955 million and ¥14,303 million for the years ended March 31, 2022 and 2023, 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 ¥160,830 million and ¥175,996 million for the years ended March 31, 2022 and 2023, 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, 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
Increase	510	3,157	1,683	5,351
Decrease (used)	(276)	(2,744)	(1,034)	(4,055)
Decrease (reversal)	(20)	(63)	(40)	(125)
Increase due to passage of time	14	—	—	14
Foreign exchange differences	11	170	72	254
Balance as of March 31, 2023	2,071	3,843	1,709	7,624

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Current liabilities	3,211	4,031
Non-current liabilities	2,972	3,593
Total	6,184	7,624

27. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Other current liabilities		
Accrued bonuses	16,314	14,885
Accrued unused paid absences	8,665	8,714
Accrued expenses	24,483	26,753
Other	4,053	5,895
Total	53,516	56,249
Other non-current liabilities		
Other long-term employee benefits	519	470
Deferred income	618	568
Other	59	87
Total	1,197	1,127

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, 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
Increase (Note 2)	—	(4,464,600)	—	(17)
Balance as of March 31, 2023	600,000,000	257,755,930	19,209	17,849

(Notes)

1) 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) The change in the total number of issued shares in the current consolidated fiscal year was a decrease of 4,464,600 shares due to the cancellation of treasury stock.

(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, 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)
Increase	3,042,814	(7,022)
Decrease	(4,553,626)	8,917
Balance as of March 31, 2023	2,172,291	(3,533)

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.

The increase in treasury stock by 3,042,814 shares for the year ended March 31, 2023 represents the acquisition of treasury stock by 3,031,400 shares pursuant to a Board of Directors resolution adopted on February 1, 2022, the portion of treasury stock acquired by associates of 9,818 shares and the Company's purchase of odd lots of 1,596 shares. The decrease in treasury stock by 4,553,626 shares represents the cancellation of treasury stock by 4,464,600 shares pursuant to a Board of Directors resolution adopted on August 5, 2022, the exercise of stock options of 89,000 shares and the transfer of odd lots in response to purchase requests of 26 shares.

The number of treasury stock as of March 31, 2023 includes 258,000 Company shares held by the Board Incentive Plan trust.

(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:

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

FY2022 (Year ended March 31, 2023)

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
The Board of Directors Meeting held on November 9, 2022	8,708	34.00	September 30, 2022	November 30, 2022

(Note)
The total amount of dividends pursuant to a Board of Directors resolution adopted on November 9, 2022 includes 8 million yen of dividends for Company shares held by the Board Incentive Plan trust.

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

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

FY2022 (Year ended March 31, 2023)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 17, 2023	8,710	34.00	March 31, 2023	June 2, 2023

(Note)

The total amount of dividends pursuant to a Board of Directors resolution adopted on May 17, 2023 includes 8 million yen of dividends for Company shares held by the Board Incentive Plan trust.

30. Revenue

(1) Disaggregation of revenue

The relationship between disaggregated revenue by geographic region and revenue by segment is as follows:
As described in "5. Financial Information 1. Consolidated Financial Statements (1) Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 6. Segment Information," the Company has modified its reportable segment categories effective from the current consolidated fiscal year. In accordance with this recategorization, the previous second-quarter consolidated cumulative period is presented using the revised categories.

FY2021 (Year Ended March 31, 2022)

(Millions of yen)

	Reportable segment							Total
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others	
Japan	34,342	10,351	2,946	14,403	3,107	28,958	11,119	105,228
The Americas	156,981	12,787	21,693	3,051	27,708	90	—	222,312
Europe	139,390	9,496	31,227	44	14,027	—	—	194,187
Asia and others	50,581	21,689	19,589	1,803	4,229	124	—	98,017
China	42,952	36,217	9,273	1,447	922	379	0	91,192
Consolidated	424,247	90,543	84,731	20,749	49,995	29,552	11,119	710,938
Leases	46	—	1,976	129	—	6,824	1,504	10,480
Revenue from IFRS 15	424,201	90,543	82,754	20,620	49,995	22,728	9,614	700,458

(Note)
Revenue is geographically disaggregated by customer location.

FY2022 (Year Ended March 31, 2023)

(Millions of yen)

	Reportable segment							Total
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others	
Japan	34,984	12,097	4,053	15,397	2,898	34,769	11,563	115,764
The Americas	197,487	14,831	27,510	3,835	31,641	71	—	275,378
Europe	154,342	7,905	36,330	68	11,240	—	—	209,887
Asia and others	66,003	23,985	23,229	2,049	4,552	182	0	120,001
China	43,908	37,584	9,705	2,135	671	231	0	94,236
Consolidated	496,726	96,404	100,830	23,485	51,004	35,254	11,563	815,269
Leases	19	—	2,847	139	—	7,327	1,463	11,797
Revenue from IFRS 15	496,707	96,404	97,982	23,345	51,004	27,927	10,099	803,471

(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)

	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

(Millions of yen)

	FY2022 (As of April 1, 2022)	FY2022 (As of March 31, 2023)
Receivables from contracts with customers	103,236	123,480
Contract liabilities	9,408	8,606

Revenue recognized in the years ended March 31, 2022 and 2023 that was included in the contract liability balance at the beginning of the period is ¥5,713 million and ¥7,958 million, respectively.

Revenue recognized in the years ended March 31, 2022 and 2023 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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Raw materials costs	298,754	388,508
Employee benefit expenses	59,568	65,617
Depreciation and amortization	20,235	22,497
Other	25,056	19,057
Total	403,614	495,681

32. Selling, General and Administrative Expenses

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Employee benefit expenses	101,244	111,598
Depreciation and amortization	18,465	20,078
Freight expenses	21,499	31,536
Advertising expenses	11,274	13,425
Other	70,287	82,545
Total	222,771	259,183

33. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Gain on sales of fixed assets (Note)	74	5,351
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	15	—
Other	681	361
Gain on cancellation of leases	98	34
Insurance revenue	58	69
Foreign exchange gains	25	1,841
Income from government grants	2,910	997
Refund income	846	51
Other	911	838
Total	5,621	9,544

(Note)

The gain on sales of fixed assets in the current consolidated fiscal year is mainly due to the sale of leased real estate.

The breakdown of other expenses is as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Loss on sales and disposal of fixed assets	745	837
Impairment losses	2,123	11,063
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	—	1,480
Loss on cancellation of leases	310	16
Credit losses	601	229
Structural reform expenses	18	134
Dispute costs, etc.	—	411
Other	873	396
Total	4,672	14,570

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 ¥49 million for the year ended March 31, 2022 and ¥55 million for the year ended March 31, 2023. Otherwise, "Other income" includes the government grants of ¥2,910 million for the year ended March 31, 2022 and ¥997 million for the year ended March 31, 2023 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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Interest income		
Financial assets measured at amortized cost	1,224	2,216
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives (Note)	2,621	3,778
Dividend income	232	307
Other	0	5
Total	4,079	6,306

The breakdown of finance expenses is as follows:

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Interest expense		
Financial liabilities measured at amortized cost	257	957
Interest expense on lease liabilities	499	545
Net interest expense on net defined benefit liability	181	240
Foreign exchange losses (Note)	2,374	3,215
Other	24	24
Total	3,338	4,983

(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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Profit attributable to ordinary shareholders of the parent company	61,030	39,082
Net income used in the calculation of diluted earnings per share	61,030	39,082
Average number of shares – basic	259,827,718	255,993,147
Increase of shares – basic		
Stock acquisition rights (shares)	786,922	751,234
Average number of shares – diluted	260,614,640	256,744,381

	(Yen)	(Yen)
Basic earnings per share	234.89	152.67
Diluted earnings per share	234.18	152.22

(Note)

In calculating basic and diluted earnings per share for the current consolidated fiscal year, the Company shares held by the Board Incentive Plan trust are included in the treasury stock deducted in calculating the average number of shares.

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:

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

FY2022 (Year ended March 31, 2023)

(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	(1,396)	—	(1,396)	446	(950)
Remeasurements of the net defined benefit liability (asset)	1,857	—	1,857	(543)	1,314
Share of other comprehensive income of investments accounted for using the equity method	(0)	—	(0)	—	(0)
Subtotal	461	—	461	(97)	363
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	19,648	—	19,648	800	20,449
Subtotal	19,648	—	19,648	800	20,449
Total	20,109	—	20,109	703	20,813

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Gains on investments in equity instruments designated as FVTOCI	(18)	0
Remeasurements of the net defined benefit liability (asset)	1	(0)
Exchange differences on translating foreign operations	35	—
Total	18	(0)

38. Liabilities Arising from Financing Activities

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

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.

FY2022 (Year ended March 31, 2023)

(Millions of yen)

	As of March 31, 2022	Cash flow	Non-cash changes					As of March 31, 2023
			Foreign exchange differences	Fair value	New leases	Amortized cost	Other	
Short-term borrowings	—	15,571	21	—	—	—	—	15,592
Long-term borrowings (Note)								
Long-term borrowings	40,827	(22,357)	3,337	—	—	23	—	21,830
Derivatives	(273)	2,360	—	(3,326)	—	—	—	(1,239)
Subtotal	40,553	(19,997)	3,337	(3,326)	—	23	—	20,590
Lease obligations	26,134	(7,690)	904	—	10,109	—	—	29,458
Total	66,688	(12,116)	4,263	(3,326)	10,109	23	—	65,641

(Note)

“Repayment of long-term borrowings” in the consolidated statement of cash flows includes derivatives paid or received.

39. Non-Financial Transactions

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Right-of-use assets related to leases	6,973	11,148

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.
No new stock options will be granted during or after the fiscal year ended March 31, 2023. The details of the Company's stock option schemes that existed during the current consolidated fiscal year and previous consolidated fiscal years are as follows.

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	1,746
	The Company executive officers	35,400			The Company executive officers	1,670
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

	FY2021 (Year ended March 31, 2022)		FY2022 (Year ended March 31, 2023)	
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)
Unexercised balance at beginning of year	762,100	1	785,000	1
Granted	61,500	1	—	—
Forfeited	—	—	—	—
Exercised	38,600	1	89,000	1
Matured	—	—	—	—
Unexercised balance at end of year	785,000	1	696,000	1
Exercised balance at end of year	38,600	1	100,400	1

The weighted-average stock price on the exercise date is ¥2,296 for the stock options exercised during the year ended March 31, 2022 and ¥2,100 for those exercised during the year ended March 31, 2023.
The exercise price of unexercised stock options is ¥1 as of March 31, 2022, and ¥1 as of March 31, 2023. The weighted-average remaining contractual term was 19 years for the year ended March 31, 2022 and 18 years for the year ended March 31, 2023.

(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 ¥1,917 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 2021 (Year ended March 31, 2022)		FY 2022 (Year ended March 31, 2023)	
	The Company directors	The Company executive officers	The Company directors	The Company executive officers
Stock price at the date of grant	2,278	2,278	—	—
Exercise price	1	1	—	—
Expected volatility	33.41%	33.41%	—	—
Expected life	7years	7years	—	—
Expected dividend	2.46%	2.46%	—	—
Risk-free interest rate	(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 ¥123 million for the year ended March 31, 2022.

2. Performance-linked stock-based remuneration plan using a Board Incentive Plan trust

(1) Details of the stock-based remuneration plan

The Group has introduced a stock-based remuneration plan using a Board Incentive Plan trust (the "Plan") for Directors, etc. (excluding Outside Directors, etc.) 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 Group.

(2) Number of points granted during the period and weighted-average fair value of points

The number of points granted during the period and the weighted-average fair value of points are as below. Since the fair value of points on a grant date approximates the stock price on the grant date, the stock price on the grant date is used.

(Yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Number of points granted (shares)	—	54,514
Weighted-average fair value (Yen)	—	1,992

(3) Share-based compensation expenses

The share-based compensation expenses recorded in “Selling, general and administrative expenses” in the consolidated statement of income with respect to the Plan is ¥123 million for the year ended March 31, 2023.

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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Interest-bearing debt	40,827	37,423
Cash and cash equivalents	(167,915)	(119,042)
Net interest-bearing debt	(127,087)	(81,619)
Capital (equity attributable to owners of the parent company)	561,146	596,619

(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, 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
Reclassification to non-credit-impaired financial assets	7	(7)	—
Reclassification to credit-impaired financial assets	(48)	48	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	(36)	233	197
Write-offs	—	(560)	(560)
Foreign exchange differences	16	80	96
Other	(0)	0	(0)
Balance as of March 31, 2023	269	1,678	1,948

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance as of April 1, 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
Increase (decrease) resulting from new financial assets and derecognized financial assets	0	—	0
Balance as of March 31, 2023	2	17	20

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, 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
Reclassification to non-credit-impaired financial assets	619	(619)	—
Reclassification to credit-impaired financial assets	(692)	692	—
New financial assets and derecognized financial assets	16,341	(373)	15,968
Write-offs	171	(400)	(228)
Foreign exchange differences	4,612	104	4,717
Other	(809)	809	(0)
Balance as of March 31, 2023	122,989	2,480	125,469

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, 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
New financial assets and derecognized financial assets	228	(3)	225
Write-offs	(2)	—	(2)
Foreign exchange differences	111	6	117
Balance as of March 31, 2023	5,887	97	5,985

Of the financial assets that are written off, there were no financial assets for which collecting activities continued in the year ended March 31, 2022 and 2023.

d. Risk profile

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

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

FY2022 (As of March 31, 2023)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	111,003	172	111,175
Within 30 days past due	6,639	27	6,666
31 to 60 days past due	1,528	103	1,632
61 to 90 days past due	866	139	1,005
Over 90 days past due	2,760	2,038	4,799
Total	122,799	2,480	125,279

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	5,833	82	5,916
Over 90 days past due	53	14	68
Total	5,887	97	5,985

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	4,802
Rating A	2,904
Total	7,706

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2023 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:

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

FY2022 (As of March 31, 2023)

(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	82,755	82,755	82,755	—	—	—	—	—
Borrowings	37,423	37,432	36,832	—	—	200	200	200
Lease obligations	29,458	31,854	8,667	4,774	3,327	2,474	2,128	10,482
Other	2,274	2,274	148	735	165	69	31	1,124
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	739	739	739	—	—	—	—	—
Interest-rate and currency swaps/Interest rate swaps/Currency swaps	21	21	21	—	—	—	—	—
Total	152,672	155,077	129,164	5,510	3,493	2,743	2,359	11,806

<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)

	FY2021 (Year ended March 31, 2022)		FY2022 (Year ended March 31, 2023)	
	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	(77)	(77)	(282)	(282)
EUR	217	217	126	126
GBP	(53)	(53)	(13)	(13)
CNY	38	38	53	53

<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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Profit before income taxes	1,679	1,190
Comprehensive income for the year (before tax effects)	1,679	1,190

<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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Comprehensive income for the year (before tax effects)	166	153

(3) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	167,915	119,042
Trade and other receivables	102,685	123,260
Other financial assets	23,246	19,140
Financial assets measured at FVTPL		
Other financial assets	4,906	5,911
Equity instruments measured at FVTOCI		
Other financial assets	16,656	15,312
Total	315,410	282,668
Liabilities:		
Lease obligations		
Other financial liabilities	26,134	29,458
Financial liabilities measured at amortized cost		
Trade and other payables	71,247	82,755
Bonds and borrowings	40,827	37,423
Other financial liabilities	2,192	2,274
Financial liabilities measured at FVTPL		
Other financial liabilities	1,571	760
Total	141,972	152,672

(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)

	FY2021 (As of March 31, 2022)		FY2022 (As of March 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Other financial assets	23,246	23,215	19,140	19,110
Liabilities:				
Bonds and borrowings	40,827	40,744	37,423	37,425
Other financial liabilities	28,326	28,326	31,732	31,732

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)
The carrying amounts approximate fair value because the items are short in maturity. 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 consolidated fiscal year are between 6.2x and 18.1x and between 0.5x and 3.0x, 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
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

FY2022 (As of March 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	1,305	4,605	5,911
Financial assets measured at FVTOCI				
Other financial assets	13,885	—	1,427	15,312
Total	13,885	1,305	6,033	21,224
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	760	—	760
Total	—	760	—	760

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.

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.

FY2022 (Year ended March 31, 2023)

(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, 2022	3,825	1,541	5,366
Total gains and losses	216	(105)	111
Profit or loss (Note 1)	216	—	216
Other comprehensive income (Note 2)	—	(105)	(105)
Purchase	1,018	1	1,020
Sale, etc.	—	(10)	(10)
Foreign exchange differences	16	0	16
Other	(471)	0	(471)
Balance as of March 31, 2023	4,605	1,427	6,033

(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, 2023 is ¥216 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.

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

FY2022 (As of March 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	―	19,110	―	19,110
Total	―	19,110	―	19,110
Liabilities:				
Bonds and borrowings	―	37,425	―	37,425
Other financial liabilities	―	31,732	―	31,732
Total	―	69,157	―	69,157

(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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Nidec Corporation	6,375	4,476
Zeon Corporation	3,225	3,308
Citizen Watch Co., Ltd.	795	1,187
Sanyo Denki Co., Ltd.	617	771
MS&AD Insurance Group Holdings, Inc.	523	540
Other	5,118	5,027
Total	16,656	15,312

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

(Millions of yen)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Financial assets held at the end of the period	231	306
Financial assets derecognized during the period	0	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)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Fair value	10	10
Cumulative gain or loss	(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 ¥(3,216) million and the amount of ¥(950) million for the years ended March 31, 2022 and 2023, 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, 2022 and 2023:

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.

FY2022 (As of March 31, 2023)

(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	130,797	(7,536)	123,260	—	123,260
Derivatives	1,305	—	1,305	212	1,092
Total	132,102	(7,536)	124,566	212	124,353

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	90,292	(7,536)	82,755	—	82,755
Derivatives	760	—	760	212	548
Total	91,053	(7,536)	83,516	212	83,303

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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Financial instruments measured at FVTPL (derivatives)	2,636	2,297
Financial instruments measured at FVTPL (other than derivatives) (Note)	681	361
Equity instruments measured at FVTOCI	232	307
Financial assets measured at amortized cost	623	1,986
Financial liabilities measured at amortized cost	(271)	(970)
Total	3,902	3,980

(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".

(2) Change in ownership interest of parent in subsidiary not resulting in loss of control
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

FY2022 (Year ended March 31, 2023)

Not applicable.

43. Related Parties

(1) Related party transactions

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

FY2022 (Year ended March 31, 2023)

(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	3,847	651
	Abeam Systems Corporation	Outsourcing of software developments	5,079	1,458

(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)

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Short-term employee benefits	396	332
Share-based payments	67	83
Total	463	416

44. Commitments

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

(Millions of yen)

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Acquisition of property, plant and equipment	5,039	5,674
Acquisition of intangible assets	671	371
Acquisition of investment real estate	12	—
Total	5,723	6,045

45. Contingent Liabilities

Not applicable.

46. Subsequent Events

Not applicable.

(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)	199,734	396,666	613,474	815,269
Quarter profit before income taxes or Profit before income taxes (Millions of yen)	25,297	38,208	60,130	56,953
Profit for the quarter (year) attributable to owners of the parent company (year) (Millions of yen)	17,389	30,258	42,976	39,082
Basic earnings per share (Yen)	67.60	118.00	167.79	152.67

Basic quarter earnings per share or Basic quarter loss per share (Yen)	67.60	50.34	49.77	(15.24)

2. Financial statements
(1) Financial statements

Balance sheet

	Notes	Millions of yen FY2021 (As of March 31, 2022)	Millions of yen FY2022 (As of March 31, 2023)
Assets			
Current assets			
Cash and cash equivalents		25,450	8,481
Deposits paid to subsidiaries and associates	※2	4,145	2,648
Notes receivable		1,633	2,267
Accounts receivable	※2	40,185	40,624
Inventories	※1	16,232	17,722
Prepaid expenses		2,437	2,738
Consumption taxes receivable		3,757	4,668
Income taxes refund receivable		—	7,811
Other current assets	※2	7,337	8,234
Allowance for doubtful accounts		(597)	(671)
Total current assets		100,582	94,525
Non-current assets			
Property, plant and equipment			
Buildings		19,052	21,819
Structures		1,184	1,181
Machinery and equipment		3,908	6,762
Vehicles		84	99
Tools, furniture and fixtures		6,204	6,511
Land		5,035	5,035
Construction in progress		4,432	457
Total property, plant and equipment		39,901	41,867
Intangible assets			
Software		8,470	10,281
Other intangible assets		1,695	2,236
Total intangible assets		10,166	12,518
Investments and other assets			
Investment securities		17,045	16,396
Shares of subsidiaries and associates		320,167	324,410
Investments in capital of subsidiaries and associates		22,759	22,759
Prepaid pension costs		5,695	7,393
Other		3,387	3,962
Allowance for doubtful accounts		(10)	(10)
Total investments and other assets		369,045	374,913
Total non-current assets		419,113	429,299
Total assets		519,696	523,824

	Notes	Millions of yen FY2021 (As of March 31, 2022)	Millions of yen FY2022 (As of March 31, 2023)
Liabilities			
Current liabilities			
Accounts payable-Trade	※2	27,760	31,281
Deposits paid to subsidiaries and associates	※2	12,879	27,450
Short-term borrowings		9,283	25,292
Current portion of long-term borrowings		20,134	19,997
Accounts payable-Other	※2	4,199	4,698
Accrued expenses		10,202	10,411
Income taxes payable		11,737	—
Provision for bonuses		5,599	4,471
Provision for bonuses for directors (and other officers)		143	74
Provision for product warranties		188	345
Other current liabilities	※2	2,517	1,119
Total current liabilities		104,645	125,142
Non-current liabilities			
Long-term borrowings		19,997	—
Long-term accounts payable		297	653
Deferred tax liabilities		1,294	1,518
Asset retirement obligations		137	368
Long-term leasehold and guarantee deposits received		727	725
Provision for share awards		—	137
Other non-current liabilities		1,150	1,046
Total non-current liabilities		23,604	4,449
Total liabilities		128,250	129,592

	Notes	Millions of yen FY2021 (As of March 31, 2022)	 FY2022 (As of March 31, 2023)
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		16,118	16,114
Retained earnings			
Legal retained earnings		4,802	4,802
Other retained earnings			
Reserve for tax purpose reduction entry of non-current assets		3,513	3,311
General reserve		217,000	217,000
Retained earnings brought forward		128,496	130,467
Total retained earnings		353,812	355,581
Treasury stock		(5,681)	(3,768)
Shareholders' equity		383,458	387,137
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		6,863	6,075
Total valuation and translation adjustments		6,863	6,075
Share acquisition rights		1,124	1,019
Total net assets		391,445	394,232
Total liabilities and net assets		519,696	523,824

Statement of income

	Notes	Millions of yen FY2021 (Year ended March 31, 2022)	Millions of yen FY2022 (Year ended March 31, 2023)
Net sales	※2	417,368	463,063
Cost of sales	※2	309,915	408,208
Gross profit		107,452	54,855
Selling, general and administrative expenses	※1、2	74,073	65,429
Operating profit		33,378	(10,573)
Non-operating income			
Interest and dividend income	※2	45,926	38,094
Gain on valuation of derivatives		1,320	920
Others	※2	1,208	791
Total non-operating income		48,456	39,805
Non-operating expenses			
Interest expenses	※2	426	449
Exchange loss		1,537	742
Provision of allowance for doubtful accounts		597	74
Others	※2	442	617
Total non-operating expenses		3,003	1,883
Ordinary profit		78,831	27,348
Extraordinary income			
Gain on sales of non-current assets	※2	14	17
Gain on liquidation of investment securities		83	17
Total extraordinary income		98	34
Extraordinary losses			
Loss on sales non-current assets		3	0
Loss on disposal of non-current assets		205	367
Impairment losses		—	279
Loss on valuation of shares of subsidiaries and associates		299	—
Loss on valuation of investment securities		9	443
Total extraordinary losses		518	1,089
Profit before income taxes		78,411	26,292
Income taxes -current		14,426	(2,368)
Income taxes - deferred		(1,228)	572
Total income taxes		13,197	(1,795)
Profit		65,213	28,088

Statement of changes in equity

(Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Treasury stock
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 stock								(3,005)
Disposal of treasury stock			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 stock	(3,005)				(3,005)
Disposal of treasury stock	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

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Treasury stock
		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, 2022	19,209	16,114	3	4,802	3,513	217,000	128,496	(5,681)
Changes of items during the period								
Dividends of surplus							(17,510)	
Reversal of reserve for tax purpose reduction entry of non-current assets					(202)		202	
Profit							28,088	
Acquisition of treasury stock								(7,654)
Disposal of treasury stock			76					678
Cancellation of treasury stock			(80)				(8,809)	8,889
Net changes in items other than shareholders' equity								
Total changes during the period	—	—	(3)	—	(202)	—	1,971	1,913
Balance as of March 31, 2023	19,209	16,114	—	4,802	3,311	217,000	130,467	(3,768)

(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, 2022	383,458	6,863	6,863	1,124	391,445
Changes of items during the period					
Dividends of surplus	(17,510)				(17,510)
Reversal of reserve for tax purpose reduction entry of non-current assets	—				—
Profit	28,088				28,088
Acquisition of treasury stock	(7,654)				(7,654)
Disposal of treasury stock	755				755
Cancellation of treasury stock	—				—
Net changes in items other than shareholders' equity		(788)	(788)	(104)	(892)
Total changes during the period	3,679	(788)	(788)	(104)	2,786
Balance as of March 31, 2023	387,137	6,075	6,075	1,019	394,232

【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.

(6) Provision for share awards

To provide for the granting of Company shares, etc. to Directors and Executive Officers (excluding Outside Directors, part-time Directors, and Directors and Executive Officers who are non-residents of Japan) in accordance with Share Grant Rules, the Company records the estimated amount of share award liabilities at the end of the current fiscal year.

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), machine tools, industrial sewing machines, industrial printing equipment, reducers, gears, domestic sewing machines, and commercial online karaoke systems. 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 the group tax sharing system

The Company has applied the group tax sharing system from the current 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.

Notes to balance sheet

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

Millions of yen

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Merchandise and finished goods	4,731	4,859
Work in process	2,453	2,873
Raw materials and supplies	9,046	9,990
Total	16,232	17,722

(※2) Receivables and debts to affiliated companies

Millions of yen

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Short term receivables	43,534	42,839
Short term debts	46,818	65,232

Notes to statement of income

(※1) The approximate ratio of expenses belonging to selling expenses is 43% in the previous fiscal year and 33% in the current fiscal year. The approximate ratio of expenses belonging to general and administrative expenses is 57% in the previous fiscal year and 67% in the current fiscal year.

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

Millions of yen

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Provision for product warranties	△111	209
Salary / Bonus	10,051	9,516
Provision for bonuses	2,529	2,000
Retirement benefit expenses	1,154	1,030
Provision for bonuses for directors (and other officers)	143	74
Depreciation	4,578	4,900
Commission expenses	6,967	8,031
License fee	7,572	9,295

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

Millions of yen

	FY2021 (Year ended March 31, 2022)	FY2022 (Year ended March 31, 2023)
Transaction volume from business transactions		
Net sales	360,217	402,261
Purchase of goods	241,451	333,429
Other operating expenses	13,910	14,612
Transaction volume other than business transactions	56,245	47,239

Notes to securities

1. Shares of subsidiaries and associates
   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)	FY2022 (As of March 31, 2023)
Shares of subsidiaries	319,069	323,312
Shares of associates	1,098	1,098

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

   FY2022(As of March,31 2023)
   Not applicable.

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

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Deferred tax assets		
Loss on valuation of investment securities	8,523	8,644
Depreciation and amortization	1,661	2,056
Provision for bonuses	1,713	1,368
Unused tax losses	—	1,018
Contribution of securities to retirement benefit trust	720	720
Accrued expenses	410	425
Loss on valuation of inventories	329	407
Accounts payable	375	334
Product warranty	28	105
Accrued enterprise tax	645	—
Other temporary differences	1,475	1,175
Deferred tax assets subtotal	15,882	16,256
Valuation allowance	(8,777)	(8,921)
Valuation allowance subtotal	(8,777)	(8,921)
Total deferred tax assets	7,105	7,335
Deferred tax liabilities		
Retirement benefit trust refund securities	(2,464)	(2,464)
Prepaid pension costs	(1,742)	(2,262)
Financial assets measured at fair value through other comprehensive income	(2,574)	(2,227)
Reserve for tax purpose reduction entry of non-current assets	(1,549)	(1,459)
Enterprise tax refund receivable	—	(386)
Other temporary differences	(68)	(52)
Total deferred tax liabilities	(8,399)	(8,853)
Net deferred tax liabilities	(1,294)	(1,518)

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

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
Statutory tax rate	30.60%	30.60%
(Adjustment)		
Dividend income, etc. Amount that is not permanently included in profits	(17.06%)	(41.83%)
Withholding taxes on distributions	0.71%	4.17%
Increase / decrease in valuation allowance	0.37%	0.55%
Items that are not permanently deducted, such as entertainment expenses	0.23%	0.18%
Transfer pricing adjustment	5.28%	—
Research and development expenses tax credit	(2.52%)	—
Deemed direct foreign tax credit	(0.26%)	—
Others	(0.52%)	(0.50%)
Income tax burden rate after tax effect accounting is applied	16.83%	(6.83%)

3. Accounting or tax effect accounting for corporate taxes and local corporate taxes
Effective from the current fiscal year, the Company has transitioned from the consolidated taxation system to the group tax sharing system. In addition, for the accounting treatment and disclosure of tax effect accounting for corporate taxes and local corporate taxes, the Company has applied the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No.42, August 12, 2021).

Notes to business combinations

Not applicable.

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	58,472	*1 5,280	633	2,463	63,119	41,299
	Structures	3,777	184	54	179	3,908	2,726
	Machinery and equipment	23,198	*2 4,107	811 (6)	1,110	26,494	19,732
	Vehicles	416	52	25	37	443	343
	Tools, furniture and fixtures	77,618	*3 7,827	*4 7,105 (272)	7,227	78,340	71,828
	Land	5,035	—	—	—	5,035	—
	Construction in progress	4,432	*5 2,634	*6 6,609	—	457	—
	Total	172,950	20,086	15,239 (279)	11,018	117,798	135,931
Intangible assets	Software	55,555	*7 5,930	1,825	4,105	59,659	49,377
	Others	13,760	*8 3,828	*9 3,098	188	14,490	12,253
	Total	69,315	9,758	4,924	4,294	74,149	61,631

(※)1 Main changes in the current period

*1 Construction of Hoshizaki Factory No. 13	¥3,589 million
*2 Acquisition of machinery and equipment for Hoshizaki Factory No. 13	¥2,548 million
*3 Acquisition of mold	¥6,409 million
*4 Disposal of mold	¥5,899 million
*5 Construction cost for Hoshizaki Factory No. 13	¥1,758 million
*6 Transfer of construction cost for Hoshizaki Factory No. 13	¥5,995 million
*7 Acquisition of outsourced development software	¥2,966 million
Transfer of in-house software	¥2,308 million
Transfer of outsourced development software	¥425 million
*8 Acquisition of in-house software	¥2,341 million
Acquisition of outsourced development software	¥1,117 million
*9 Transfer of in-house software	¥2,308 million
Transfer of outsourced development software	¥425 million

(※)2 The figures in parentheses in the “Amount of decrease for the current period” represent the amount of impairment losses for the current period included in the amount of decrease.

(※)3 "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	607	671	597	681
Provision for bonuses	5,599	4,471	5,599	4,471
Provision for bonuses for directors (and other officers)	143	74	143	74
Provision for product warranties	188	372	215	345
Provision for share awards	—	137	—	137

(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, 2022 to the filing date of Annual Securities Report.

   (1) Annual Securities Report, Attached Documents, and Confirmation Letter
   Business term (130th): From April 1, 2021 to March 31, 2022
   Filed with the Director-General of the Kanto Local Finance Bureau on June 21, 2022

   (2) Internal Control Report and Attached Documents
   Filed with the Director-General of the Kanto Local Finance Bureau on June 21, 2022

   (3) Quarterly Report and Confirmation Letter
   First quarter of 131st business term (from April 1, 2022 to June 30, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2022
   Second quarter of 131st business term (from July 1, 2022 to September 30, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on November 11, 2022
   Third quarter of 131st business term (from October 1, 2022 to December 31, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2023

   (4) Securities Registration Statement and Attached Documents
   Filed with the Director-General of the Kanto Local Finance Bureau on August 5, 2022

   (5) Revised extraordinary report
   Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2022
   Revised statement pertaining to the Securities Registration Statement filed on August 5, 2022

   (6) Reports on the Status of Treasury Shares
   Reporting period (from June 1, 2022 to June 30, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on July 5, 2022
   Reporting period (from July 1, 2022 to July 31, 2022)
   Filed with the Director-General of the Kanto Local Finance Bureau on August 3, 2022

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

Not applicable.

(TRANSLATION)

Independent Auditor's Report

June 22, 2023

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, 2023, 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, 2022 to March 31, 2023, 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, 2023, 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, 2023 was JPY 70,840 million or 8.3% of total assets on the consolidated statement of financial position and included the goodwill relating to the Domino business in the amount of JPY 70,373 million. Furthermore, as described in Note 17 to the consolidated financial statements, the Group recognized an impairment loss of JPY 10,625 million primarily attributable to the recoverable amount decreasing due to higher discount rates accompanying rising interest rates. The Group disclosed 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 since it is higher than the fair value less costs of disposal. 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, and the pre-tax discount rate for the current consolidated fiscal year increased by 2.1% compared to the previous consolidated fiscal year. 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 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. ● 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. ● With the assistance of our valuation specialists, we evaluated appropriateness of the assumptions in measuring fair value less costs of disposal.

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 and our auditor's report 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, 2023.

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, 2023, 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.

Responsibilities of Management and Audit & Supervisory Board Members and the 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 22, 2023

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, 2023, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 131st fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, 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, 2023 was JPY 324,410 million or 61.9% 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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