

Annual Securities Report

(The 132nd Fiscal Term)
from April 1, 2023 to March 31, 2024

BROTHER INDUSTRIES, LTD.

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

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Company name	Brother Kogyo Kabushiki Kaisha
Company name in English	BROTHER INDUSTRIES, LTD.
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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)				
	128th fiscal term	129th fiscal term	130th fiscal term	131st fiscal term	132nd fiscal term
Fiscal year end	March, 2020	March, 2021	March, 2022	March, 2023	March, 2024
Revenue (Millions of yen)	637,259	631,812	710,938	815,269	822,930
Profit before tax (Millions of yen)	67,046	42,944	86,429	56,953	52,523
Profit for the year attributable to owners of the parent company (Millions of yen)	49,566	24,520	61,030	39,082	31,645
Comprehensive income attributable to owners of the parent company (Millions of yen)	19,729	69,219	97,231	59,896	88,690
Equity attributable to owners of the parent company (Millions of yen)	428,520	483,050	561,146	596,619	668,047
Total assets (Millions of yen)	731,472	743,896	811,149	850,486	896,109
Owners' equity per share (Yen)	1,649.22	1,858.28	2,170.46	2,334.34	2,613.43
Basic earnings per share for the year (Yen)	190.80	94.36	234.89	152.67	123.81
Diluted earnings per share for the year (Yen)	190.21	94.07	234.18	152.22	123.48
Ratio of owners' equity to gross assets (%)	58.6	64.9	69.2	70.2	74.5
Rate of return on equity attributable to owners of the parent company (%)	11.6	5.4	11.7	6.8	5.0
Price-earnings ratio (Times)	8.7	26.0	9.5	13.0	22.8
Net cash provided by (used in) operating activities (Millions of yen)	87,748	109,265	72,254	14,432	141,028
Net cash provided by (used in) investing activities (Millions of yen)	(27,955)	(25,080)	(40,781)	(32,198)	(42,068)
Net cash provided by (used in) financing activities (Millions of yen)	(14,916)	(74,038)	(65,191)	(36,638)	(61,584)
Cash and cash equivalents at the end of year (Millions of yen)	168,422	191,002	167,915	119,042	166,146
Number of employees (Number of persons)	37,697	38,741	41,215	41,653	40,538
[Excluding average number of temporary employees]	[4,672]	[5,441]	[4,553]	[3,272]	[1,803]

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		128th fiscal term	129th fiscal term	130th fiscal term	131st fiscal term	132nd fiscal term
Year end		March, 2020	March, 2021	March, 2022	March, 2023	March, 2024
Net sales	(Millions of yen)	344,452	345,317	417,368	463,063	421,940
Recurring profit	(Millions of yen)	41,455	55,281	78,831	27,348	43,063
Profit for the year	(Millions of yen)	35,283	49,008	65,213	28,088	41,516
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	257,755,930	257,755,930
Net assets	(Millions of yen)	308,364	348,306	391,445	394,232	419,300
Total assets	(Millions of yen)	491,675	477,011	519,696	523,824	532,380
Net assets per share	(Yen)	1,181.12	1,334.14	1,507.76	1,536.40	1,634.28
Amount of dividends per share		60.00	60.00	64.00	68.00	84.00
(Amount of interim dividend per share included in the above)	(Yen)	(30.00)	(27.00)	(30.00)	(34.00)	(34.00)
Profit per share for the period	(Yen)	135.64	188.34	250.67	109.58	162.21
Profit per share for the period after adjustment for potential shares	(Yen)	135.22	187.76	249.91	109.26	161.78
Equity ratio	(%)	62.5	72.8	75.1	75.1	78.6
Rate of return on equity	(%)	11.8	15.0	17.7	7.2	10.2
Price-earnings ratio	(Times)	12.2	13.0	8.9	18.2	17.4
Payout ratio	(%)	44.2	31.9	25.5	62.1	51.8
Number of employees [Excluding average number of temporary employees]	(Number of persons)	3,800 [402]	3,803 [385]	3,867 [459]	3,890 [516]	3,877 [521]
Total shareholder return	(%)	83.7	125.4	118.2	109.6	154.2
(Comparison indicator: Tokyo Stock Price Index (including dividends))	(%)	(90.5)	(128.6)	(131.2)	(138.8)	(196.2)
Highest stock price	(Yen)	2,364	2,592	2,622	2,690	2,884
Lowest stock price	(Yen)	1,380	1,530	1,916	1,881	1,938

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. Entered 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—Medium-term business strategy “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

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.

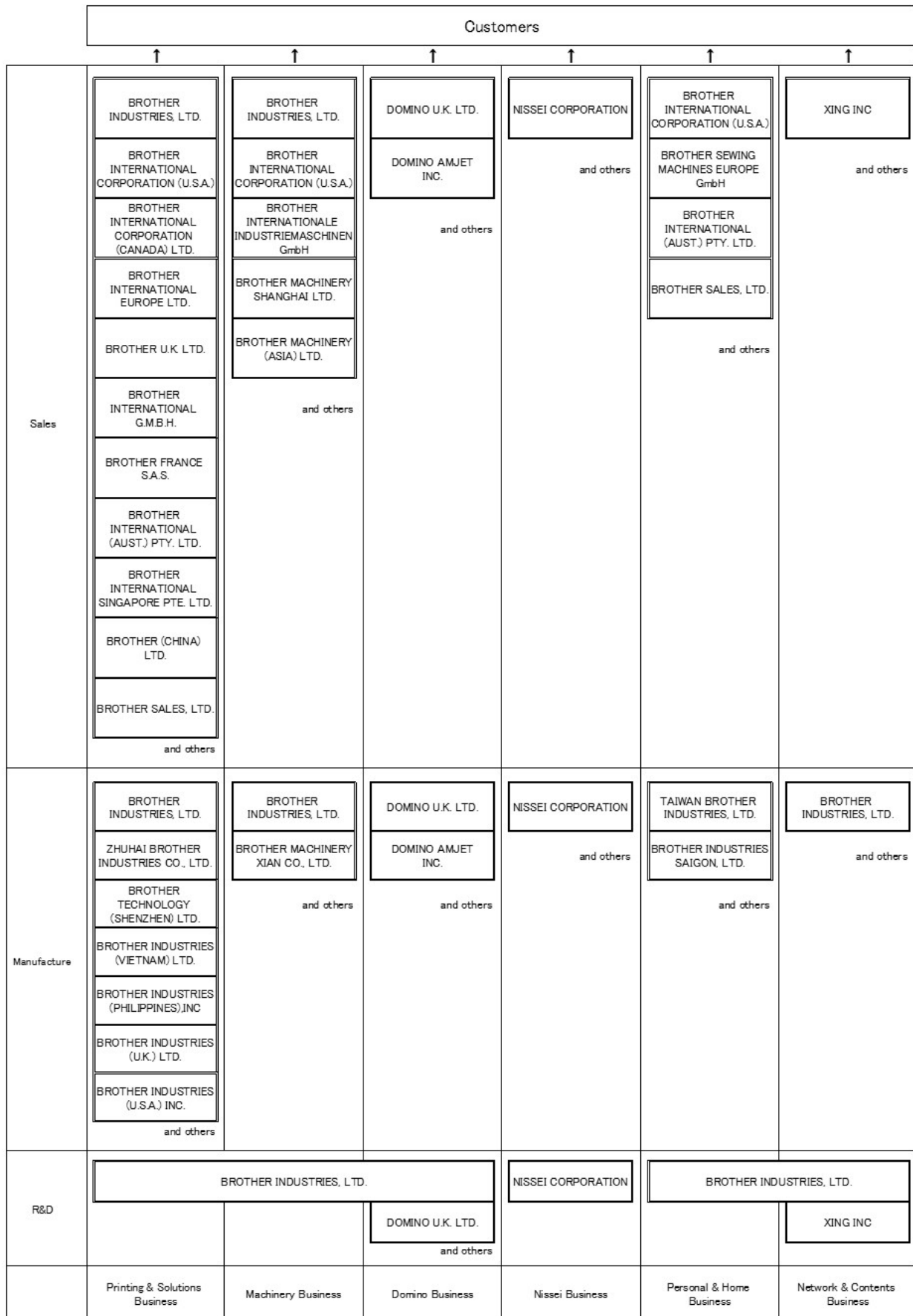
The details of each business and positioning of the Company and its affiliated companies within each business are as follows.

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.

Business	Details of Principal Business Activities
Printing & Solutions Business	Manufacture and sale of printers, All-in-Ones, label writers, label printers, 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



4. Subsidiaries and other affiliated entities

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
				Direct (%)	Indirect (%)	Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
						BIL officers (persons)	BIL employees (persons)			
(Consolidated Subsidiaries) BROTHER INTERNATIONAL CORPORATION (U.S.A.) *1	Somerset, New Jersey, U.S.A.	U.S. dollars 7,034,000	P&S, 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 Paulo, 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	-	-	4	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				
				Direct (%)	Indirect (%)	Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
						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	4	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	4	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 1,330,880,000	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				
				Direct (%)	Indirect (%)	Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
						BIL officers (persons)	BIL employees (persons)			
BROTHER MACHINERY SHANGHAI LTD.	Shanghai, China	Renminbi 50,000,000	Machinery	-	100.0	-	5	No	Sales of Brother products	No
BROTHER INDUSTRIES SAIGON, LTD. *1	Dong Nai Province, Vietnam	U.S. dollars 28,000,000	P&H	100.0	-	-	5	No	Manufacture of Brother products	Yes
BROTHER INDUSTRIES (PHILIPPINES), INC. *1	Batangas Province, Philippines	Philippine pesos 6,763,400,000	P&S	100.0	-	2	3	Yes	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	-	1	2	Yes	Sales of Brother products	Yes
BROTHER SALES, LTD. *1	Mizuho-ku, Nagoya	Millions of yen 3,500	P&S, P&H	100.0	-	-	3	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	-	1	2	No	Manufacturing outsourcing and purchasing Brother parts	No
STANDARD CORP.	Minato-ku, Tokyo	Millions of yen 90	N&C	-	100.0	-	-	No	No	No
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				
				Direct (%)	Indirect (%)	Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
						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)	18.1	- [22.4]	-	1	No	Same as above	No
3 other companies	-	-	-	-	-	-	-	-	-	-

Notes

- 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
- 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.
- *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.
- 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)	207,308	129,717
Income before tax (Millions of yen)	5,855	11,877
Profit for the year (Millions of yen)	4,136	10,314
Total equity (Millions of yen)	102,369	54,693
Total assets (Millions of yen)	138,742	71,545

5. Employees

(1) Information about group

As of March 31, 2024

Segment titles	Number of employees	
Printing & Solutions	26,553	[1,148]
Machinery	1,854	[247]
Domino	3,365	[136]
Nissei	919	[55]
Personal & Home	2,901	[92]
Network & Contents	3,194	[23]
Other	1,031	[74]
Corporate (shared)	721	[28]
Total	40,538	[1,803]

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 increased by 284 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, 2024

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
3,877 [521]	43.5	14.3	7,463,428

Segment titles	Number of employees
Printing & Solutions	2,083 [192]
Machinery	775 [229]
Domino	167 [37]
Personal & Home	240 [25]
Network & Contents	35 [4]
Other	62 [13]
Corporate (shared)	515 [21]
Total	3,877 [521]

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 (12) but excluding employees seconded to other companies (312).
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, 2024, membership was 2,688 employees (including 60 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, 2024, membership was 325 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

1 Reporting company

Current Fiscal Year				
Percentage of female workers in managerial posts (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2, 4)	Wage difference between male and female workers (%) (Note 1, 5)		
		All workers	Fulltime workers	Part-time & fixed term workers
6.3	70.0	76.0	73.6	86.9

2 Consolidated Subsidiaries

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)		
			(Note 3)	All workers	Fulltime workers	Part-time & fixed term workers
BROTHER SALES, LTD.	3.9	55.6	(Note 3)	65.3	67.1	74.6
NISSEI CORPORATION	2.9	18.8	(Note 3)	60.1	70.7	42.8
XING INC.	4.2	16.7	(Note 2)	66.8	69.6	43.6
STANDARD CORP.	2.4	-	(Note 2)	62.8	85.1	93.7
BETOP STAFF, LTD.	25.0	100.0	(Note 3)	73.9	72.5	73.4

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, 110; BROTHER SALES, LTD., 18; NISSEI CORPORATION, 16;
XING INC., 6; STANDARD CORP., 0; 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, 2024).

(1) Brother Group Vision “At your side 2030”

The Brother Group was founded in 1908 as a sewing machine repair company. For more than 115 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 talents 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 of SPEEDIO machine tool, thereby contributing to the enhancement of customers’ manufacturing competitiveness and sustainability, such as reduction of CO₂ emissions.

In FY2023, while demand for capital investment in the automobile and general machinery markets was weak mainly due to the impact of the economic recession in China, the Group is building foundation for growth in a challenging environment. In terms of sales, we are strengthening our sales and service foundation by opening new bases and annexing showrooms to existing bases in our priority areas including China, India, and Japan, and in terms of manufacturing, we have started to build a new factory in India, a market with growth potential, which is scheduled for operation in December 2024. In terms of products, in addition to the newly introduced simultaneous 5-axis machining center*¹ and multi-face machining center*² in FY2022, we expanded our product lineup in FY2023 including the introduction of a horizontal machining center, which has enabled the machining of large workpieces and complex shapes. We will aggressively expand our business to adjacent areas by providing value beyond the framework of the BT30 vertical machining center.

- Accelerate growth in the Domino business

Amid the growing needs for traceability, the Group is continuously developing and introducing new products and enhancing the product lineup in order to accelerate growth in the Domino business. Specifically, we are responding to diversifying needs of customers by introducing products that are capable of label-less direct printing to outer boxes, high-speed printing with high resolution, and also environmentally friendly ink. In addition, we are focusing on providing not only hardware but also peripherals for diagnosing images of printing results and solutions to automate the integration of printed data into the core systems. We are accelerating growth by increasing customer experience value through stronger ties with customers and will reinforce the foundations of industrial inkjet technologies to achieve 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.

In FY2023, we introduced new competitive products in laser All-in-Ones and printers. As for inkjet All-in-Ones, we are focusing on expanding sales of ink tank models which are expected to improve profitability in emerging markets. With the aim to transform to a business model that is connected to customers, we are strengthening MPS services for BtoB and subscription services for BtoC in Europe and the U.S. In addition, we are undertaking a variety of initiatives in each region including the introduction of chargeable printers in Japan following China, which allow users to print by charging only required number of pages. We aim to enhance the value we provide to our customers by connecting with them, secure revenue by improving the genuine consumable ratio, and contribute to sustainability by promoting collection and recycling.

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. Since FY2023, we have named our initiatives to promote the use of hydrogen as "PureEne" and have been strengthening our efforts. As part of such initiative, we have started shipping hydrogen fuel cell and storage battery hybrid UPS, which have been adopted by Narita International Airport as an emergency back-up power supply.

- 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 FY2023, we introduced A3 inkjet printers that support paper rolls for long print runs in the P&S Business. In addition, we are striving to provide value beyond business boundaries such as introducing fabric printers that can print rolled fabric and sublimation printers that can transfer to materials other than fabric and easily create original goods, which are new products in the P&H Business under the cooperation of the P&S Business.

4 Management foundation transformation for a sustainable future

- Undertake environmental efforts towards carbon neutrality

We are promoting efforts towards achieving targets for CO₂ emissions reduction, resource circulation, and biodiversity conservation stated in the Brother Group Environmental Vision 2050. In particular, we are reducing CO₂ 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

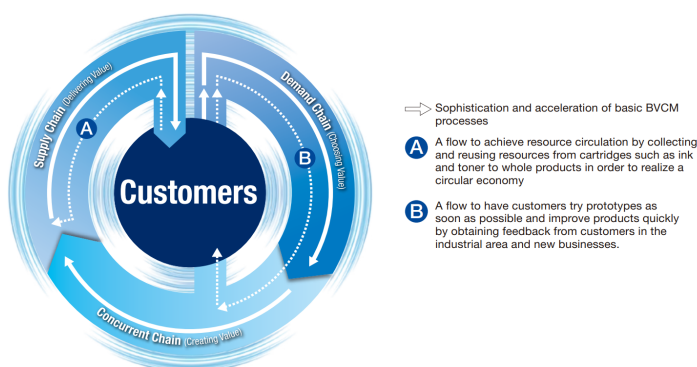
The Brother Group is promoting DX to connect with large numbers of customers and continuously provide more value than ever before under three pillars: business DX, operational DX, and DX infrastructure building. Among them, we are focusing on DX talent development, and since FY2022, the Brother Industries is developing DX core human resources who can drive business DX in each segment as digital

technology experts as well as digitalization promotion leaders who drive 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 talents 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),*³ 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	FY2023 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 10 new models in the SPEEDIO series, boasting high environmental performance and productivity since FY2022
		In P&S business, build platform to connect directly with customers towards improving LTV* ⁴ 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	- Started an employee engagement survey at Brother Industries in FY2022; expanded survey scope to the entire Group in FY2023
		Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan	- Carried out the development of core talents and implemented succession plans based on the identified current status of HR measures and issues at major facilities outside Japan

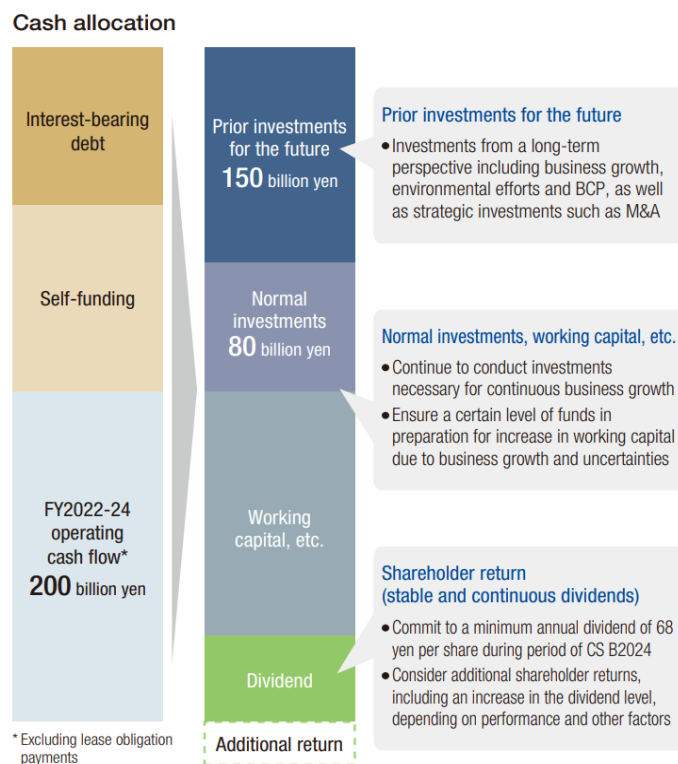
		Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working ^{*5}	<ul style="list-style-type: none"> - Added/revised talent systems to achieve more flexible work styles ^{*5} - Continued to implement Program to Develop Female Management Candidates^{*5} - Implemented programs to promote understanding of health and nursing care to promote diverse work styles^{*5}
	Pursuing a responsible value chain	Expand the scope and subjects of human rights risk assessment on suppliers	<ul style="list-style-type: none"> - Expanded the number of businesses and suppliers covered in supply chain human rights due diligence on primary suppliers and ensured its effectiveness - Continued to conduct surveys for responsible mineral procurement
		Attain RBA ^{*7} Gold certification for three Group manufacturing facilities	<ul style="list-style-type: none"> - Following the RBA Gold Certification at the Vietnam Factory^{*7} of P&S in FY2022, the Shenzhen Factory^{*8} in China and Philippine Factory^{*9} of P&S acquired RBA Platinum Certification in FY2023, achieving the target ahead of schedule. Continuing activities to maintain and renew certification
Protect the earth	Reducing CO ₂ emissions	<p>[Scope 1 and 2^{*10}] Achieve 47% reduction from the FY2015 level (9% reduction during the three-year period from FY2022 to FY2024)</p> <p>Ref.) FY2030 target: 65% reduction from the FY2015 level</p> <p>[Scope 3^{*10}] Take measures to reduce 150,000 tons through own effort</p> <p>Ref.) FY2030 target: 30% reduction from the FY2015 level</p>	<ul style="list-style-type: none"> - [Scope 1 and 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 FY2023 - [Scope 3] Implemented measures centered on improving energy efficiency of new products as planned, and considered additional measures for FY2024
	Circulating resources	<p>Achieve ratio of virgin materials used in products of 81% or less</p> <p>Ref.) FY2030 target: below 65%</p>	<ul style="list-style-type: none"> - Implemented measures, such as using recycled materials for some products and switching to recyclable cushioning materials, and expect to achieve the target for FY2023

◆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. At present, we have invested approximately 100 billion yen of the 230 billion yen of total investment quota (prior investments for the future: 150 billion yen, normal investments: 80 billion yen), and progress is generally in line with the plan.



- 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 FY2023)
Business portfolio transformation	Completion of new factory building at our 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	Completed January 2023	Approx. 10 billion yen
	Completion of new factory building at Philippines Factory (production facilities for inkjet printers and All-in-Ones)	- 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	Completed January 2024	Approx. 8 billion yen
	Construction of 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 for completion in September 2024	Approx. 2.5 billion yen
	Completion of new factory building of Nissei	- Construct a new factory building on the factory premises of the Nissei (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	Completed March 2024	Approx. 1.6 billion yen
	Decision to construct new building at our 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 July 2024 Scheduled for completion in January 2026	Approx. 4.5 billion yen
Management foundation transformation for a sustainable future	Construction of new building at our Mizuho Factory	- Installation of state-of-the-art energy-saving equipment, solar panels, and greenery on the premises as the Brother Group's flagship facility for environmental responsiveness - Aiming to create new technologies and businesses by triggering active communication with our employees and stakeholders	Scheduled for completion in November 2026	Approx. 45 billion yen
	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	—	Approx. 1.5 billion yen
	Renewal of core business system at the Company, subsidiaries in Asia, and regional headquarters in Americas	- Revamped core business systems and business processes as a DX investment	—	Approx. 3 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.

- Awareness of capital cost

- Capital cost

The cost of shareholder's equity is estimated around 7% to 10%. It is calculated based on the capital asset pricing model ("CAPM"), but since it varies depending on the timing of calculation and different assumptions, it is taken as a range. Going forward, we will transform our business portfolio and reduce the cost of shareholder's equity while also utilizing interest-bearing debt.

- Return on interest ("ROI") index

ROE has averaged 8.1% over the past five years (FY2019 – FY2023). Our basic policy is to soundly increase ROE through business growth, and we set a medium-to long-term ROE target of at least 10%, which exceeds the cost of capital, and aim to achieve a level of ROE maintaining an equity spread.

- Market valuation

The price book-value ratio ("P/B ratio") has averaged 1.05 times in the past five years (FY 2019 – FY 2023) and was approximately 1.08 times as of the end of FY2023. We plan to further improve the P/B ratio by improving profitability and promoting business portfolio transformation through continuous growth investment.

Going forward, we will further deepen our management conscious of cost of capital, ROI and stock price based on the financial policy of our CS B2024 medium-term business strategy in order to meet the expectations of our stakeholders, achieve sustainable growth, and enhance corporate value.

◆ 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%. (Exchange rate assumptions are U.S. Dollar: 108 yen, Euro: 125 yen). Due to the sharp depreciation in yen during the period, we have already achieved our sales target and expect to reach 880 billion yen in FY2024. We continue to aim for an operating profit ratio and ROE of 10% or higher.

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 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).

*² A machine tool equipped with a large tilting rotary table as standard equipment.

*³ Brother’s unique customer-oriented management system defining the flow of value provision to customers

*⁴ 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

*⁵ Implemented at Brother Industries, Ltd.

*⁶ 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.

*⁷ Brother Industries (Vietnam) Ltd.

*⁸ Brother Technology (Shenzhen) Ltd.

*⁹ Brother Industries (Philippines), Inc.

*¹⁰ 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

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, 2024).

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, chaired by the Representative Director & President, comprises Executive Officers of managing executive level or higher, Executive Officers responsible for Business, and other persons designated by the Chairperson as needed.

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. Subcommittee owners are Executive Officers or the heads of departments that perform highly-relevant functions 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 annual plans for each fiscal year, the Sustainability Committee deliberates on priority issues and measures that the Brother Group should address and incorporates them into the annual plans of each organization and department, and progress on those plans is reported to the Sustainability Committee. In addition, if it becomes necessary to modify a target, the matter is deliberated on and approved by the Committee.

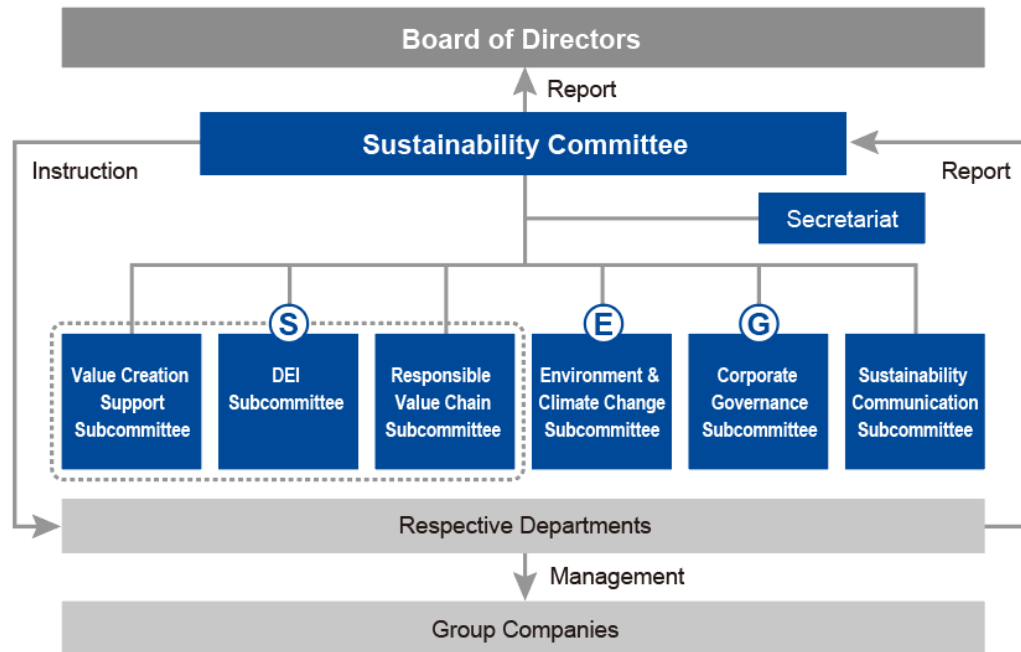
When formulating and revising the important matters listed below, the Sustainability Committee or its subcommittees conduct investigations, followed by deliberation by the Strategy Meeting, which comprises the President and Executive Officers of managing executive level or higher, and the Board of Directors adopts a resolution.

- 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



* “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 (hereafter referred to as the “Global Charter”), which provides the foundation for all Brother Group activities. The Global 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 our customers and society, defining materialities (key social issues) to be undertaken, and solving them. By doing so, our will aim to achieve our “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 the Group's raison d'être and value proposition to society while recognizing the changes in the business environment surrounding the Brother Group. Using the 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. Following discussions at the Strategy Meetings and meetings of the Board of Directors, five materialities were identified based on the opinions of external experts and other factors, and the Group is taking action to address those issues.

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 CO₂ 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 CO₂ 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 talent. The Brother Group has made "realizing a diverse and active society" one of its materialities and has established the following targets for FY2024: "visualizing and improving employee engagement*¹," "enhancing talent development and governance to promote the assignment of local employees to top management positions of facilities outside Japan," and "strengthening the talent pipeline for a healthy gender balance in management positions and establishing an environment that can achieve diverse ways of working*²." To achieve the "management foundation transformation for a sustainable future" set forth in "CS B2024," the medium-term business strategy, the Brother Group will encourage employees to take on challenges and will improve employee engagement as well as take action to further strengthen its human capital such as by creating a comfortable working environment for every employee.

*¹ Relationships in which employees and the company are equal and provide value to each other.

*² Brother Industries, Ltd. only.

<Views on ensuring diversity>

The Brother Group believes that recruiting diverse personnel and supporting diverse work styles and career development are increasingly important in these times of significantly changing business and market environments.

The Basic Policies in the 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. However, the applicable laws and regulations, cultures, social practices, and so on differ among the regions where the Group conducts business, and companies do not have uniform target values. For this reason, the initiatives of the reporting company, which operates the main businesses of the consolidated Group, are described as representative examples.

<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 54 as of the end of March 2024, to 60 or more 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. To date, a total of 78 employees have participated in the Women's Leadership Training sessions held since 2022. Other measures for the development of environments where employees can work with peace of mind include establishment of a flextime system, elimination of core time, and creation of a telecommuting program.

(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 2024, the foreign employee ratio is 1.4% and the foreign manager ratio is 0.5%. Furthermore, BIL's foreign Executive Officer ratio was 10.5% and 9.5% as of the end of March 2023 and March 2024, 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 67% of management positions in FY2023, increasing from 61% in FY2018. 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 29% in FY2023, while the ratio of mid-career recruits in managerial positions was 27%. 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, but to implement further business portfolio transformation, it intends to actively recruit expert personnel from outside the company in the future.

<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 respect the diversity and individuality of employees and to strive to develop global talent who can provide superior value. Also, BIL's policy on internal environment improvement is to build foundations that enable diverse talents to play active roles, and we are taking measures to enable employees to work with high levels of motivation, establish diverse career paths, and more flexible work styles.

<Improving employee engagement>

In order to realize the transformation necessary to achieve the Brother Group Vision and encourage employees to take on challenges, the Brother Group has set visualizing employee engagement on a global level and improving engagement survey scores as sustainability targets for FY2024 with the aim of building relationships in which employees and the company contribute to one another's growth. 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. In addition, in FY2023 we conducted an employee engagement survey at more than 90% of our locations globally to gain an understanding of the status of employee engagement. Alongside activities to share the 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 FY2023, BIL was selected for the KENKO Investment for Health Stock Selection for the fifth time, and a total of 14 Brother Group companies were selected as Certified Health & Productivity Management Outstanding Organizations.

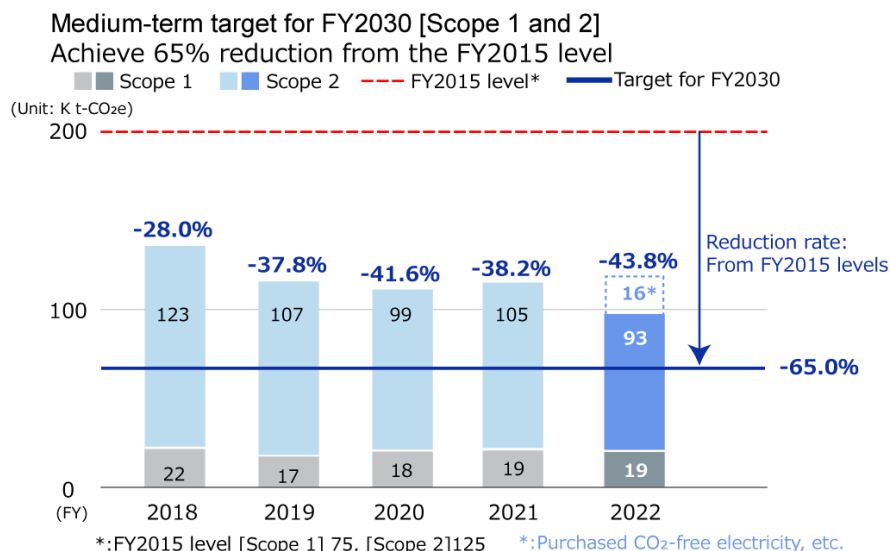
3. Environmental Initiatives

◆Brother Group Environmental Vision 2050

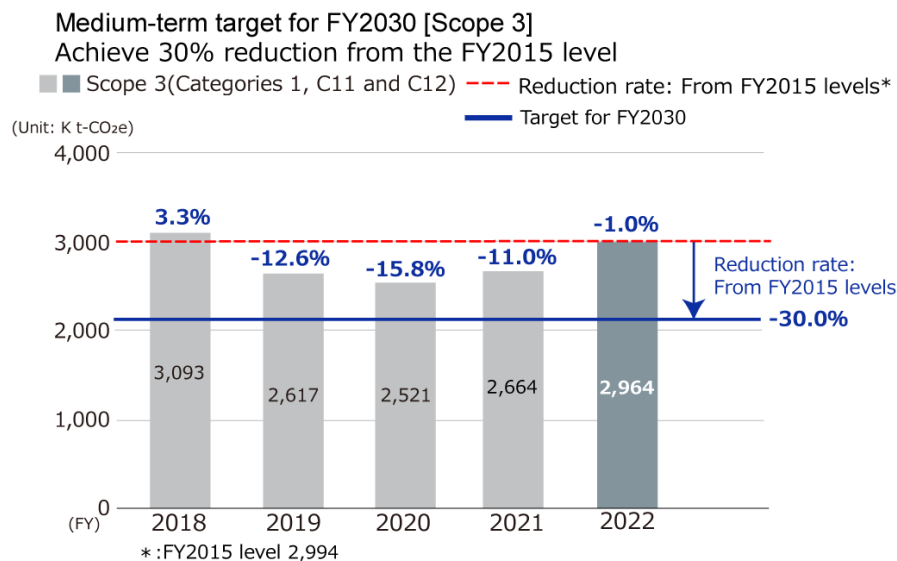
As a company that uses energy and resources to provide products made from bio-based materials such as paper, thread, and cloth, in 2018, BIL formulated the Brother Group Environmental Vision 2050 (the “Vision”), focusing on the three pillars of reduction of CO₂ emissions, resource circulation, and biodiversity 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 CO₂ emissions and circulating resources into their current form.

Brother Group Environmental Vision (2050 targets)

Targets and goals		Medium-term Targets for FY2030
Reduction of CO₂ 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.	<ul style="list-style-type: none"> •[Scopes 1 and 2] Achieve 65% reduction from the FY2015 level •[Scope 3 C1, C11, and C12] Achieve 30% reduction from the FY2015 level <p>* 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.</p> 
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.	<ul style="list-style-type: none"> •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. <p>*¹ Including packaging materials *² Applies to the Printing and Solutions Business, Personal and Home Business, and Machinery Business</p>
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	<ul style="list-style-type: none"> •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 CO₂ emissions for FY2022.



* The graph above shows actual CO₂ emissions for FY2022.

◆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 CO₂ emissions as a materiality—one of the important issues to be solved—and has set CO₂ 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, Machinery Business, Personal & Home 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 sustainability activities in the area of the environment including climate change, the Climate Change Response Subcommittee was established with the General Manager of the Environment & Climate Change Strategy Dept. as the subcommittee owner, and the Subcommittee is managing the progress of sustainability targets and carrying out activities. 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.

(2) Strategy (scenario analysis)

The Brother Group Environmental Vision 2050 places the reduction of CO₂ 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 Aqueeduct (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 CO₂ 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	<ul style="list-style-type: none"> • Reduce CO₂ emissions at business sites^{*1} Promote energy-saving measures and utilize renewable energy at each site • Reduce CO₂ 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

Financial Impact Low: 1 billion yen or less Medium: 1 to 10 billion yen Large: Over 10 billion yen -: Consider in the future

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	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Expand circular-economy-based businesses such as subscription services^{*6}

*1:

■ Efforts to Reduce CO₂ Emissions in Offices

The Brother Group is encouraging energy-saving measures (such as the introduction of high-efficiency equipment) at business sites and taking action to use renewable energy. In addition to these efforts to reduce CO₂ emissions, 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 completing PAS 2060: 2014* certification as a result of offsetting remaining emissions with carbon credits.

* PAS 2060: 2014

The abbreviation for Publicly Available Specification 2060: 2014, which is an international standard that certifies the achievement of carbon neutrality.

*2:

■ Efforts to Reduce CO₂ Emissions in Products

The Brother Group is committed to reducing the CO₂ emissions of its products through a combination of accumulated ingenuity and technological innovations at each stage of the product lifecycle.

<Laser Printers>

Color laser printer products launched in 2023 are smaller and lighter than earlier products and contribute to decreasing CO₂ emissions by greatly reducing electricity consumption while in standby mode (sleep mode). In addition, for the laser printers produced at one of the Company's production sites (BROTHER INDUSTRIES (VIETNAM) LTD.), CO₂-free electricity has been introduced as the electric power used during production and activities that will lead to lower CO₂ emissions during parts production have been started in collaboration with parts suppliers.

<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 CO₂ 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 machine tool 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 CO₂ 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 CO₂ 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 CO₂ emissions.

(3) Risk Management

In FY2022, the Brother Group established the Sustainability Committee, chaired by the Representative Director & President, for the purpose of promoting sustainability and managing risks including responses to climate change and established the Climate Change Response Subcommittee as a subordinate organization of the Sustainability Committee. The Sustainability Committee and Climate Change Response Subcommittee ascertain and evaluate climate change risks, identify key climate change risks, determine and implement appropriate countermeasures, and regularly monitor the status of progress.

(4) Metrics and Targets

Under the Brother Group Environmental Vision 2050, in the reduction of CO₂ emissions, the Brother Group aims to achieve carbon neutrality* in all business operations and minimize CO₂ emissions from the entire value chain by FY2050. In addition, the medium-term target for FY2030—which serves as a milestone—is to reduce CO₂ 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 CO₂ in the value chain.

This medium-term target for FY2030 for reducing CO₂ 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 CO₂ emissions from the Brother Group

Materiality		Targets for FY2024	FY2023 Results
Protect the earth	Reducing CO ₂ emissions	<p>[Scope 1 and 2] 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</p> <p>[Scope 3] Take measures to reduce 150,000 tons through own efforts Ref.) FY2030 target: 30% reduction from the FY2015 level</p>	<p>[Scope 1 and 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 FY2023</p> <p>[Scope 3] Implemented measures centered on improving energy efficiency of new products as planned and considered additional measures for FY2024</p>
	Circulating resources	Achieve ratio of virgin materials used in products of 81% or less	Implemented measures, such as using recycled materials for some products and switching to recyclable cushioning materials, and expect to achieve the target for FY2023

In addition, with regard to reducing CO₂ 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).”)

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	<p>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, conditions in the Middle East, and other developments relating to international circumstances are recognized as risks that could have a major impact on business.</p> <p>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.</p>	<p>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.</p> <p>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. In response to the navigation risks associated with the Suez Canal in conjunction with the deterioration of conditions in the Middle East, we will work to develop multiple routes and ports for use by each manufacturing facility.</p>
2. Contraction of the printing market	<p>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.</p>	<p>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.</p> <p>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.</p> <p>We will leverage our accumulated diverse technologies to expand business in the industrial printing areas with a focus on the Domino Business and garment printers.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
3. Competition with other companies	<p>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.</p>	<p>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 are 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.</p>
4. Changes in global economic circumstances	<p>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.</p> <p>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.</p>	<p>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.</p> <p>In the printing area, we provide product lineups and services that meet customer needs from input to output by integrating compact 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.</p> <p>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.</p> <p>Furthermore, the Group's sales composition is well balanced between Japan, Asia, the Americas, and Europe and there is no bias toward any particular region in sales revenue, and therefore, even if some regions were impacted by significant economic fluctuations, we are prepared for the risk of a sudden deterioration in business performance.</p> <p>In the future, we will continue global development in each region by using our global network as a strength.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>5. Supply chains</p> <p>-Supply chain disruption</p> <p>-CSR procurement</p>	<ul style="list-style-type: none"> • <u>Supply chain disruption</u> <p>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. There is a risk of impediments to parts procurement and production as a result of economic conflict or war in countries or regions, large-scale fires, massive earthquakes, a resurgence of infectious disease, abnormal weather in conjunction with global warming, as well as difficulty in continuing to procure key parts due to reviews of business portfolios by suppliers (deterioration of business profitability, obsolescence of facilities, etc.).</p> <p>In addition, if global logistics are disrupted and there is a shortage of space on ships, stagnation of shipping containers occurs, or there is restriction on navigation, there is a risk that imports of parts and product shipments will be delayed and shipping costs will increase.</p> <p>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.</p> <ul style="list-style-type: none"> • <u>CSR procurement</u> <p>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 high-risk regions was funding armed groups in those areas and was involved in promoting conflict, human rights abuses, labor problems, environmental destruction or other issues, this could similarly lead to a loss of the trust of customers.</p>	<ul style="list-style-type: none"> • <u>Supply chain disruption</u> <p>In production systems, we produce key consumables at multiple sites and implement risk countermeasures such as maintaining spare production equipment. We obtain parts from multiple suppliers, maintain strategic inventories of critical parts and materials, and take action to reduce reliance on specific countries or suppliers. At sales sites, we will continue to optimize inventory levels to prevent product shortages. As for logistics, we are securing inventory storage space for products, parts and materials by utilizing internal and external warehouses in the regions where our manufacturing facilities are located, and we are promoting the use of multiple routes and ports.</p> <p>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.</p> <ul style="list-style-type: none"> • <u>CSR procurement</u> <p>The Company formulated a CSR Procurement Policy as a means of risk mitigation and has posted the policy on its website. We also explain the policy to suppliers by conducting supplier briefings and 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 addition, we established the Brother Group Human Rights Global Policy to encourage action on human rights and have requested understanding of this policy and cooperation with the Company's measures by all of the Company's officers 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.</p> <p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
6. Risks relating to parts and materials	<p>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 expenses associated with implementation of sustainability measures including carbon neutrality and increased use of recycled materials, price shifts to comply with national laws and regulations, restrictions on procurement sources due to measures against geopolitical risks, rising prices for raw materials including silicon and fluorine, soaring energy costs, and rising labor costs, and there is a risk that these 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 or efficiency improvements, a certain degree of impact on future profitability may be expected.</p>	<p>To address the difficulties in procuring parts, we will continue to implement BCP measures such as maintaining long-term inventories in parts for which it is difficult to secure alternatives, procuring products from multiple sources, and conducting local procurement. We are also promoting the development of resilient supply chains by encouraging suppliers to conduct disaster-preparedness measures such as performing inspection of electrical facilities. 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 as well as rising energy costs at the time of planning. To reduce procurement costs, we will 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.</p>
7. Quality and product liability	<p>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.</p>	<p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>8. Laws and regulations</p> <p>–Compliance in general</p> <p>–Taxation</p>	<p>• <u>Compliance in general</u></p> <p>The Group is subject to various laws and regulations in the countries and regions where it conducts business. The enactment and 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.</p> <p>Furthermore, improper conduct by employees could cause harm to the Group and have an adverse impact on the Group’s business activities.</p> <p>Four major compliance risks have been identified: improper accounting and embezzlement, unfair trade practices (violation of anti-monopoly laws), bribery (corruption risk), and quality fraud.</p> <p>Regarding improper accounting, there is a risk that accounting procedures contrary to national and regional laws and regulations or the Group’s accounting rules will lead to correction of financial results or loss of the trust of stakeholders. In addition, there is a risk of harm to Company assets resulting from embezzlement by officers or employees.</p> <p>With respect to unfair trade practices and bribery, there is a risk that business activities conducted in violation of national or regional competition laws or anti-corruption laws will lead to the imposition of fines by competition law authorities, the imposition of restrictions on the Group’s business activities, or other sanctions, and there is a risk that substantial expenses will be incurred to comply with laws and regulations.</p> <p>Regarding quality fraud, there is a risk that improper conduct (such as falsification of data relating to performance or inspections) in the development, manufacture, or inspection of the Company’s products could result in recalling products and incurring massive expenses in conjunction with such recall as well as impairment of brand image.</p> <p>If the above risks were to materialize, there could be an adverse impact on the Group’s business activities.</p>	<p>• <u>Compliance in general</u></p> <p>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 (hereafter referred to as the “Global Charter”) , and the Brother Group Principles of Social Responsibility, which clearly defines and promotes acting on our responsibilities as a business enterprise.</p> <p>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 or department and compliance helplines.</p> <p>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.</p> <p>The status of responses relating to major compliance risks are described below.</p> <ul style="list-style-type: none"> • Improper accounting and embezzlement: We analyze the financial statements of group companies to determine if there are any signs of improper conduct and, when necessary, conduct individual investigations. • Unfair trade practices (violation of anti-monopoly laws): In Japan, we announced a Partnership Building Declaration that expressly states our commitment to collaboration and mutual benefit with suppliers in our supply chains and businesses that seek to create value, and we have established structures for complying with the Subcontract Act. In particular, with respect to price negotiations based on increases in labor costs by subcontractors, if a subcontractor makes a request for discussions, we will engage in sufficient discussion to ensure that a fair profit by the subcontractor is included in the price, taking into account the impact of higher labor costs. Also, we regularly conduct training of officers and employees of group companies (in Europe, the Americas, and Asia) to raise awareness concerning risks relating to competition law.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>8. Laws and regulations</p> <p>–Compliance in general</p> <p>–Taxation</p>	<p>• <u>Taxation</u></p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Bribery (corruption risk): Companies located in countries or regions with a high risk of bribery (mainly in Asia) have established anti-bribery policies and take measures such as conducting screening relating to the prevention of corrupt conduct by suppliers. In addition, we conduct anti-bribery training (by e-learning and other means) to raise the anti-bribery awareness of officers and employees. • Quality fraud: We are taking action to create data falsification prevention systems, such as the installation of quality data management systems, and quality fraud audit systems at the Group’s main manufacturing and development sites. In addition, we conduct training (by E-learning and other means) to raise awareness of quality compliance. <p>• <u>Taxation</u></p> <p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>9. Environment</p> <p>–Social demands relating to the environment</p> <p>–Environmental regulations and environmental pollution</p>	<p>• <u>Social demands relating to the environment</u></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>• <u>Social demands relating to the environment</u></p> <p>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. Furthermore, in collaboration with suppliers of parts for laser printer products since FY2023, we have introduced renewable energy for the electric power used when manufacturing parts and have started measures that will lead to reductions in CO₂ emissions during parts manufacturing.</p> <p>Also, in the Machinery Business, demand for EV parts is increasing in place of internal combustion engine parts. As an EV parts processing solution, we develop “SPEEDIO” series products that can meet various processing needs, including machining of large aluminum parts for EVs, and thereby respond to the risk of a transition to EVs in the automobile industry. 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.</p> <p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>9. Environment</p> <p>–Social demands relating to the environment</p> <p>–Environmental regulations and environmental pollution</p>	<ul style="list-style-type: none"> • <u>Environmental regulations and environmental pollution</u> <p>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.</p>	<ul style="list-style-type: none"> • <u>Environmental regulations and environmental pollution</u> <p>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.</p> <p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
10. Security trade	<p>The machine tools handled in the Group's industrial equipment business are classified as restricted goods by international security trade control schemes.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Also, if amended laws come into effect, it is likely that the risk of legal violations will increase beyond current levels.</p> <p>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 and provision of regulated items over a period by regulatory authorities but it may significantly affect the Group's business management by loss of social reputation and so on.</p>	<p>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. In this way, the Company as a whole strives to strengthen security trade control systems and conduct effective and efficient management and operations adapted to the particulars of risks.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>11. Information systems</p> <p>–Information security</p> <p>–Information networks</p>	<ul style="list-style-type: none"> • <u>Information security</u> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • <u>Information security</u> <p>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.</p> <p>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 for cases where vulnerability risks relating to products occur and the response system for product information security incidents and establishing structures. 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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>11. Information systems</p> <p>-Information security</p> <p>-Information networks</p>	<ul style="list-style-type: none"> • <u>Information networks</u> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • <u>Information networks</u> <p>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.</p> <p>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 personal computers 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.</p> <p>As measures concerning internal control systems, we maintain quality enhancement activities in the development, maintenance, and operation of information systems from the perspective of overall IT control and we work to achieve appropriate IT operations.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
<p>12. Human resources</p> <p>-Occupational accidents, human injury</p> <p>-Recruiting human resources</p>	<ul style="list-style-type: none"> • <u>Occupational accidents, human injury</u> <p>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.</p> <ul style="list-style-type: none"> • <u>Recruiting human resources</u> <p>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.</p>	<ul style="list-style-type: none"> • <u>Occupational accidents, human injury</u> <p>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.</p> <p>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.</p> <ul style="list-style-type: none"> • <u>Recruiting human resources</u> <p>The Group works to recruit the human resources needed for each function carried out globally including planning, development, design, manufacturing, sales, and service.</p> <p>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 Global Charter and work to reinforce corporate public relations.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
13. M&A (impairment risks)	<p>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.</p> <p>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.</p> <p>The Group has recorded goodwill of 52,955 million yen (5.9% of total assets) in its consolidated financial statements as of March 31, 2024, of which goodwill relating to the Domino Business acquired in 2015 accounts for 52,489 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.</p> <p>During the current consolidated fiscal year, impairment losses of 28,216 million yen were recorded on a portion of goodwill in the Domino business. This was the result of a careful review of future business plans taking into consideration the negative impact on profits from the appreciation of the British pound, higher discount rates resulting from increases in interest rates, and slower-than-expected growth in the digital printing market.</p>	<p>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.</p> <p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
14. Foreign exchange fluctuation risks	<p>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, 2024, each one-yen increase in the value of the yen against the euro results in a decrease in annual profit of approximately 0.8 billion yen. Also, each one-yen decrease in value against the dollar results in a decrease in annual profit of approximately 300 million yen.</p> <p>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 thus, medium- to long-term fluctuations in foreign exchange rates are expected to have a certain degree of impact on business results.</p> <p>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 decrease 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.</p>	<p>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.</p>

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
15. Intellectual property	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(4) An inventor could institute litigation regarding rewards for an invention.</p>	<p>(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.</p> <p>(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 takes countermeasures such as defending against the litigation or reaching a settlement.</p> <p>(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.</p> <p>(4) The Group has established rules on rewards for inventions and provides appropriate rewards to inventors.</p>

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 diminished and social activities became more normalized, but due to the prolonged conflict in Ukraine, ongoing tensions in the Middle East, sluggishness in the Chinese economy, monetary tightening in Europe and the U.S., continued depreciation of the yen, and other factors, the outlook for the global economy remains uncertain.

Regarding the business environment of the Brother Group, in the printing market, conditions were sluggish in Europe, the U.S., and China. In Machinery Business related areas, although internal and external demand for industrial equipment recovered moderately, conditions remain challenging, and with respect to industrial sewing machines, demand for apparel-related capital investment remains sluggish in Asia due to concerns regarding an economic downturn. In Domino Business related areas, capital investment demand weakened as a result of effects from economic slowdown. In Nissei Business related areas, capital investment for factory automation continued to be postponed, mainly due to the deterioration of market conditions in China. The market for household sewing machines was sluggish due to the end of stay-at-home demand in each region as well as the effects of inflation and other factors. In the karaoke market in Japan, customer traffic is recovering in conjunction with the classification of COVID-19 being changed to the lowest level in Japan.

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 higher sales of consumables and positive impact from foreign exchange effects, despite lower sales of communications and printing equipment. In the Machinery Business, sales were down sharply due to effects from sluggish markets for both industrial equipment and industrial sewing machines. In the Domino Business, despite effects from economic slowdown, revenue increased due to positive foreign exchange effects and solid performance by consumables. In the Nissei Business, revenue was down due to sluggish demand for capital investment. In the P&H Business, revenue was down due to sluggish markets, primarily in the Americas. In the N&C Business, revenue increased in conjunction with the recovery of customer traffic to karaoke clubs.

As a result of these developments, revenue increased 0.9% year-on-year to 822,930 million yen. Despite increases in sales promotion and selling, general and administrative expenses, business segment profit increased substantially, up 25.1% year-on-year to 75,579 million yen as a result of lower distribution costs, effects from price adjustments, and positive foreign exchange effects. As a result of recording impairment

losses on a portion of goodwill in the Domino Business and other factors, operating profit was 49,792 million yen, down 10.1% year-on-year, and profit for the year attributable to owners of the parent company was 31,645 million yen, down 19.0% year-on-year.

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

Current fiscal year

U.S. Dollar: 144.40 yen Euro: 156.80 yen

Previous fiscal year

U.S. Dollar: 134.95 yen Euro: 141.24 yen

Performance by business segment was as follows.

1) Printing & Solutions Business

Revenue: 514,942 million yen (+3.7 % year-on-year)

○ **Communications and printing equipment: 448,563 million yen (+3.1% year-on-year)**

Sales of consumables for inkjet All-in-Ones, laser All-in-Ones, and printers were firm, but sales of hardware were down, due to market downturns, mainly in China, Europe, and the U.S. The positive impact of foreign exchange rates resulted in an increase of revenue for the segment as a whole.

○ **Labeling: 66,379 million yen (+7.7% year-on-year)**

Revenue increased due to firm sales of hardware compared to the previous fiscal year, when supply constraints impacted sales, and positive foreign exchange effects.

Business segment profit: 62,526 million yen (+68.6% year-on-year)

Operating profit: 61,011 million yen (+67.4% year-on-year)

Although sales promotion and SG&A expenses increased, both profits were up substantially as a result of lower distribution costs, higher sales of consumables for communications and printing equipment, positive effects from price adjustments, and positive foreign exchange effects.

2) Machinery Business

Revenue: 77,372 million yen (-19.7% year-on-year)

○ **Industrial equipment: 43,079 million yen (-29.7% year-on-year)**

Revenue was down substantially due to sluggish demand for capital investment in the automobile and general machinery markets, particularly in China and Asia.

○ **Industrial sewing machines: 34,293 million yen (-2.3% year-on-year)**

Sales of industrial sewing machines were down due to continuing sluggish apparel-related capital investment in Asia. On the other hand, sales of garment printers increased, primarily in the Americas. Despite positive foreign exchange effects, revenue for the segment was down as a whole.

Business segment profit: 2,213 million yen (-76.8% year-on-year)

Operating profit: 2,301 million yen (-76.6% year-on-year)

Both profits decreased substantially due to lower revenue.

3) Domino Business

Revenue: 109,643 million yen (+8.7% year-on-year)

Despite a decrease in sales of hardware resulting from the effects of economic downturn, revenue increased due to positive foreign exchange effects caused by the depreciation of the yen and firm sales of consumables.

Business segment profit: 5,071 million yen (-9.0% year-on-year)

Operating loss: 24,071 million yen (operating loss in the previous fiscal year: 5,787 million yen)

Business segment profit decreased due to negative foreign exchange effects caused by the appreciation of the British pound as well as higher SG&A expenses in conjunction with reinforcement of sales activities and renewal of core business systems and other factors. A significant operating loss was reported due to the recording of impairment losses on a portion of goodwill. This was the result of a careful review of future business plans in light of the negative foreign exchange effects caused by the appreciation of the British pound and higher discount rates reflecting rising interest rates as well as slower-than-expected growth in the digital printing equipment market and other factors.

4) Nissei Business

Revenue: 20,830 million yen (-11.3% year-on-year)

Revenue decreased due to sluggish sales of both reducers and gears resulting from weak demand for capital investment.

Business segment profit: 1,019 million yen (-46.4% year-on-year)

Operating profit: 991 million yen (-45.5% year-on-year)

Both profits decreased substantially due to lower revenue.

5) Personal & Home Business

Revenue: 50,480 million yen (-1.0% year-on-year)

Despite positive foreign exchange effects, revenue decreased due to lower sales, primarily of middle-to high-end models, resulting from sluggish market conditions, mainly in the Americas.

Business segment profit: 2,516 million yen (-56.5% year-on-year)

Operating profit: 2,478 million yen (-57.6% year-on-year)

Both profits were down substantially due to a deterioration of the product mix resulting from lower sales of middle-to high-end models and higher sales promotion and SG&A expenses.

6) Network & Contents Business

Revenue: 38,098 million yen (+8.1% year-on-year)

Revenue increased due to increased sales at karaoke clubs in conjunction with a recovery in customer traffic as well as steady sales of karaoke systems as a result of the launch of new products.

Business segment profit: 1,623 million yen (+255.1% year-on-year)

Operating profit: 1,660 million yen (+103.7% year-on-year)

Both profits increased substantially due to the effect of higher revenue.

b Financial position

Goodwill and intangible assets decreased, while cash and cash equivalents and property, plant and equipment increased, as a result, total assets were 896,109 million yen, an increase of 45,623 million yen compared to the end of the previous consolidated fiscal year.

As a result of decreases in corporate bonds and borrowings and other factors, total liabilities were 227,988 million yen, a decrease of 25,817 million yen compared to the end of the previous consolidated fiscal year. Total equity increased 71,440 million yen compared to the end of the previous consolidated fiscal year to 668,121 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: 151.41 yen Euro: 163.24 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 166,146 million yen, an increase of 47,103 million yen compared to the end of the previous consolidated fiscal year as a result of a 141,028 million yen increase from operating activities, a 42,068 million yen decrease from investing activities, and a 61,584 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 141,028 million yen after deducting income taxes of 9,200 million yen paid as a result of 52,523 million yen in profit before income taxes, increases in assets from non-monetary losses including depreciation and amortization of 47,537 million yen and impairment losses of 28,325 million yen, an increase in funds of 3,351 million yen due to a decrease in trade and other receivables, an increase in funds of 34,417 million yen due to a decrease in inventories, a decrease in funds of 15,070 million yen due to a decrease in trade and other payables, and other factors.

2) Cash flows from investing activities

Cash flows used in investing activities were 42,068 million yen, mainly due to purchases of property, plant and equipment of 38,015 million yen, purchases of intangible assets of 9,470 million yen, and revenue from the sale of investment real estate of 3,000 million yen.

3) Cash flows from financing activities

Cash flows used in financing activities were 61,584 million yen mainly due to changes in short-term borrowings of 15,616 million yen, the repayment of long-term borrowings of 19,997 million yen, the repayment of lease obligations of 8,543 million yen, and the payment of dividends of 17,421 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 Material 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 material 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. Material Accounting Policies" and "5. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 4. Material 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.

Due to the sharp depreciation in yen during the period, performance in the current consolidated fiscal year, the second year of the CS B2024 Medium-Term Business Strategy, included revenue of 822.9 billion yen, and thus, the target for revenue has already been achieved. Nevertheless, the operating profit margin was 6.1% and ROE was 5.0% due to recording impairment losses on a portion of goodwill in the Domino Business and other factors.

Average currency exchange rates (consolidated) were as follows.

Current fiscal year

U.S. Dollar: 144.40 yen Euro: 156.80 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 166,146 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, 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. At the end of the current consolidated fiscal year, the balance of long-term borrowings was 600 million yen, which 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 2,290 employees engaged in research and development.

The Group's total R&D expenditures during the current consolidated fiscal year were 47,941 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-L3780CD, a printer that can be used for an extended period due to its seven-year product durability and ultra-high capacity toner, as a new laser printer or All-in-One product.

In the area of labeling, we launched the PT-D610BT, a new P-touch label printer for offices that supports three input methods: built-in keyboard, PC connection, and smartphone application.

R&D expenses in this segment were 28,755 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 H550Xd1 (H series), a horizontal compact machining center and the first horizontal machining center in the SPEEDIO series, as a new machine tool product.

In the area of garment printers, we launched the GTX600SB, which achieves high image quality and high productivity with seven colors of ink and six print heads for reproduction of a wide color range.

R&D expenses in this segment were 5,215 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 7,229 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.

R&D expenses in this segment were 906 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 Entrepreneur One PR1X("PR1X"), a single-head, single-need commercial embroidery machine with a maximum embroidery area of 300 mm × 200 mm, as a new commercial embroidery machine.

R&D expenses in this segment were 2,879 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 790 million yen.

(7) Other Business

R&D expenses in this segment were 2,165 million yen.

3. Information about Facilities

1. Overview of capital expenditures

The Group's capital expenditures for the current consolidated fiscal year were 47,438 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	25,381	Manufacturing facilities for communications and printing equipment, etc.
Machinery	3,057	Manufacturing facilities related to machine tools, industrial sewing machine, and garment printers
Domino	3,685	Manufacturing facilities related to industrial printing equipment
Nissei	3,239	Manufacturing facilities related to reducers and gears
Personal & Home	1,460	Manufacturing facilities related to home sewing machines
Network & Contents	5,235	Investments related to online karaoke systems and telecommunications systems
Other Business and Corporate	5,377	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, 2024

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 communicatio ns and printing equipment, label printers, label writers, and home sewing machines	2,927	1,346	337 (42)	7,810	12,421	2,413 [216]
Hoshizaki Factory (Minami-ku, Nagoya, Aichi)	Printing & Solutions	Processing facilities for printer heads	5,477	4,623	10 (32)	345	10,458	227 [51]
Momozono Factory (Mizuho-ku, Nagoya, Aichi)	---	Research and development facilities	434	399	12 (4)	156	1,002	45 [20]
Kariya Factory (Kariya-shi, Aichi)	Printing & Solutions, Machinery	Manufacturing facilities for label printers, label writers, machine tools, and garment printers	5,386	1,428	160 (133)	1,336	8,311	741 [231]
Logistics Center (Minami-ku, Nagoya, Aichi) *1	Other	Logistics facilities	728	75	135 (22)	6	946	- [-]
Research & Development Center (Mizuho-ku, Nagoya, Aichi)	---	Research and development facilities	610	211	396 (4)	399	1,617	93 [4]
Head office (Mizuho-ku, Nagoya, Aichi)	---	Other facilities	1,748	16	71 (4)	5,948	7,784	312 [12]

(2) Domestic subsidiaries

As of March 31, 2024

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	Nissei	Manufacturing facilities for reducers and gears, etc.	6,437 [516]	6,631	2,906 (97)	449	16,424	820 [35]
BROTHER REAL ESTATE. LTD. B 6 Ueda rental buildings (Tenpaku-ku, Nagoya, Aichi) 14 other sites *3	Other	Stores for rent and parking lots	862	-	1,110 (6) [5]	595	2,568	- [-]

(3) Overseas subsidiaries

As of March 31, 2024

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.	2,067	440	2,154 (416)	12,931	17,593	687 [225]
BROTHER INDUSTRIES (U.S.A.) INC. (Tennessee, U.S.A.) *3	Printing & Solutions, Nissei	Manufacturing facilities for OEM products (mailing printers), etc.	2	117	- (-) [18]	132	252	96 [73]
BROTHER INDUSTRIES (U.K.) LTD. (Wrexham, Wales, U.K.) *3	Printing & Solutions	Manufacturing facilities for consumables for printers and All-in- Ones, etc.	217	445	- (-) [42]	233	896	177 [5]
BROTHER TECHNOLOGY (SHENZHEN) LTD. (Shenzhen City, Guangdong Province, China) *3	Same as above	Manufacturing facilities for printers and All-in-Ones	555	275	- (-) [64]	5,664	6,495	2,553 [-]
BROTHER INDUSTRIES (VIETNAM) LTD. (Hai Duong Province, Vietnam) *3	Same as above	Same as above	7,123	2,436	- (-) [210]	1,734	11,293	9,864 [-]
BROTHER INDUSTRIES (PHILIPPINES), INC. (Batangas Province, Philippines) *3	Same as above	Manufacturing facilities for printers, All- in-Ones, and label writers	18,560	1,774	- (-) [134]	586	20,920	7,326 [373]
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	145	258	- (-) [30]	557	961	591 [146]

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	166	28	- (-) [9]	126	321	297 [39]
BROTHER INDUSTRIES SAIGON, LTD. (Dong Nai Province, Vietnam) *3	Same as above	Manufacturing facilities for home sewing machines	1,137	458	- (-) [56]	519	2,115	1,980 [-]
BROTHER MACHINERY XIAN CO., LTD. (Xian City, Shaanxi Province, China) *3	Machinery	Manufacturing facilities for machine tools and industrial sewing machines	2,993	1,527	- (-) [79]	1,434	5,955	595 [6]
DOMINO U.K. LTD. (Liverpool, Cambridge, U.K.) *3	Domino	Manufacturing facilities for industrial printing equipment and consumables	1,139	3,266	3,223 (26) [180]	5,878	13,507	920 [21]
DOMINO AMJET INC. (Illinois, U.S.A.)	Same as above	Manufacturing facilities for consumables for industrial printing equipment	632	104	975 (32)	1,947	3,660	331 [-]

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 427 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, 2025 (Millions of yen)	Descriptions and objectives of facilities, etc.	Financing method
Printing & Solutions	27,800	Manufacturing facilities related to printers, All-in-Ones, electronic stationery, and scanners	Own capital or borrowings
Machinery	4,800	Manufacturing facilities related to machine tools, industrial sewing machine, and garment printers	Own capital or borrowings
Domino	4,900	Manufacturing facilities for industrial printing equipment	Own capital or borrowings
Nissei	2,100	Manufacturing facilities for reducers and gears.	Own capital or borrowings
Personal & Home	1,800	Manufacturing facilities for home sewing machines	Own capital or borrowings
Network & Contents	5,000	Investments related to online karaoke systems and telecommunications systems	Own capital or borrowings
Other Business and Corporate	11,600	IT-related investment and construction of and improvements to buildings, etc.	Own capital or borrowings
Total	58,000		

(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, 2024)	Number of issued shares as of filing date (Shares) (June 26, 2024)	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, 2024) is reflected. As of the end of the preceding month of the filing date (May 31, 2024), 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, 2024) is reflected. As of the end of the preceding month of the filing date (May 31, 2024), 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.
 - (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, 2024) is reflected. As of the end of the preceding month of the filing date (May 31, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
 - (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	282 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 20,200 (Note) 2	Common shares 28,200 (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, 2024) is reflected. As of the end of the preceding month of the filing date (May 31, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
 - (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*	380 [344] (Note) 1	333 [270] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 38,000 [34,400] (Note) 2	Common shares 33,300 [27,000] (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, 2024) 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, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
 - (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*	316 [262] (Note) 1	631 [599] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 39,000 [26,200] (Note) 2	Common shares 63,100 [59,900] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 19, 2015 To March 18, 2045	From March 25, 2016 To March 24, 2046
Issue price of shares to be issued and amount to be credited to equity (yen) upon the exercise of stock options*	(Note) 3	
Conditions to exercise stock options*	(Note) 4	
Matters related to transfer of stock options*	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors.	
Matters related to the granting of stock options in conjunction with organizational realignment*	-	

* The state as of the end of the fiscal year (March 31, 2024) 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, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
- (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*	428 [411] (Note) 1	471 [467] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 42,800 [41,100] (Note) 2	Common shares 47,100 [46,700] (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, 2024) 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, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
- (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*	633 [608] (Note) 1	716 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 63,300[60,800] (Note) 2	Common shares 71,600 (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, 2024) 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, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
 - (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*	712 (Note) 1	615 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 71,200 (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, 2024) is reflected. As of the end of the month preceding the filing date (May 31, 2024), 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.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split/reverse stock split}$$

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.
 - (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, 2024

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	-	61	30	221	703	11	11,461	12,487	-
Number of shares held (number of units)	-	846,154	84,834	235,063	993,656	161	416,085	2,575,953	160,630
Percentage of shareholdings	-	32.85	3.29	9.13	38.57	0.01	16.15	100.00	-

Notes

1. Of 1,530,109 treasury shares, 15,301 units are included in “Individuals and others” and 9 shares in “Status of shares less than one unit.”

The 1,530,109 treasury shares represent the number of such shares recorded on the shareholders' register. The actual number of treasury shares as of March 31, 2024 is 1,529,109 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 2,504 units of Company shares held by the Board Incentive Plan trust.

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity Building AIR,8-1, Akasaka 1-chome, Minato-ku, Tokyo	38,670	15.09
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	12,170	4.75
SSBTC CLIENT OMNIBUS ACCOUNT (Standing agent: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	12,016	4.69
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 (Akasaka Intercity Building AIR,8-1, Akasaka 1-chome, Minato-ku, Tokyo)	8,848	3.45
Sumitomo Mitsui Banking Corporation.	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,398	2.11
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)	4,734	1.85
The Brother Group Employee Stock Ownership Association	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467-8561, Japan	4,613	1.80
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
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (Standing agent: MUFJ Bank, Ltd.)	VERTIGO BUILDING - POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo Clearing Services Department)	4,347	1.70
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)	3,348	1.31
Total	-	98,648	38.50

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, BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 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 1,529 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 December 6, 2023 indicates that BlackRock Japan Co., Ltd. and two joint holders hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2024, 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. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1 Shibakoen 1-chome, Minato-ku, Tokyo	8,436,100	3.27
Nikko Asset Management Co., Ltd.	7-1 Asakusa 9-chome, Minato-ku, Tokyo	4,219,000	1.64
Total	-	12,655,100	4.91

(7) Voting rights
1. Issued shares

As of March 31, 2024

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 1,529,100	-	Number of shares per unit = 100 shares
Shares with full voting rights (Other)	Common shares 256,066,200	2,560,652	The same as above
Shares less than one unit	Common shares 160,630	-	-
Total number of issued shares	257,755,930	-	-
Number of voting rights held by all shareholders	-	2,560,652	-

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 250,400 Company shares held by the Board Incentive Plan trust.

2. Treasury shares, etc.

As of March 31, 2024

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	1,529,100	-	1,529,100	0.59
Total	-	1,529,100	-	1,529,100	0.59

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

Not applicable.

(3) Acquisition not based on resolution of shareholders meeting or board of directors meeting

Acquisition pursuant to Article 155, Item 7 of the Companies Act (demand for the purchase of shares less than one unit)

Categories	Number of shares	Total amount (Yen)
Treasury shares acquired during the fiscal year	1,366	3,279,038
Treasury shares acquired during the current period	82	235,267

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, 2024 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	-	-	-	-
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)	-	-	81	237,411
(Exercise of stock options)	38,200	56,481,788	23,100	31,645,775
Total number of treasury shares held	1,529,109	-	1,506,010	-

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, 2024 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, 2024 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 50 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 84 yen per share, an increase of 16 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 7, 2023 Board of Directors resolution	8,710	34.0
May 17, 2024 Board of Directors resolution	12,811	50.0

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

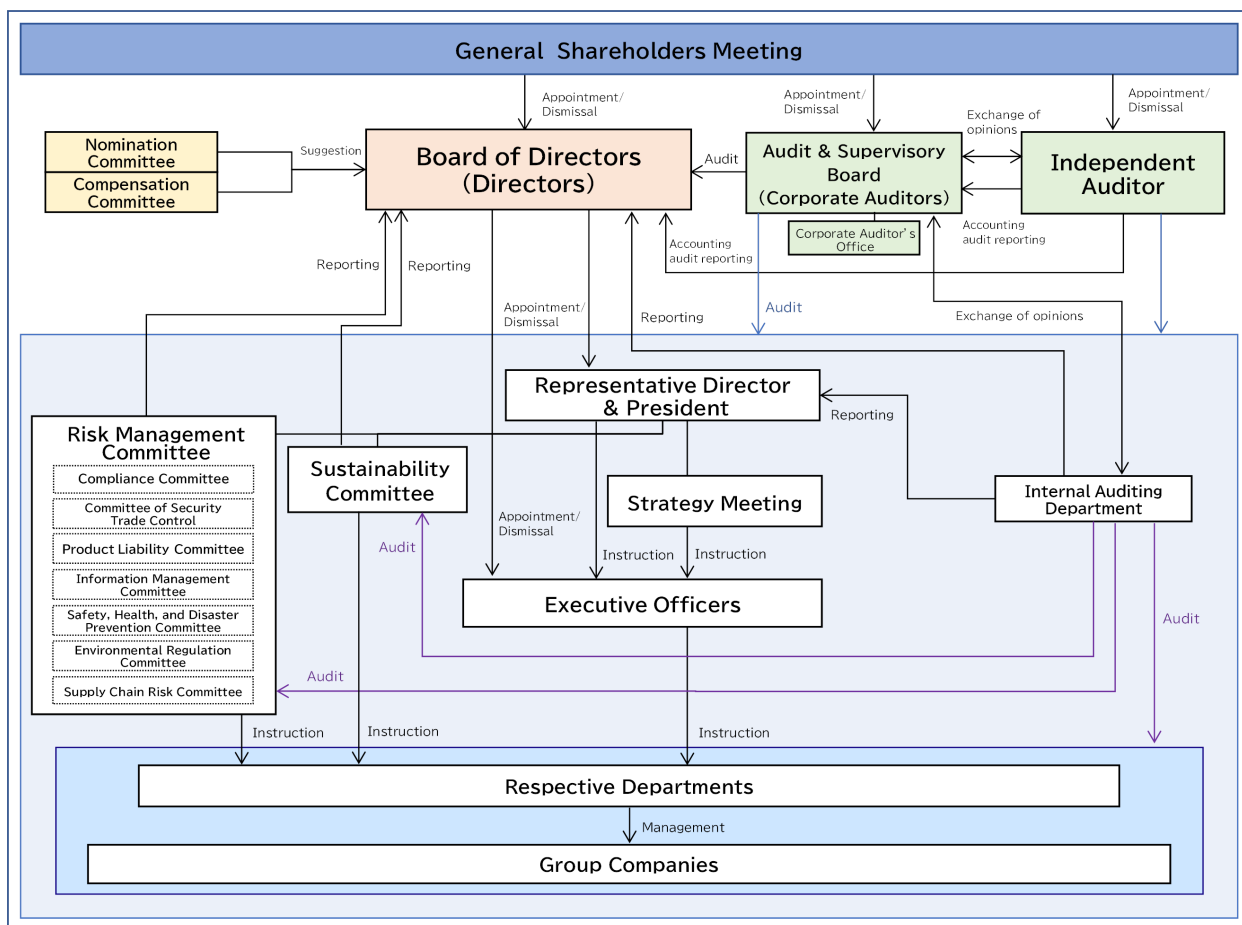
The Company believes that objective and neutral management supervisory function from an external standpoint that is important in corporate governance. Based on the idea that supervision by more than one Independent Director is appropriate as a framework to strengthen management supervisory function, 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, dismissal 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), and Representative Director and President (Mr. Kazufumi Ikeda), 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,” 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 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	11	Matters related to financial results (quarterly, full year), shareholder returns Medium-term business strategy and sustainability targets Business portfolio policy Human resource strategy, Personnel matters for officers and general managers, Review of independence standards for outside Directors and mandatory retirement age for Directors. 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.	All Directors attended all meetings (all 11 Directors) All Corporate Auditors attended all meetings (all 5 Corporate Auditors)
Nomination Committee	8	Review of independence standards for outside Directors and mandatory retirement age for Directors Outside concurrent service by executive Directors 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	3	Annual bonuses and stock-based compensation for the current fiscal year Compensation structures and levels for Directors and executive officers Modification of remuneration for outside Directors	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	<p>April 1979 Joined the Company</p> <p>August 1982 Brother International Corporation (U.S.A.)</p> <p>October 1992 Director of Brother International Corporation (U.S.A.)</p> <p>January 2000 Director & President of Brother International Corporation (U.S.A.)</p> <p>June 2004 Director of the Company</p> <p>January 2005 Director & Chairman of Brother International Corporation (U.S.A.)</p> <p>April 2005 Director & Managing Executive Officer of the Company</p> <p>April 2006 Director & Senior Managing Executive Officer of the Company</p> <p>June 2006 Representative Director & Senior Managing Executive Officer of the Company</p> <p>June 2007 Representative Director & President of the Company</p> <p>June 2018 Representative Director & Chairman of the Company</p> <p>June 2020 Outside Director of Toyo Seikan Group Holdings, Ltd.</p> <p>May 2021 Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation (current position)</p> <p>June 2022 Director & Chairman (current position)</p> <p>June 2024 Outside Director of Ibiden Co., Ltd. (current position)</p>	(Note 4)	30
Director & Deputy Chairman	Ichiro Sasaki	April 30, 1957	<p>April 1983 Joined the Company</p> <p>January 2005 Managing Director of Brother U.K. Ltd.</p> <p>April 2008 General Manager of NID Research & Development Dept. of the Company</p> <p>April 2009 Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer of the Company</p> <p>June 2014 Director & Managing Executive Officer of the Company</p> <p>June 2016 Representative Director & Managing Executive Officer of the Company</p> <p>April 2017 Representative Director & Senior Managing Executive Officer of the Company</p> <p>June 2018 Representative Director & President of the Company</p> <p>June 2024 Director & Deputy Chairman of the Company (current position)</p>	(Note 4)	45

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director & President*	Kazufumi Ikeda	August 29, 1962	<p>April 1985 Joined the Company</p> <p>April 2003 Director & Vice President of Brother International GmbH</p> <p>April 2009 General Manager of Corporate Planning Dept. of the Company</p> <p>April 2013 Director & Executive Vice President of Brother International Corporation (U.S.A.)</p> <p>April 2014 Director & President of Brother International Corporation (U.S.A.)</p> <p>April 2015 Group Executive Officer of the Company</p> <p>November 2019 Director & Chairman of Brother International Corporation (U.S.A.)</p> <p>April 2020 Managing Executive Officer of the Company</p> <p>June 2021 Director & Managing Executive Officer of the Company</p> <p>April 2023 Director & Senior Managing Executive Officer</p> <p>June 2023 Representative Director & Senior Managing Executive Officer</p> <p>April 2024 Representative Director & Vice President</p> <p>June 2024 Representative Director & President of the Company (current position)</p>	(Note 4)	10
<p>Representative Director & Vice President*</p> <p>Responsible for: Management Information System Dept. New Business Development Dept.</p>	Tadashi Ishiguro	June 21, 1960	<p>April 1984 Joined the Company</p> <p>May 1987 Brother International Corporation (U.S.A.)</p> <p>January 2005 Director & President of Brother International Corporation (U.S.A.)</p> <p>April 2011 Group Executive Officer of the Company</p> <p>April 2013 Group Managing Executive Officer of the Company</p> <p>April 2014 Director and Chairman of Brother International Corporation (U.S.A.)</p> <p>June 2014 Director & Group Managing Executive Officer of the Company</p> <p>January 2015 Director & Managing Executive Officer of the Company</p> <p>April 2017 Director & Senior Managing Executive Officer of the Company</p> <p>June 2017 Representative Director & Senior Managing Executive Officer of the Company</p> <p>April 2021 Representative Director & Vice President of the Company (current position)</p>	(Note 4)	34

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
<p>Representative Director & Vice President*</p> <p>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</p>	Satoru Kuwabara	November 21, 1962	<p>April 1987 October 2004</p> <p>Joined the Company General Manager, Development Dept. 1 of Information & Document Company</p> <p>April 2008 General Manager, Development Dept. 1 of the Company</p> <p>April 2009 General Manager of Development Planning Dept. of the Company</p> <p>April 2010 CEO of BROTHER TECHNOLOGY (Shenzhen) LTD.</p> <p>April 2014 General Manager of Development Planning Dept. of the Company</p> <p>October 2014 General Manager, LE Development Dept. of the Company</p> <p>April 2015 April 2019</p> <p>Executive Officer of the Company Managing Executive Officer of the Company</p> <p>June 2021 Director & Managing Executive Officer of the Company</p> <p>April 2023 Director & Senior Managing Executive Officer</p> <p>June 2023 Representative Director & Senior Managing Executive Officer</p> <p>April 2024 Representative Director & Vice President of the Company (current position)</p>	(Note 4)	12
<p>Director & Senior Managing Executive Officer*</p> <p>Quality Production Center Responsible for: Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept., IJ Production Dept., Purchasing Dept.</p>	Taizo Murakami	February 2, 1962	<p>April 1984 April 2007</p> <p>Joined the Company General Manager, Production Technology Dept. of Printing & Solutions Company</p> <p>April 2008 General Manager, Production Technology Dept. of the Company</p> <p>April 2009 General Manager, Parts Engineering Dept. of the Company</p> <p>April 2010 Managing Director of Brother Industries Technology (Malaysia) Sdn. Bhd.</p> <p>April 2013 General Manager, Prototype Engineering Dept. of the Company</p> <p>April 2016 April 2019</p> <p>Executive Officer of the Company Managing Executive Officer of the Company</p> <p>June 2022 Director & Managing Executive Officer of the Company</p> <p>April 2024 Director & Senior Managing Executive Officer of the Company (current position)</p>	(Note 4)	7

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	<p>April 1970 Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation)</p> <p>June 2000 Director of JGC Corporation (now JGC Holdings Corporation)</p> <p>June 2001 Managing Director of JGC Corporation</p> <p>June 2002 Senior Managing Director of JGC Corporation</p> <p>June 2006 Director and Vice President of JGC Corporation</p> <p>March 2007 President and Representative Director of JGC Corporation</p> <p>June 2009 Chairman and Representative Director of JGC Corporation</p> <p>June 2014 Principal Corporate Advisor of JGC Corporation</p> <p>June 2017 Outside Director of the Company (current position)</p> <p>June 2019 Outside Director of Japan Post Bank Co., Ltd. (current position)</p>	(Note 4)	7
Director	Aya Shirai	May 23, 1960	<p>April 1979 Joined All Nippon Airways Co., Ltd.</p> <p>June 1993 Member of Amagasaki City Council</p> <p>December 2002 The Mayor of Amagasaki City</p> <p>June 2011 Outside Director of Gunze Limited</p> <p>April 2013 Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation</p> <p>June 2015 Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd.</p> <p> Outside Director of Sumitomo Precision Products Co., Ltd.</p> <p>June 2018 Outside Director of Sanyo Chemical Industries, Ltd. (current position)</p> <p>June 2019 Outside Director of the Company (current position)</p> <p>June 2022 Outside Director of The Royal Hotel, Ltd. (current position)</p>	(Note 4)	5

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	<p>April 1974 Joined Japan Airlines Co., Ltd.</p> <p>January 1985 Joined Boston Consulting Group</p> <p>June 2000 Japan Representative of Boston Consulting Group</p> <p>April 2006 Professor of Faculty of Commerce at Waseda University</p> <p>February 2012 Outside Auditor of Kewpie Corporation</p> <p>June 2012 Outside Director of Lifenet Insurance Company</p> <p> Outside Director of Mitsui-Soko Co., Ltd. (now Mitsui-Soko Holdings Co., Ltd.)</p> <p>August 2012 Outside Director of Japan ERI Co., Ltd.</p> <p>December 2013 Outside Director of ERI Holdings Co., Ltd.</p> <p>June 2014 Independent Advisory Committee Member of the Company</p> <p>February 2015 Outside Director of Kewpie Corporation</p> <p>March 2016 Outside Director of Lion Corporation (current position)</p> <p>June 2020 Outside Director of the Company (current position)</p> <p>April 2022 Professor Emeritus at Waseda University (current position)</p>	(Note 4)	3
Director	Naoki Hidaka	May 16, 1953	<p>April 1976 Joined Sumitomo Corporation</p> <p>April 2001 General Manager of Chicago Office, Sumitomo Corporation of America</p> <p>April 2007 Executive Officer, General Manager of Metal Products for Automotive Industries Div. of Sumitomo Corporation</p> <p>April 2009 Managing Executive Officer, General Manager of Chubu Regional Business Unit of Sumitomo Corporation</p> <p>April 2012 Senior Managing Executive Officer, General Manager of Kansai Regional Business Unit of Sumitomo Corporation</p> <p>June 2013 Representative Director, Senior Managing Executive Officer, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation</p> <p>April 2015 Representative Director, Executive Vice President, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation</p> <p>June 2018 Special Advisor of Sumitomo Corporation</p> <p>June 2019 Advisor of Sumitomo Corporation</p> <p>June 2020 Director of the Company (current position)</p> <p>March 2021 Outside Director of Nabtesco Corporation (current position)</p> <p>June 2022 Outside Director of Topcon Corporation (current position)</p>	(Note 4)	3

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	<p>April 1977 Joined NIPPONDENSO Co., LTD. (now DENSO Corporation)</p> <p>June 2004 Managing Officer, Fuel Injection Engineering Dept. of DENSO Corporation</p> <p>June 2007 Managing Officer, Powertrain Control Systems Business Group of DENSO Corporation</p> <p>June 2010 Director & Senior Executive Officer, Electric System Business Group of DENSO Corporation</p> <p>June 2011 Director of TOYOTA BOSHOKU Corporation</p> <p>January 2012 Director & Senior Executive Officer, Powertrain Control Systems Business Group of DENSO Corporation</p> <p>June 2013 Representative Director & Vice President, Overall R&D, Engineering Research & Development Center, China Region of DENSO Corporation</p> <p>April 2015 Representative Director & Vice President, Quality, Safety, & Environmental Center of DENSO Corporation</p> <p>April 2017 Director of DENSO Corporation</p> <p>June 2017 Advisor to DENSO Corporation</p> <p>June 2021 Outside Director of the Company (current position)</p>	(Note 4)	2
Standing Corporate Auditor	Keizo Obayashi	July 14, 1962	<p>April 1986 Joined the Company</p> <p>March 2004 Brother International Europe, Ltd.</p> <p>April 2017 General Manager of Treasury Dept. of the Company</p> <p>April 2020 General Manager of Corporate Auditors' Office of the Company</p> <p>June 2020 Corporate Auditor of the Company (current position)</p>	(Note 5)	5
Standing Corporate Auditor	Takeshi Yamada	June 5, 1963	<p>April 1987 Joined the Company</p> <p>May 1993 Brother Industries (U.K.)</p> <p>April 2002 Brother Sales, Ltd.</p> <p>June 2005 Brother International Corporation (U.S.A.)</p> <p>April 2014 Director of Brother International Corporation (U.S.A.)</p> <p>April 2017 Representative Director & President of Brother International Corporation</p> <p>April 2018 General Manager, Corporate Planning Dept. of the Company</p> <p>April 2023 Deputy General Manager, Corporate Auditors' Office of the Company</p> <p>June 2023 Corporate Auditor of the Company (current position)</p>	(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	<p>April 1986 Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki</p> <p>June 1991 Registered as an attorney in New York (current position)</p> <p>January 1992 Partner of Miyake & Yamazaki</p> <p>March 1994 Resident Partner of Bangkok Office of Miyake & Yamazaki</p> <p>January 2015 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd.</p> <p>June 2015 External Audit & Supervisory Board Member of Denyo Co., Ltd.</p> <p>December 2015 Representative of Three Fields L.L.C. (current position)</p> <p>December 2016 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position)</p> <p>June 2018 Corporate Auditor of the Company (current position)</p> <p>June 2021 Outside Director (Member of the Audit and Supervisory Committee) of Denyo Co., Ltd.</p>	(Note 7)	1
Corporate Auditor	Kazuya Jono	December 10, 1954	<p>April 1977 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation)</p> <p>June 2005 Executive Officer of Sumitomo Mitsui Banking Corporation (“SMBC”)</p> <p>April 2007 Managing Executive Officer of SMBC</p> <p>April 2009 Managing Executive Officer of Sumitomo Mitsui Financial Group (“SMFG”) Director and President of Sumitomo Mitsui Card & Credit, Inc.</p> <p>April 2010 Director and Senior Managing Executive Officer of SMBC Senior Managing Executive Officer of SMFG</p> <p>June 2011 Director of SMFG</p> <p>June 2012 Director and President, CEO of Citibank Japan Ltd.</p> <p>June 2015 Outside Auditor of The Japan Steel Works Ltd. Outside Auditor of Toray Industries, Inc.</p> <p>June 2019 Corporate Auditor of the Company (current position)</p>	(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	<p>October 1990 Joined Chuo Shinko Audit Corporation (later changed its name to Misuzu Audit Corporation)</p> <p>March 1994 Registered as a CPA (current position)</p> <p>August 2007 Partner of AZUSA Audit Corporation (now KPMG AZSA, LLC)</p> <p>July 2013 Board member of KPMG AZSA LLC</p> <p>July 2017 Member of Management Oversight Committee, KPMG AZSA LLC</p> <p>July 2020 General Manager of Nagoya Office, KPMG AZSA LLC</p> <p>June 2023 Corporate Auditor of the Company (current position)</p> <p>June 2023 Outside Auditor of Hino Motors, Ltd. (current position)</p>	(Note 6)	0
Total					182

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 25, 2024
5. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 25, 2024
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 16 Executive Officers and four Group Executive Officers. The four Directors to whom * is affixed in the table above concurrently serve as Executive Officers. In addition to the four Directors, the executive officers comprise: three Senior Managing Executive Officer (Mr. Makoto Hoshi, Mr. Tsuyoshi Suzuki, and Mr. Toshihiro Itou), three Managing Executive Officers (Mr. Tetsuro Koide, Ms. Yumiko Iwadare, and Mr. Yasuyuki Hasegawa), six Executive Officers (Mr. Tatsuya Sato, Mr. Yoshiichi Sugimoto, Mr. Tatsuo Terakura, Mr. Masahiro Akita, Mr. Hiroaki Fujino, and Mr. Akira Nakashima), 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 FY2023, 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 27 million yen. In addition, Ms. Matsumoto was an employee of the Company from April 1983 to August 1985, but in light of the nature of these 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, Ms. Chika Matsumoto, 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>

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 Independent Auditor of the Company, etc., or currently belongs or belonged within the past three years to an auditing firm, which serves as the Independent 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 Audits and Accounting Audits, 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 Independent 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 Independent 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

a. Organization and Personnel

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 FY2023. 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)	Keizo Obayashi	12	12
	Takeshi Yamada	10	10
Outside Auditors	Akira Yamada	12	12
	Kazuya Jono	12	12
	Chika Matsumoto	10	10

b. Main Activities of Auditors and Key Audit Items

Corporate Auditors conduct mainly the 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 internal control systems.

Main Item	Main Activities of Auditors and Key Audit Items	Full-Time Auditors	Outside Auditors
Directors	Attend Board of Directors meetings and state opinions	○	○
	Interview and exchange opinions with the Director & Chairman and Representative Director & President	○	○
	Hold meetings with independent officers (Outside Auditors and Outside Directors) for exchanges of opinions		○
	Report audit results, provide advice, exchange opinions	○	○
Execution of business	Attend major meetings including Strategy Meetings and Risk Management Committee and Sustainability Committee meetings and state opinions	○	□
	Interview and exchange opinions with Executive Directors and Executive Officers (confirm the status of establishment and operation of internal controls, status of risks, etc.)	○	○
	Review important documents (such as approval documents)	○	
Group companies	Conduct on-site audits of domestic and overseas Group companies and plants	○	□
	Meet regularly with full-time auditors of major domestic subsidiaries and the head of the Company's Internal Auditing Department (share information and exchange opinions on key audit topics, the status of significant risks, etc.)	○	
	Hold meetings and exchange opinions with the full-time and part-time corporate auditors of subsidiaries	○	
	Receive reports from and exchange opinions with managers of overseas subsidiaries	○	□
Internal audits	Share information on audit plans and audit results from the Internal Auditing Department	○	○
	Share information and exchange opinions at monthly meetings with the Internal Auditing Department	○	
Accounting audits	Receive briefings on audit plans from Independent Auditor and hold discussions, receive quarterly reports and audit results reports, and exchange opinions concerning the details of key audit matters (KAM)	○	○
	Hold monthly reporting meetings with and receive quarterly reports and financial reports from financial department and review financial statements	○	
Three-party audits	Share information and exchange opinions among the corporate auditors, Internal Auditing Department, and Independent Auditor at three-party auditing communication meetings	○	○
Audits of key audit items	Key audit items for the current fiscal year <ul style="list-style-type: none"> • Audit of the status of establishment and operation of internal control systems • Audit of Group governance • Audit of information management 	○	○

○:Person in charge □:Optional person in Charge

2 Internal audits

The Company established an Internal Auditing Department that is independent of the business departments under the authority of the Representative Director & President. The Internal Auditing Department has a total of 13 staff members. In addition, a total of 16 internal auditors are assigned to seven subsidiaries in Japan and overseas, and they collaborate to conduct internal audits globally.

The purposes of internal audit activities are to evaluate the effectiveness of risk management, internal control, and governance processes by the Group and encourage improvements, thereby contributing to the achievement of management goals. Audits are conducted of each Company division and all subsidiaries and cover management as a whole. The effectiveness of internal controls relating to the Group's financial reporting is evaluated from a perspective that is independent from the business departments. In addition, the Internal Auditing Department provides consulting services including advice relating to the establishment and improvement of internal controls in response to requests from the Risk Management Committee and other committees, divisions, and other organizations.

To increase the efficiency of audits and prevent the occurrence of misconduct within the Group, we are taking action to detect the signs of improper conduct using computer-assisted audit techniques (CAATs), targeting data on the core information systems of each Group company and other systems.

The head of the Internal Auditing Department assesses risks, selects audit topics and subsidiaries to be audited, and proposes an annual audit plan for the following fiscal year, which is approved by the Representative Director & President. On-site audits of subsidiaries deemed to be important business bases or to have important business processes with respect to internal controls over financial reporting, are conducted over a cycle of approximately three to five years.

The results of each audit are reported to the Representative Director and President without delay. If any significant findings are identified from an audit, the person with responsibility for the audited department or organization is requested to submit a plan for improvement and the status of implementation is continuously followed up.

To ensure the effectiveness of internal audits, the head of the Internal Auditing Department Reports on Annual Audit Plans and Audit Results Directly to the Board of Directors and the Audit & Supervisory Board. If any significant deficiencies relating to the internal control of financial reporting that should be disclosed are discovered or if any other significant deficiencies are discovered through internal audits, a report is made promptly to the Board of Directors and 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 Auditors.

3 Audits by Independent Auditor

a. Name of auditing firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

Since 1968

c. Certified public accountants executing work

Satoshi Kawashima

Akinori Masumi

Koji Kitaoka

d. Composition of assistants related to auditing

The assistants relating to the Company's accounting audits consist of 16 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	FY2022		FY2023	
	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	1	126	1
Consolidated subsidiaries	71	—	78	—
Total	191	1	204	1

(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.

(FY2023)

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	FY2022		FY2023	
	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	—	101	—	51
Consolidated subsidiaries	849	195	961	171
Total	849	296	961	223

(FY2022)

The non-audit services at the Company and its consolidated subsidiaries are mainly tax related advisories.

(FY2023)

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, 2023 to March 31, 2024)

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 (Outside Directors)	432 (57)	289 (57)	53 (-)	44 (-)	44 (-)	11 (5)
Corporate Auditor (Outside Auditors)	78 (28)	78 (28)	- (-)	- (-)	- (-)	7 (4)
Total (Outside Directors and Outside Auditors)	511 (85)	368 (85)	53 (-)	44 (-)	44 (-)	18 (9)

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 two Corporate Auditors (excluding Outside Directors) who resigned during FY2023.
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 FY2023 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 FY2023 annual bonuses are 822,930 million yen for revenue and 31,645 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 CO₂ 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 FY2023 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 FY2023 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 FY2023.

May 17, 2023	Annual bonuses for directors based on FY2022 results
	Grant of shares based on FY2022 results
December 22, 2023	Assessment of officer remuneration levels
February 6, 2024	Modification of remuneration of outside officers

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 FY2023 as indicated below.

June 22, 2023	Annual bonuses and share-based compensation for directors based on FY2022 results
February 6, 2024	Modification of remuneration of outside officers

(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 on the balance sheet (Millions of yen)
Unlisted shares	18	366
Other than unlisted shares	16	14,184

(Issues whose holdings increased in the current fiscal year)

	Number of issues	Total sales value related to decreased holdings (Millions of yen)	Reason of increase
Unlisted shares	-	-	-
Other than unlisted shares	1	0	Purchased to prepare for announced tender offer

(Issues whose holdings decreased in the current fiscal year)

Not applicable.

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

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	Mainly for the maintenance of relationships concerning parts procurement and hardware sales in the Printing & Solutions Business	Yes
	4,009	4,476		
Zeon Corporation	2,365,000	2,365,000	Mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business	Yes
	3,124	3,308		
Citizen Watch Co., Ltd.	1,526,900	1,526,900	For the maintenance of cooperative manufacturing and sales relationship	No
	1,513	1,187		
MS&AD Insurance Group Holdings, Inc	131,700	131,700	For the maintenance of comprehensive insurance trading relationship	No
	1,071	540		
Sanyo Denki Co., Ltd.	125,400	125,400	For the maintenance of trading relationship in the Machinery Business	Yes
	884	771		
Okaya & Co., Ltd.	52,000	52,000	For the maintenance of hardware sales and purchasing relationship in the Machinery Business	Yes
	879	539		
Toho Gas Co., Ltd.	200,000	200,000	For the development of business relationship	Yes
	692	492		
Okuma Corporation	64,000	64,000	For the maintenance of trading relationship in the Machinery Business	Yes
	455	378		
Yamazen Corporation	300,000	300,000	For the maintenance of hardware sales and purchasing relationship in the Machinery Business	Yes
	403	305		
Ryosan Company, Limited	59,900	59,900	Mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business	Yes
	294	196		
Jichodo Co., Ltd.	22,200	22,200	For the maintenance of trading relationship	Yes
	292	152		
Chiyoda Integre Co., Ltd.	87,800	87,800	Mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business	Yes
	244	195		

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)		
Ushio Inc.	120,300	120,300	Mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business	Yes
	234	200		
Yuasa Trading Co., Ltd.	11,000	11,000	For the maintenance of hardware sales and purchasing relationship in the Machinery Business	Yes
	58	41		
Meiko Trans Co. Ltd.	16,000	16,000	For the maintenance of transport service trading	Yes
	25	18		
Roland DG Corporation	100	-	For temporary holding in preparation for announced tender offer	No
	0	-		

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
	2,385	1,299		
ITFOR Inc.	1,420,000	1,420,000	Restriction on exercising its voting rights	Yes
	1,932	1,222		
Sumitomo Mitsui Financial Group, Inc.	134,300	134,300	Restriction on exercising its voting rights	No
	1,196	711		

Notes

1. While it is difficult to provide detailed information on the quantitative effects of shareholding for each issue, using the method described in 2) a above, the Company reported and conducted verification on comprehensive evaluation results of the benefits and risks including quantitative aspects at the Board of Directions meeting in December 2023.
2. Ryosan Company, Limited conducted a business merger with Ryoyo Electro Corporation on April 1, 2024 and changed its tradename to Ryoyo Ryosan

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, 2023 to March 31, 2024 and the non-consolidated financial statements for the fiscal year from April 1, 2023 to March 31, 2024 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	
		FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	8, 40	119,042	166,146
Trade and other receivables	9, 40	123,260	131,591
Other financial assets	10, 40	10,867	7,417
Inventories	11	222,133	207,971
Other current assets	12	36,441	28,772
Total current assets		511,746	541,899
Non-current assets			
Property, plant and equipment	13, 16	128,496	147,757
Right-of-use assets	16, 21	25,002	32,602
Investment property	14	6,217	5,801
Goodwill and intangible assets	15, 16	114,220	97,241
Investments accounted for using the equity method	17	2,006	2,186
Other financial assets	10, 18, 40	29,497	31,355
Deferred tax assets	19	20,818	20,659
Other non-current assets	12, 24	12,480	16,606
Total non-current assets		338,740	354,210
Total assets		850,486	896,109

Millions of yen			
	Notes	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	22, 40	82,755	74,289
Bonds and borrowings	20, 40	36,823	-
Other financial liabilities	20, 21, 23, 40	9,387	10,650
Income tax payables		5,472	7,597
Provisions	25	4,031	5,136
Contract liabilities	29	6,556	7,010
Other current liabilities	26	56,249	62,059
Total current liabilities		201,276	166,743
Non-current liabilities			
Bonds and borrowings	20, 40	600	600
Other financial liabilities	20, 21, 23, 40	23,105	29,478
Retirement benefits liabilities	24	14,997	16,182
Provisions	25	3,593	3,968
Deferred tax liabilities	19	7,055	7,219
Contract liabilities	29	2,049	2,562
Other non-current liabilities	26	1,127	1,232
Total non-current liabilities		52,529	61,244
Total liabilities		253,806	227,988
Equity			
Capital stock	27	19,209	19,209
Capital surplus	27	17,849	17,920
Retained earnings		568,055	584,293
Treasury stock	27	(3,533)	(3,443)
Other components of equity		(4,962)	50,066
Equity attributable to owners of the parent company		596,619	668,047
Non-controlling interests		60	73
Total equity		596,680	668,121
Total equity and liabilities		850,486	896,109

Consolidated Statement of Comprehensive Income

				Millions of yen	
				FY2022	FY2023
				(Year ended	(Year ended
				March 31, 2023)	March 31, 2024)
Notes					
Profit for the year				39,086	31,662
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				36,40	(950)
				(950)	1,347
Remeasurement of the net defined benefit liability (asset)				36	1,314
				1,314	671
Share of other comprehensive income of investments accounted for using the equity method				17, 36	(0)
				(0)	-
Total of items that will not be reclassified subsequently to profit or loss				363	2,019
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations				36	20,449
				20,449	55,028
Total of items that may be reclassified subsequently to profit or loss				20,449	55,028
Other comprehensive income for the year, net of income tax				20,813	57,047
Comprehensive income for the year				59,900	88,710
Comprehensive income for the year attributable to:					
Owners of the parent company				59,896	88,690
Non-controlling interests				3	19
Comprehensive income for the year				59,900	88,710

Consolidated Statement of Changes in Equity

FY2022 (Year Ended March 31, 2023)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
						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 for the year		-	-	39,082	-	20,449	(950)
Acquisition of treasury stock	27	-	-	-	(7,022)	-	-
Disposal of treasury stock	27	-	(112)	(51)	163	-	-
Cancellation of treasury stock	27	-	(149)	(8,740)	8,889	-	-
Dividends paid	28	-	-	(17,510)	-	-	-
Share-based payment transaction	39	-	244	-	(136)	-	-
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		Total	Total		
		Remeasurement of the net defined benefit liability (asset)	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 for the year		1,314	20,813	59,896	3	59,900	
Acquisition of treasury stock	27	-	-	(7,022)	-	(7,022)	
Disposal of treasury stock	27	-	-	0	-	0	
Cancellation of treasury stock	27	-	-	-	-	-	
Dividends paid	28	-	-	(17,510)	(7)	(17,518)	
Share-based payment transaction	39	-	-	108	-	108	
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	

FY2023 (Year Ended March 31, 2024)

(Millions of yen)

Equity attributable to owners of the parent company							
Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity		
					Exchange differences on translating foreign operations	Gains/(losses) on investments in equity instruments designated as FVTOCI	
	19,209	17,849	568,055	(3,533)	(4,962)	-	
	-	-	31,645	-	-	-	
	-	-	-	-	55,028	1,347	
	-	-	31,645	-	55,028	1,347	
Acquisition of treasury stock	27	-	-	(4)	-	-	
Disposal of treasury stock	27	-	(91)	95	-	-	
Dividends paid	28	-	(17,421)	-	-	-	
Share-based payment transaction	39	-	162	-	-	-	
Reclassification to retained earnings		-	2,016	-	-	(1,347)	
Total transactions with owners	-	71	(15,407)	90	-	(1,347)	
Balance as of March 31, 2024	19,209	17,920	584,293	(3,443)	50,066	-	

Equity attributable to owners of the parent company						
Notes	Other components of equity			Non-controlling interests	Total equity	
	Remeasurement of the net defined benefit liability (asset)	Total	Total			
	-	(4,962)	596,619	60	596,680	
	-	-	31,645	16	31,662	
	669	57,045	57,045	2	57,047	
	669	57,045	88,690	19	88,710	
Acquisition of treasury stock	27	-	(4)	-	(4)	
Disposal of treasury stock	27	-	0	-	0	
Dividends paid	28	-	(17,421)	(6)	(17,427)	
Share-based payment transaction	39	-	162	-	162	
Reclassification to retained earnings		(669)	(2,016)	-	-	
Total transactions with owners		(669)	(17,262)	(6)	(17,269)	
Balance as of March 31, 2024	-	50,066	668,047	73	668,121	

Consolidated Statement of Cash Flows

		Millions of yen	
		FY2022	FY2023
		(Year ended March 31, 2023)	(Year ended March 31, 2024)
	Notes		
Cash flows from operating activities			
Profit before income taxes		56,953	52,523
Depreciation and amortization		42,575	47,537
Impairment losses		11,063	28,325
Finance expenses/(income)		(1,323)	(2,440)
Share of (profit)/loss of investments accounted for using the equity method		(251)	(291)
Losses/(gains) on sale or disposal of fixed assets		(4,514)	(2,794)
Decrease/(increase) in trade and other receivables		(16,125)	3,351
Decrease/(increase) in inventories		(44,252)	34,417
Increase/(decrease) in trade and other payables		6,174	(15,070)
Decrease/(increase) in retirement benefit assets		(1,735)	(2,269)
Increase/(decrease) in retirement benefit liabilities		(2,103)	(33)
Other		1,636	3,968
Subtotal		48,097	147,224
Interest received		2,222	3,555
Dividends received		402	475
Interest paid		(984)	(1,026)
Income taxes paid		(35,304)	(9,200)
Net cash provided by operating activities		14,432	141,028
Cash flows from investing activities			
Purchases of property, plant and equipment		(31,191)	(38,015)
Proceeds from sales of property, plant and equipment		759	1,016
Purchases of intangible assets		(11,291)	(9,470)
Proceeds from sales of investment properties		6,500	3,000
Purchases of investments in equity instruments		(1,059)	(1,013)
Proceeds from sales of investments in equity instruments		10	5
Purchases of investments in debt instruments		(3,251)	(4,269)
Proceeds from sales or redemption of investments in debt instruments		7,695	8,158
Payments for acquisition of businesses		-	(157)
Other		(370)	(1,322)
Net cash used in investing activities		(32,198)	(42,068)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	37	15,571	(15,616)
Repayment of long-term borrowings	37	(19,997)	(19,997)
Repayment of lease obligations	37	(7,690)	(8,543)
Dividends paid	28	(17,510)	(17,421)
Purchase of treasury stock		(7,003)	(3)
Dividends paid to non-controlling interests		(8)	(7)
Other		0	4
Net cash used in financing activities		(36,638)	(61,584)
Effect of exchange rate changes on cash and cash equivalents		5,531	9,727
Net increase/(decrease) in cash and cash equivalents		(48,872)	47,103
Cash and cash equivalents at the beginning of the year	8	167,915	119,042
Cash and cash equivalents at the end of the year	8	119,042	166,146

Notes to the Consolidated Financial Statements

1. Reporting Entity

BROTHER INDUSTRIES, LTD. (hereinafter referred to as the “Company”) is a corporation located in Japan. The consolidated financial statements of the Company consist of the financial statements of the Company, its consolidated subsidiaries (collectively, the “Group”) and its share of interests in associates.

The Group operates business in seven main business areas: 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, 2024, were approved on June 25, 2024 by Kazufumi Ikeda, Representative Director & President of the Company.

(2) 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) Changes in accounting policies

The Group applied IAS 12 Income Taxes (revised May 2021), from the year ending March 31, 2024. The impact of application of this standard on the consolidated financial statements is de minimis.

3. Material 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;
- 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 defective 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 and that do not give rise to equal taxable and deductible temporary differences at the time of the transaction, except business combinations;
- 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 “Material Accounting Policies” (1) Basis of consolidation
- Revenue recognition and measurement: Note 3 “Material Accounting Policies” (17) Revenue
- Collectability of trade and other receivables: Note 3 “Material Accounting Policies” (4) Financial instruments, Note 9 “Trade and Other Receivables” and Note 40 “Financial Instruments”
- Valuation of inventories: Note 3 “Material Accounting Policies” (6) Inventories and Note 11 “Inventories”
- Estimates of useful lives and residual values of non-current assets: Note 3 “Material Accounting Policies” (7) Property, plant and equipment to (11) Leases, Note 13 “Property, Plant and Equipment,” Note 14 “Investment Property,” Note 15 “Goodwill and Intangible Assets” and Note 21 “Leases”
- Lease terms of right-of-uses assets: Note 3 “Material Accounting Policies” (11) Leases and Note 21 “Leases”
- Impairment losses of property, plant and equipment, right-of-use assets, intangible assets, including goodwill, and investment property: Note 3 “Material Accounting Policies” (12) Impairment of non-financial assets and Note 16 “Impairment of Non-Financial Assets”
- Fair value of financial instruments: Note 3 “Material Accounting Policies” (4) Financial instruments and (23) Fair value measurements and Note 40 “Financial Instruments”
- Recoverability of deferred tax assets: Note 3 “Material Accounting Policies” (19) Income taxes and Note 19 “Income Taxes”
- Recognition and measurement of provisions: Note 3 “Material Accounting Policies” (16) Provisions and Note 25 “Provisions”
- Measurement of defined benefit obligation: Note 3 “Material Accounting Policies” (14) Employee benefits and Note 24 “Employee Benefits”

5. New Standards Not Yet Adopted

The new standards set forth below were issued before the time of approval of the consolidated financial statements, but the Group has not applied to them early. The Group is currently investigating the effects of application.

IFRS	Timing of compulsory application (fiscal year starting on or after the date)	Timing of application by the Group	Overview of establishment
IFRS 18	January 1, 2027	Undetermined	Establishment of new standards on presentation and disclosure in financial statements

6. Segment Information

(1) Outline of reportable segments

Reportable segments of the Group are the components of the Group for which discrete financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group divides its reporting segments by business into the following seven categories: Printing & Solutions Business, Machinery Business, Domino Business, Nissei Business, Personal & Home Business, Network & Contents Business and Other Business. Within these segments, the Group formulates comprehensive domestic and overseas strategies for the products and services handled by the Group and engages in business activities.

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.

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/(loss)	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.

FY2023 (Year Ended March 31, 2024)

(Millions of yen)

	Reportable segment							Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Revenue										
Customers	514,942	77,372	109,643	20,830	50,480	38,098	11,562	822,930	-	822,930
Intersegment	-	-	-	-	-	-	14,827	14,827	(14,827)	-
Total	514,942	77,372	109,643	20,830	50,480	38,098	26,389	837,757	(14,827)	822,930
Business segment profit	62,526	2,213	5,071	1,019	2,516	1,623	727	75,698	(118)	75,579
Other income and expenses	(1,514)	87	(29,143)	(28)	(37)	37	4,812	(25,786)	-	(25,786)
Operating profit/(loss)	61,011	2,301	(24,071)	991	2,478	1,660	5,539	49,911	(118)	49,792
Finance income and expenses										2,440
Share of profit/(loss) of investments accounted for using the equity method										291
Profit before income taxes										52,523

Other items

	Reportable segment							Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Depreciation	25,910	3,188	8,137	1,761	1,471	6,154	914	47,537	—	47,537
Impairment losses	—	—	28,216	—	—	109	—	28,325	—	28,325
Capital expenditure (Note 3)	30,788	3,814	5,543	3,372	2,103	7,721	1,289	54,632	4,790	59,422

(Notes)

- 1) “Others” consists of real estate and other areas of business.
- 2) Reconciliation amount of ¥(118) million for segment profit (operating profit) is for the elimination of intersegment transactions.
- 3) Capital expenditure represents increases in property, plant and equipment, right-of-use assets, intangible assets, and investment property.
- 4) Reconciliation amount of ¥4,790 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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Printing & Solutions		
Communications and printing equipment	435,075	448,563
Labeling	61,650	66,379
Printing & Solutions total	496,726	514,942
Machinery		
Machine tools	61,296	43,079
Industrial sewing machines	35,108	34,293
Machinery total	96,404	77,372
Domino	100,830	109,643
Nissei	23,485	20,830
Personal & Home	51,004	50,480
Network & Contents	35,254	38,098
Others	11,563	11,562
Total	815,269	822,930

(4) Information about geographical areas

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

Revenue from customers

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Japan	115,764	116,627
U.S.A.	209,392	210,419
China	94,236	72,849
Others	395,874	423,034
Total	815,269	822,930

(Note)

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

Non-current assets

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Japan	92,124	98,531
Overseas		
The Americas		
U.S.A.	15,029	21,736
Others	2,217	2,940
The Americas total	17,247	24,677
Europe		
U.K.	103,422	88,046
Others	9,933	11,241
Europe total	113,356	99,288
Asia and others		
China	18,240	17,919
Vietnam	16,347	18,242
Philippines	16,688	24,174
Others	4,302	6,264
Asia and others total	55,577	66,601
Overseas total	186,181	190,566
Total	278,305	289,098

(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

FY2022 (Year ended March 31, 2023)

Not applicable.

FY2023 (Year ended March 31, 2024)

Disclosure is omitted as it is immaterial.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of yen)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Cash and cash equivalents		
Cash and deposits	119,042	166,146
Total	119,042	166,146

The balance of “Cash and cash equivalents” in the consolidated statement of financial position as of March 31, 2023 and March 31, 2024, 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)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Notes receivable	7,067	8,148
Accounts receivable	116,413	122,758
Other	1,716	2,810
Allowance for doubtful accounts	(1,936)	(2,125)
Total	123,260	131,591

The receivables expected to be collected more than one year after March 31, 2023 and March 31, 2024 are ¥1,423 million and ¥1,431 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Current assets		
Financial assets measured at amortized cost	9,562	7,218
Financial assets measured at FVTPL		
Derivatives	1,305	224
Items other than derivatives	0	0
Allowance for doubtful accounts	(0)	(25)
Total	10,867	7,417
Non-current assets		
Financial assets measured at amortized cost	9,610	8,594
Financial assets measured at FVTPL		
Derivatives	—	—
Items other than derivatives	4,605	5,559
Financial assets measured at FVTOCI		
Equity instruments	15,312	17,231
Allowance for doubtful accounts	(31)	(29)
Total	29,497	31,355

Refer to Note 40 “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)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Merchandise and finished goods	148,878	133,265
Work in process	15,000	13,184
Raw materials and supplies	58,254	61,521
Total	222,133	207,971

The amounts of the inventories recognized in cost of sales for the years ended March 31, 2023 and 2024 are ¥491,265 million and ¥462,865million, respectively.

Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Write-down	7,384	9,120

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Other current assets		
Prepaid expenses	9,815	11,018
Advance payments	1,325	994
Consumption taxes receivable	10,193	10,598
Income taxes receivable	13,182	4,294
Other	1,924	1,865
Total	36,441	28,772
Other non-current assets		
Long-term prepaid expenses	3,994	5,338
Retirement benefit assets	4,653	6,985
Insurance funds	2,787	3,152
Other	1,045	1,129
Total	12,480	16,606

13. Property, Plant and Equipment

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, 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
Acquisitions	—	3,039	7,628	15,169	12,072	37,910
Sales or disposals	(8)	(1,805)	(3,738)	(8,990)	(76)	(14,619)
Foreign exchange differences	1,089	7,709	5,973	3,963	657	19,394
Other	—	11,500	2,490	1,258	(14,338)	910
Balance as of March 31, 2024	17,047	160,656	115,495	154,696	3,843	451,738

(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, 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)
Depreciation	—	(5,483)	(6,781)	(13,177)	—	(25,442)
Impairment losses	—	(25)	—	(11)	—	(37)
Sales or disposals	—	1,652	3,478	8,821	—	13,951
Foreign exchange differences	—	(4,189)	(4,568)	(3,193)	—	(11,951)
Other	(31)	(155)	(45)	(624)	—	(855)
Balance as of March 31, 2024	(868)	(88,465)	(85,254)	(129,393)	—	(303,981)

(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, 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
Balance as of March 31, 2024	16,179	72,190	30,241	25,302	3,843	147,757

14. Investment Property

(1) Movement

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

(Millions of yen)

Cost	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	13,741	11,740
Acquisitions	269	57
Sales or disposals	(2,670)	(250)
Reclassifications	395	—
Foreign exchange differences	4	—
Balance at the end of the year	11,740	11,548

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	(5,882)	(5,523)
Depreciation	(417)	(425)
Sales or disposals	529	201
Reclassifications	247	—
Foreign exchange differences	(1)	—
Balance at the end of the year	(5,523)	(5,747)

(Millions of yen)

Carrying amount and fair value	FY2022 (As of March 31, 2023)		FY2023 (As of March 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	6,217	17,738	5,801	16,769

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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Rental income	1,651	1,468
Direct operating expenses arising from investment property that generated rental income	(794)	(706)
Direct operating expenses arising from investment property that did not generate rental income	(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.

15. 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, 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
Acquisitions	—	3,675	2	—	—	5,446	9,124
Internal generation	—	—	—	345	—	—	345
Sales or disposals	—	(4,524)	(741)	(108)	—	(50)	(5,424)
Foreign exchange differences	17,359	2,990	—	643	4,426	2,455	27,875
Other	—	4,860	—	78	—	(4,827)	111
Balance as of March 31, 2024	139,130	108,026	11,185	5,067	33,657	35,120	332,186

(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, 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)
Amortization	—	(7,199)	(185)	(525)	(2,129)	(2,402)	(12,443)
Impairment losses	(28,216)	(1)	—	—	—	(0)	(28,218)
Sales or disposals	—	4,494	741	108	—	33	5,377
Foreign exchange differences	(7,027)	(2,328)	—	(357)	(2,398)	(1,616)	(13,728)
Other	—	1	—	—	—	—	1
Balance as of March 31, 2024	(86,174)	(88,677)	(10,575)	(2,978)	(19,704)	(26,835)	(234,945)

(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 April 1, 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
Balance as of March 31, 2024	52,955	19,349	610	2,089	13,952	8,284	97,241

(Note)

Significant intangible assets as of March 31, 2024 are customer related assets. The carrying amount is ¥13,952 million and the remaining amortization period is 6.25 years.

The research and development expenses are as follows:

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Research and development expenses	45,385	47,941

16. 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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Property, plant and equipment		
Buildings and structures	16	25
Machinery, equipment and vehicles	6	-
Tools, furniture and fixtures	365	11
Right-of-use assets		
Buildings and structures	46	68
Machinery, equipment and vehicles	0	-
Tools, furniture and fixtures	1	0
Vehicles	-	0
Intangible assets		
Goodwill	10,625	28,216
Software	0	1
Other intangible assets	0	0
Other	0	0
Total of impairment losses	11,063	28,325

(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

There was no significant impairment loss in the previous or current consolidated fiscal years other than the losses 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)		
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Domino	70,373	52,489
Other	467	466
Total	70,840	52,955

As a result of impairment testing conducted in the previous consolidated fiscal year, the amount of goodwill impairment loss recognized in the Domino Business segment was 10,625 million yen.

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 28,216 million yen. This was the result of a careful review of future business plans taking into consideration the negative impact on profits from the appreciation of the British pound, higher discount rates resulting from increases in interest rates, and slower-than-expected growth in the digital printing market.

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 12.21% and 12.62% 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 3.4% to 5.8% and 3.4% to 4.8% 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.

17. 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)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Carrying amount total	2,006	2,186

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

	(Millions of yen)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
The share amount of earnings of associates from continuing operations	251	291
The share amount of other comprehensive income from associates	(0)	—
The share amount of comprehensive income from associates	251	291

18. 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)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Total assets of unconsolidated structured entities	141,783	188,024
The Company's maximum exposure to loss		
The carrying amount of the investments recognized by the Company	4,605	5,559
Commitments related to additional investments	3,141	2,385
Total	7,747	7,944

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.

19. 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:

FY2022 (Year ended March 31, 2023)

(Millions of yen)

	Balance as of April 1, 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	12,754	(388)	917	89	13,373
Subtotal	42,341	(981)	360	472	42,195
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	—	(1,354)
Other	(8,952)	1,234	—	(182)	(7,900)
Subtotal	(28,287)	(315)	343	(168)	(28,431)
Total	14,053	(1,297)	703	303	13,763

(Note) As stated in “2. Basis of Preparation,” “(3) Changes in Accounting Policies,” the revised version of IAS 12 has been applied retrospectively and revised figures for the previous consolidated fiscal year are presented.

FY2023 (Year ended March 31, 2024)

(Millions of yen)

	Balance as of March 31, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2024
Deferred tax assets					
Inventories	13,754	(494)	—	300	13,560
Retirement benefit liabilities	3,076	(59)	(167)	193	3,043
Property, plant and equipment	4,392	(342)	—	51	4,101
Accrued bonuses	2,553	52	—	58	2,664
Accrued unused paid absences	2,174	(108)	—	36	2,102
Accrued expenses	2,127	(118)	—	89	2,098
Provisions	742	(29)	—	27	740
Other	13,373	2,688	1,289	160	17,512
Subtotal	42,195	1,589	1,122	918	45,825
Deferred tax liabilities					
Property, plant and equipment	(6,654)	78	—	(232)	(6,807)
Assets identified by business combinations	(5,741)	872	—	(827)	(5,696)
Equity instruments designated as FVTOCI	(2,857)	—	(569)	—	(3,426)
Securities withdrawn from retirement benefit trust	(2,464)	—	—	—	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,459)	(210)	—	—	(1,670)
Retirement benefit Assets	(1,354)	(459)	(143)	(2)	(1,960)
Other	(7,900)	(2,514)	—	54	(10,360)
Subtotal	(28,431)	(2,234)	(712)	(1,007)	(32,385)
Total	13,763	(644)	409	(89)	13,439

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Deferred tax assets	20,818	20,659
Deferred tax liabilities	(7,055)	(7,219)
Net amount	13,763	13,439

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

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Deductible temporary differences	90,849	95,675
Unused tax losses	13,610	14,670
Total	104,459	110,345

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

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
1st year	407	2,164
2nd year	1,054	1
3rd year	15	17
4th year	—	—
5th year and thereafter	12,133	12,485
Total	13,610	14,670

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, 2023 and 2024 are ¥258,583 million and ¥283,102 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 previous 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 previous 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.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Current tax expenses	16,569	20,216
Deferred tax expenses		
Origination and reversal of temporary differences	(35)	99
Changes of tax rate	1,234	(18)
Other	97	563
Subtotal	1,297	644
Total	17,866	20,861

Current tax expenses include previously unrecognized tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. Current tax expenses decreased due to those tax benefits by ¥391 million and ¥382 million for the years ended March 31, 2023 and 2024, respectively.

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

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Statutory tax rate	30.60%	30.60%
Lower income tax rates applicable to income in certain foreign subsidiaries	8.17%	19.62%
Expenses not deductible for tax purposes	(9.82%)	(9.13%)
Withholding taxes on distributions	(0.46%)	(4.92%)
Changes of tax rate	2.19%	2.45%
Taxes on retained earnings of foreign subsidiaries	(1.00%)	0.98%
Tax credit for R&D expenses	2.19%	(0.38%)
Other	(0.52%)	0.50%
Average effective tax rate	31.36%	39.72%

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, 2023 and 2024 is 30.60%.

Overseas subsidiaries are subject to income tax at their respective locations.

In Japan, tax reforms for the 2023 fiscal year established a corporate tax equivalent to global minimum taxation, and the Tax Reform Act (“Act to Partially Amend the Income Tax Act, etc.” (Act No. 3 of FY 2023)) (referred to as the “Amended Corporate Tax Act”) which includes related provisions, was enacted on March 28, 2023. The Amended Corporate Tax Act introduced an income inclusion rule (IIR), one of the BEPS global minimum tax rules. Starting in fiscal years that start on or after April 1, 2024, parent companies located in Japan will be subject to an additional surcharge until the tax burden of subsidiaries and other affiliates of the parent company reaches the minimum tax rate (15%). The impact of this on the Group’s consolidated financial statements is de minimis. Also, the Group applies the temporary exception measures specified in IAS 12 “Income Taxes”, and as a result, deferred tax assets and liabilities relating to corporate income taxes arising from the global minimum tax system are not recognized or included in disclosed amounts.

20. Bonds and borrowings

(1) Breakdown of financial liabilities

The breakdown of bonds and borrowings is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)	Average interest rate (%)	Maturity date
Short-term borrowings	15,592	—	—	—
Current portion of long-term borrowings	21,230	—	—	—
Long-term borrowings	600	600	0.54	2026 to 2028
Short-term lease obligations	8,478	9,196	2.84	—
Long-term lease obligations	20,979	27,910	2.52	2025 to 2074
Other	3,035	3,022	—	—
Total	69,916	40,729	—	—
Bonds and borrowings				
Current liabilities	36,823	—	—	—
Non-current liabilities	600	600	—	—
Other financial liabilities				
Current liabilities	9,387	10,650	—	—
Non-current liabilities	23,105	29,478	—	—
Total	69,916	40,729	—	—

(Notes)

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

2) The Brother Group had entered into interest rate swap agreements and other means to manage interest rate risks, but in conjunction with the repayment of the relevant borrowings on September 29, 2023, all such agreements expired.

(2) Assets pledged as collateral

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

21. 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, 2023	20,799	4,202	25,002
Balance as of March 31, 2024	27,648	4,954	32,602

<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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Depreciation charge for right-of-use assets		
Buildings and structures	6,340	7,511
Other	1,579	1,715
Total	7,920	9,226
Expenses relating to short-term leases and leases of low-value assets	934	882
Interest expense on lease liabilities	545	834

<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 38 "Non-Financial Transactions".

<4> Cash outflow for leases

The total cash outflow for leases for the year ended March 31, 2023 and 2024 is ¥9,188 million and ¥10,294 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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Lease income	10,907	11,401

<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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Within 1 year	2,753	3,007
1 to 2 years	2,083	2,192
2 to 3 years	1,384	1,553
3 to 4 years	909	1,099
4 to 5 years	453	498
Over 5 years	148	97
Total	7,732	8,449

22. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Notes payable - trade	226	503
Accounts payable - trade	57,580	48,577
Accounts payable - other	24,948	25,207
Total	82,755	74,289

23. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Current liabilities		
Lease obligations	8,478	9,196
Financial liabilities measured at amortized cost	148	261
Financial liabilities measured at FVTPL		
Derivatives	760	1,192
Total	9,387	10,650
Non-current liabilities		
Lease obligations	20,979	27,910
Financial liabilities measured at amortized cost	2,125	1,568
Total	23,105	29,478

24. 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)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Present value of defined benefit obligations	52,980	51,085
Fair value of plan assets	(59,610)	(67,104)
Subtotal	(6,630)	(16,018)
Effect of the asset ceiling	2,809	9,956
Present value of the unfunded defined benefit obligation	4,773	4,620
Net defined benefit liabilities	952	(1,441)
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	5,162	5,024
Retirement benefit assets	(4,209)	(6,466)
Net balance	952	(1,441)

Overseas plan

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Present value of defined benefit obligations	22,444	25,244
Fair value of plan assets	(15,626)	(17,604)
Subtotal	6,818	7,640
Effect of the asset ceiling	—	—
Present value of the unfunded defined benefit obligation	2,572	2,998
Net defined benefit liabilities	9,390	10,638
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	9,835	11,157
Retirement benefit assets	(444)	(518)
Net balance	9,390	10,638

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Retirement benefit liabilities	14,997	16,182
Retirement benefit assets	(4,653)	(6,985)
Net defined benefit liabilities recognized in the consolidated statement of financial position	10,343	9,196

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

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

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

(Millions of yen)

	Domestic plan		Overseas plan	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	60,244	57,753	29,521	25,017
Current service cost	2,541	2,242	664	700
Interest expense	503	779	689	1,023
Remeasurement	(3,283)	(2,843)	(6,011)	(361)
Actuarial gains or losses arising from changes in demographical assumptions	1,215	297	(1,437)	(694)
Actuarial gains or losses arising from changes in financial assumptions	(4,888)	(3,357)	(4,782)	300
Actuarial gains or losses arising from experience adjustments	390	216	208	32
Past service cost	—	—	—	—
Benefits paid	(2,252)	(2,225)	(1,281)	(1,480)
Foreign exchange differences	—	—	1,435	3,334
Other	—	—	—	8
Balance at the end of the year	57,753	55,706	25,017	28,242

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2023, were 15.5 years for domestic and 13.0 years for overseas plans. For the year ended March 31, 2024, the durations were 14.9 years for domestic and 12.8 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		Overseas plan	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	57,071	59,610	19,215	15,626
Interest income	498	836	443	646
Remeasurement	(323)	5,165	(4,292)	(302)
Return on plan assets excluding interest income	(323)	5,165	(4,292)	(302)
Employer contributions	3,897	2,966	382	565
Benefits paid	(1,672)	(1,655)	(971)	(1,137)
Foreign exchange differences	—	—	729	2,164
Other	138	181	119	40
Balance at the end of the year	59,610	67,104	15,626	17,604

The Group's pension assets are sound, but risk margin contributions are made to prepare for risks that may arise in the future. The Group expects to make a contribution of 4,100 million yen to the defined benefit plans during the year ending March 31, 2025.

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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	—	(2,809)
Interest income	—	(40)
Gains (losses) on remeasurement	(2,809)	(7,105)
Change in the effect of the asset ceiling	(2,809)	(7,105)
Balance at the end of the year	(2,809)	(9,956)

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

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Balance at the beginning of the year	1,978	2,043
Interest income	10	18
Remeasurement	(11)	20
Return on reimbursement rights excluding interest income	(11)	20
Employer contributions	67	63
Benefits paid	(28)	(84)
Foreign exchange differences	27	51
Balance at the end of the year	2,043	2,113

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

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.

FY2023 (As of March 31, 2024)

(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	—	4,842	4,842
Equity instruments	15,041	—	15,041
Domestic stocks	7,512	—	7,512
Foreign stocks	7,528	—	7,528
Debt instruments	14,577	—	14,577
Domestic bonds	6,765	—	6,765
Foreign bonds	7,812	—	7,812
Investments in life insurance company general accounts (Note 1)	—	15,690	15,690
Alternatives (Note 2)	—	16,953	16,953
Other	—	—	—
Total	29,618	37,486	67,104

(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

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.

FY2023 (As of March 31, 2024)

(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	—	1,315	1,315
Equity instruments	1,832	—	1,832
Domestic stocks	—	—	—
Foreign stocks	1,832	—	1,832
Debt instruments	514	1,345	1,859
Domestic bonds	—	—	—
Foreign bonds	514	1,345	1,859
Insurance	—	4,166	4,166
Alternatives (Note)	—	7,804	7,804
Other	—	626	626
Total	2,346	15,257	17,604

(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

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Weighted-average discount rate	0.8 to 1.5%	1.0 to 1.9%

Overseas plan

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Weighted-average discount rate	1.4 to 4.8%	1.4 to 5.1%

<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:	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
increases by 0.5%	decrease by 4,028	decrease by 3,730
decreases by 0.5%	increase by 4,550	increase by 4,197

Overseas plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
increases by 0.5%	decrease of 1,182	decrease of 1,453
decreases by 0.5%	Increase of 1,281	Increase of 1,266

(2) Defined contribution plans

The total expense recognized in profit or loss in relation to defined contribution plan were ¥14,303 million and ¥15,740 million for the years ended March 31, 2023 and 2024, 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 ¥175,996 million and ¥186,220 million for the years ended March 31, 2023 and 2024, respectively.

25. 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, 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
Increase	888	3,065	2,174	6,128
Decrease (used)	(161)	(3,061)	(1,518)	(4,741)
Decrease (reversal)	(29)	(105)	(300)	(435)
Increase due to passage of time	1	—	—	1
Foreign exchange differences	42	366	118	527
Balance as of March 31, 2024	2,812	4,108	2,183	9,105

(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)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Current liabilities	4,031	5,136
Non-current liabilities	3,593	3,968
Total	7,624	9,105

26. Other Liabilities

The breakdown of other liabilities is as follows:

	(Millions of yen)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Other current liabilities		
Accrued bonuses	14,885	16,510
Accrued unused paid absences	8,714	8,811
Accrued expenses	26,753	29,926
Other	5,895	6,811
Total	56,249	62,059
Other non-current liabilities		
Other long-term employee benefits	470	501
Deferred income	568	554
Other	87	176
Total	1,127	1,232

27. 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, 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
Increase	—	—	—	71
Balance as of March 31, 2024	600,000,000	257,755,930	19,209	17,920

(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, 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)
Increase	8,603	(4)
Decrease	(45,735)	95
Balance as of March 31, 2024	2,135,159	(3,443)

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 increase in treasury stock by 8,603 shares in the current consolidated fiscal year represents the acquisition of 7,237 shares of treasury stock (Company shares) attributable to the Company by companies subject to the equity method and an increase of 1,366 shares from purchase of odd-lot shares. Also, the decrease in treasury stock by 45,735 shares represents the exercise of stock options for 38,200 shares and a decrease of 7,535 shares pursuant to the grant of shares to Directors and others under the Board Incentive Plan trust.

The number of treasury stock as of March 31, 2024 includes 250,465 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 39 “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.

28. 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:

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.

FY2023 (Year ended March 31, 2024)

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
The Board of Directors Meeting held on November 7, 2023	8,710	34.00	September 30, 2023	November 30, 2023

(Note)

The total amounts of dividends pursuant to each of the Board of Directors resolutions adopted on May 17, 2023 and November 7, 2023 include 8 million yen in 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:

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.

FY2023 (Year ended March 31, 2024)

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, 2024	12,811	50.00	March 31, 2024	June 4, 2024

(Note)

The total amount of dividends pursuant to a Board of Directors resolution adopted on May 17, 2024 includes 12 million yen of dividends for Company shares held by the Board Incentive Plan trust.

29. Revenue

(1) Disaggregation of revenue

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

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.

FY2023 (Year Ended March 31, 2024)

(Millions of yen)

	Reportable segment							Total
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others	
Japan	34,742	12,783	3,616	13,623	2,756	37,541	11,562	116,627
The Americas	204,709	15,211	29,539	3,293	30,008	64	—	282,827
Europe	165,556	8,637	40,992	90	12,592	—	—	227,868
Asia and others	72,967	16,792	26,021	2,222	4,548	204	—	122,756
China	36,966	23,947	9,473	1,601	573	287	0	72,849
Consolidated	514,942	77,372	109,643	20,830	50,480	38,098	11,562	822,930
Leases	20	—	2,971	145	—	7,443	1,292	11,873
Revenue from IFRS 15	514,921	77,372	106,672	20,685	50,480	30,654	10,269	811,056

(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)

	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

(Millions of yen)

	FY2023 (As of April 1, 2023)	FY2023 (As of March 31, 2024)
Receivables from contracts with customers	123,480	130,906
Contract liabilities	8,606	9,572

Revenue recognized in the years ended March 31, 2023 and 2024 that was included in the contract liability balance at the beginning of the period is ¥7,958 million and ¥7,085 million, respectively.

Revenue recognized in the years ended March 31, 2023 and 2024 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.

30. Cost of Sales

The breakdown of cost of sales is as follows:

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Raw materials costs	388,508	328,661
Employee benefit expenses	65,617	65,681
Depreciation and amortization	22,497	25,310
Other	19,057	47,936
Total	495,681	467,589

31. Selling, General and Administrative Expenses

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

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Employee benefit expenses	111,598	120,530
Depreciation and amortization	20,078	22,227
Freight expenses	31,536	27,662
Advertising expenses	13,425	15,849
Travel and transportation expenses	5,128	7,335
Other	77,417	86,157
Total	259,183	279,761

32. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Gain on sales of fixed assets (Note)	5,351	3,500
Net gain in the fair value of financial instruments measured at FVTPL		
Other	361	277
Gain on cancellation of leases	34	134
Insurance revenue	69	117
Foreign exchange gains	1,841	2,784
Income from government grants	997	497
Refund income	51	—
Other	838	845
Total	9,544	8,157

(Note)

The gain on sales of fixed assets in the previous and 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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Loss on sales and disposal of fixed assets	837	706
Impairment losses	11,063	28,325
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	1,480	3,781
Loss on cancellation of leases	16	32
Credit losses	229	416
Structural reform expenses	134	9
Dispute costs, etc.	411	—
Other	396	673
Total	14,570	33,944

33. 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 ¥55 million for the year ended March 31, 2023 and ¥57 million for the year ended March 31, 2024. Otherwise, “Other income” includes the government grants of ¥997 million for the year ended March 31, 2023 and ¥497 million for the year ended March 31, 2024 as profit or loss.

There are no unsatisfied conditions and contingencies incidental to the government grants.

34. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Interest income		
Financial assets measured at amortized cost	2,216	3,551
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives (Note)	3,778	1,978
Dividend income	307	351
Other	5	0
Total	6,306	5,881

The breakdown of finance expenses is as follows:

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Interest expense		
Financial liabilities measured at amortized cost	957	624
Interest expense on lease liabilities	545	834
Net interest expense on net defined benefit liability	240	342
Foreign exchange losses (Note)	3,215	1,616
Other	24	23
Total	4,983	3,441

(Note)

Foreign exchange gains or losses resulted primarily from corporate bonds and borrowings denominated in foreign currencies. Differences in valuation for currency interest rate swap contracts concluded to avoid the effects of fluctuations in the exchange rates of foreign currency-denominated borrowings on profit or loss are recognized as finance income or expenses.

35. Earnings per Share

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Profit attributable to ordinary shareholders of the parent company	39,082	31,645
Net income used in the calculation of diluted earnings per share	39,082	31,645
Average number of shares – basic	255,993,147	255,599,389
Increase of shares – basic Stock acquisition rights (shares)	751,234	683,047
Average number of shares – diluted	256,744,381	256,282,436

(Yen)

(Yen)

Basic earnings per share	152.67	123.81
Diluted earnings per share	152.22	123.48

(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.

36. 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:

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

FY2023 (Year ended March 31, 2024)

(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	1,946	—	1,946	(598)	1,347
Remeasurements of the net defined benefit liability (asset)	982	—	982	(310)	671
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	—
Subtotal	2,928	—	2,928	(909)	2,019
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	53,709	—	53,709	1,319	55,028
Subtotal	53,709	—	53,709	1,319	55,028
Total	56,638	—	56,638	409	57,047

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

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Gains on investments in equity instruments designated as FVTOCI	0	0
Remeasurements of the net defined benefit liability (asset)	(0)	2
Exchange differences on translating foreign operations	—	—
Total	(0)	2

37. Liabilities Arising from Financing Activities

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

FY2022 (Year ended March 31, 2023)

	As of April 1, 2022	Cash flow	Non-cash changes				As of March 31, 2023
			Foreign exchange differences	Fair value	New leases	Amortized cost	
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

(Notes)

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

FY2023 (Year ended March 31, 2024)

	As of April 1, 2023	Cash flow	Non-cash changes				As of March 31, 2024
			Foreign exchange differences	Fair value	New leases	Amortized cost	
Short-term borrowings	15,592	(15,616)	23	—	—	—	—
Long-term borrowings (Note)							
Long-term borrowings	21,830	(22,830)	1,591	—	—	9	600
Derivatives	(1,239)	2,833	—	(1,594)	—	—	—
Subtotal	20,590	(19,997)	1,591	(1,594)	—	9	600
Lease obligations	29,458	(8,543)	2,439	—	13,752	—	37,106
Total	65,641	(44,157)	4,054	(1,594)	13,752	9	37,706

(Note)

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

38. Non-Financial Transactions

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

	(Millions of yen)	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Right-of-use assets related to leases	11,148	11,984

39. Shared-Based Payments

1. Stock option

(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	Fair value price at grant date	
				(Yen)	(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	Fair value price at grant date	
				(Yen)	(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

	FY2022 (Year ended March 31, 2023)		FY2023 (Year ended March 31, 2024)	
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)
Unexercised balance at beginning of year	785,000	1	696,000	1
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	89,000	1	38,200	1
Matured	—	—	—	—
Unexercised balance at end of year	696,000	1	657,800	1
Exercised balance at end of year	100,400	1	75,700	1

The weighted-average stock price on the exercise date is ¥2,100 for the stock options exercised during the year ended March 31, 2023 and ¥2,425 for those exercised during the year ended March 31, 2024.

The exercise price of unexercised stock options is ¥1 as of March 31, 2023, and ¥1 as of March 31, 2024. The weighted-average remaining contractual term was 18 years for the year ended March 31, 2023 and 18 years for the year ended March 31, 2024.

(3) Fair value of stock options granted during the period and valuation method used

No stock options were granted in the previous or current consolidated fiscal years.

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.

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Number of points granted (shares)	54,514	56,190
Weighted-average fair value (Yen)	1,992	2,822

(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 ¥183 million for the year ended March 31, 2024.

40. 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)	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Interest-bearing debt	37,423	600
Cash and cash equivalents	(119,042)	(166,146)
Net interest-bearing debt	(81,619)	(165,546)
Capital (equity attributable to owners of the parent company)	596,619	668,047

(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, 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
Reclassification to non-credit-impaired financial assets	(3)	3	—
Reclassification to credit-impaired financial assets	(33)	33	—
Increase(decrease) resulting from new financial assets and derecognized financial assets	56	219	275
Write-offs	—	(262)	(262)
Foreign exchange differences	23	151	174
Other	(0)	—	(0)
Balance as of March 31, 2024	311	1,824	2,135

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, 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
Increase (decrease) resulting from new financial assets and derecognized financial assets	24	—	24
Balance as of March 31, 2024	27	17	44

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, 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
Reclassification to non-credit-impaired financial assets	756	(756)	—
Reclassification to credit-impaired financial assets	(465)	465	—
New financial assets and derecognized financial assets	(2,808)	(377)	(3,186)
Write-offs	30	(279)	(248)
Foreign exchange differences	11,694	217	11,912
Other	(513)	513	—
Balance as of March 31, 2024	131,683	2,263	133,946

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, 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
New financial assets and derecognized financial assets	(362)	3	(358)
Write-offs	(0)	—	(0)
Foreign exchange differences	424	9	434
Balance as of March 31, 2024	5,949	111	6,061

Of the financial assets that are written off, there were no financial assets for which collecting activities continued in the year ended March 31, 2023 and 2024.

d. Risk profile

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

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

FY2023 (As of March 31, 2024)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	115,301	204	115,506
Within 30 days past due	10,044	26	10,071
31 to 60 days past due	3,195	10	3,205
61 to 90 days past due	829	15	844
Over 90 days past due	2,123	2,006	4,129
Total	131,493	2,263	133,756

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	5,912	88	6,001
Over 30 days past due	—	23	23
Over 90 days past due	35	—	35
Total	5,949	111	6,061

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	2,300
Rating A	2,101
Total	4,402

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2024 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:

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

FY2023 (As of March 31, 2024)

(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	74,289	74,289	74,289	—	—	—	—	—
Borrowings	600	600	—	—	200	200	200	—
Lease obligations	37,106	39,579	9,440	7,468	6,187	5,352	4,103	7,028
Other	1,829	1,829	261	347	51	27	29	1,113
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	1,192	1,192	1,192	—	—	—	—	—
Total	115,018	117,491	85,183	7,815	6,438	5,579	4,332	8,141

<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)

	FY2022 (Year ended March 31, 2023)		FY2023 (Year ended March 31, 2024)	
	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	(282)	(282)	(719)	(719)
EUR	126	126	172	172
GBP	(13)	(13)	(12)	(12)
CNY	53	53	23	23

<4> Interest risk management

a. Risk management activities

The Group is exposed to interest rate risk, which influences borrowing costs and the fair value of bonds. This risk is managed by the use of derivative financial instruments such as interest rate swaps in accordance with predetermined policies to minimize the risk.

b. Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. If interest rates had been 1% higher and all other variables such as balance and exchange rate were held constant, the Group's profit before income taxes in the consolidated statement of income and comprehensive income for the year in the consolidated statement of comprehensive income would be as follows.

Note that this analysis holds all other variables such as balance and interest rate constant.

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Profit before income taxes	1,190	1,661
Comprehensive income for the year (before tax effects)	1,190	1,661

<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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Comprehensive income for the year (before tax effects)	153	172

(3) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	119,042	166,146
Trade and other receivables	123,260	131,591
Other financial assets	19,140	15,758
Financial assets measured at FVTPL		
Other financial assets	5,911	5,783
Equity instruments measured at FVTOCI		
Other financial assets	15,312	17,231
Total	282,668	336,511
Liabilities:		
Lease obligations		
Other financial liabilities	29,458	37,106
Financial liabilities measured at amortized cost		
Trade and other payables	82,755	74,289
Bonds and borrowings	37,423	600
Other financial liabilities	2,274	1,829
Financial liabilities measured at FVTPL		
Other financial liabilities	760	1,192
Total	152,672	115,018

(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)

	FY2022 (As of March 31, 2023)		FY2023 (As of March 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Other financial assets	19,140	19,110	15,758	15,728
Liabilities:				
Bonds and borrowings	37,423	37,425	600	592
Other financial liabilities	31,732	31,732	38,936	38,936

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 6.9x and 25.2x and between 0.8x 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

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

FY2023 (As of March 31, 2024)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	—	224	5,559	5,783
Financial assets measured at FVTOCI				
Other financial assets	15,544	—	1,687	17,231
Total	15,544	224	7,246	23,014
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	—	1,192	—	1,192
Total	—	1,192	—	1,192

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.

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.

FY2023 (Year ended March 31, 2024)

(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, 2023	4,605	1,427	6,033
Total gains and losses	283	260	544
Profit or loss (Note 1)	283	—	283
Other comprehensive income (Note 2)	—	260	260
Purchase	992	—	992
Sale, etc.	—	—	—
Foreign exchange differences	5	0	5
Other	(328)	(0)	(328)
Balance as of March 31, 2024	5,559	1,687	7,246

(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, 2024 is ¥283 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.

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

FY2023 (As of March 31, 2024)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	—	15,728	—	15,728
Total	—	15,728	—	15,728
Liabilities:				
Bonds and borrowings	—	592	—	592
Other financial liabilities	—	38,936	—	38,936
Total	—	39,528	—	39,528

(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)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Nidec Corporation	4,476	4,009
Zeon Corporation	3,308	3,124
Citizen Watch Co., Ltd.	1,187	1,513
MS&AD Insurance Group Holdings, Inc.	540	1,071
Sanyo Denki Co., Ltd.	771	884
Other	5,027	6,629
Total	15,312	17,231

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

(Millions of yen)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Financial assets held at the end of the period	306	351
Financial assets derecognized during the period	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)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Fair value	10	5
Cumulative gain or loss	—	1

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 ¥(950) million and the amount of ¥1,347 million for the years ended March 31, 2023 and 2024, 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, 2023 and 2024:

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.

FY2023 (As of March 31, 2024)

(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	139,474	(7,883)	131,591	—	131,591
Derivatives	224	—	224	14	209
Total	139,699	(7,883)	131,815	14	131,800

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	82,172	(7,883)	74,289	—	74,289
Derivatives	1,192	—	1,192	14	1,178
Total	83,365	(7,883)	75,482	14	75,467

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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Financial instruments measured at FVTPL (derivatives)	2,297	(1,803)
Financial instruments measured at FVTPL (other than derivatives) (Note)	361	277
Equity instruments measured at FVTOCI	307	351
Financial assets measured at amortized cost	1,986	3,135
Financial liabilities measured at amortized cost	(970)	(635)
Total	3,980	1,325

(Note)

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

41. 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".

42. Related Parties

(1) Related party transactions

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

FY2023 (Year ended March 31, 2024)

(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	2,301	150
	Abeam Systems Corporation	Outsourcing of software developments	6,447	1,591

(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)

	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Short-term employee benefits	332	342
Share-based payments	83	89
Total	416	432

43. Commitments

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

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Acquisition of property, plant and equipment	5,674	3,855
Acquisition of intangible assets	371	291
Acquisition of investment real estate	—	5
Total	6,045	4,152

44. Contingent Liabilities

Not applicable.

45. 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)	200,407	399,632	612,766	822,930
Quarter profit before income taxes or Profit before income taxes (Millions of yen)	22,652	40,999	63,314	52,523
Profit for the quarter (year) attributable to owners of the parent company (year) (Millions of yen)	16,243	28,901	46,614	31,645
Basic earnings per share (Yen)	63.55	113.08	182.38	123.81

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic quarter earnings per share or Basic quarter loss per share (Yen)	63.55	49.53	69.30	(58.57)

2. Financial statements
(1) Financial statements

Balance sheet

		Millions of yen	
		FY2022	FY2023
		(As of March 31, 2023)	(As of March 31, 2024)
Notes			
Assets			
Current assets			
	Cash and cash equivalents	8,481	6,989
	Deposits paid to subsidiaries and associates	※2 2,648	2,625
	Notes receivable	2,267	2,365
	Accounts receivable	※2 40,624	45,940
	Inventories	※1 17,722	22,377
	Prepaid expenses	2,738	3,592
	Consumption taxes receivable	4,668	4,389
	Income taxes refund receivable	7,811	-
	Other current assets	※2 8,234	8,010
	Allowance for doubtful accounts	(671)	(712)
Total current assets		94,525	95,579
Non-current assets			
Property, plant and equipment			
	Buildings	21,819	21,576
	Structures	1,181	1,100
	Machinery and equipment	6,762	8,432
	Vehicles	99	111
	Tools, furniture and fixtures	6,511	6,714
	Land	5,035	4,991
	Construction in progress	457	705
Total property, plant and equipment		41,867	43,632
Intangible assets			
	Software	10,281	11,548
	Other intangible assets	2,236	1,504
Total intangible assets		12,518	13,052
Investments and other assets			
	Investment securities	16,396	18,809
	Shares of subsidiaries and associates	324,410	325,784
	Investments in capital of subsidiaries and associates	22,759	22,759
	Prepaid pension costs	7,393	8,418
	Other	3,962	4,353
	Allowance for doubtful accounts	(10)	(10)
Total investments and other assets		374,913	380,115
Total non-current assets		429,299	436,801
Total assets		523,824	532,380

Millions of yen			
	Notes	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Liabilities			
Current liabilities			
Accounts payable-Trade	※2	31,281	31,246
Deposits paid to subsidiaries and associates	※2	27,450	18,523
Short-term borrowings		25,292	33,477
Current portion of long-term borrowings		19,997	-
Accounts payable-Other	※2	4,698	4,664
Accrued expenses		10,411	11,078
Income taxes payable		-	1,588
Provision for bonuses		4,471	4,932
Provision for bonuses for directors (and other officers)		74	90
Provision for product warranties		345	348
Other current liabilities	※2	1,119	2,434
Total current liabilities		125,142	108,386
Non-current liabilities			
Long-term accounts payable		653	227
Deferred tax liabilities		1,518	2,218
Asset retirement obligations		368	362
Long-term leasehold and guarantee deposits received		725	721
Provision for share awards		137	264
Other non-current liabilities		1,046	899
Total non-current liabilities		4,449	4,693
Total liabilities		129,592	113,080

	Millions of yen	
Notes	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Net assets		
Shareholders' equity		
Share capital	19,209	19,209
Capital surplus		
Legal capital surplus	16,114	16,114
Total capital surplus	16,114	16,114
Retained earnings		
Legal retained earnings	4,802	4,802
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	3,311	3,426
Reserve for special account for tax purpose reduction entry of non- current assets	-	363
General reserve	217,000	217,000
Retained earnings brought forward	130,467	154,065
Total retained earnings	355,581	379,657
Treasury stock	(3,768)	(3,676)
Shareholders' equity	387,137	411,305
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,075	7,031
Total valuation and translation adjustments	6,075	7,031
Share acquisition rights	1,019	963
Total net assets	394,232	419,300
Total liabilities and net assets	523,824	532,380

Statement of income

	Notes	Millions of yen	
		FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Net sales	※2	463,063	421,940
Cost of sales	※2	408,208	340,668
Gross profit		54,855	81,272
Selling, general and administrative expenses	※1、 2	65,429	68,085
Operating profit		(10,573)	13,186
Non-operating income			
Interest and dividend income	※2	38,094	33,010
Exchange gain		-	608
Gain on valuation of derivatives		920	-
Others	※2	791	901
Total non-operating income		39,805	34,521
Non-operating expenses			
Interest expenses	※2	449	368
Exchange loss		742	-
Loss on valuation of derivatives		-	3,851
Provision of allowance for doubtful accounts		74	41
Others	※2	617	383
Total non-operating expenses		1,883	4,643
Ordinary profit		27,348	43,063
Extraordinary income			
Gain on sales of non-current assets	※2	17	2,732
Gain on liquidation of investment securities		17	-
Total extraordinary income		34	2,732
Extraordinary losses			
Loss on sales non-current assets		0	3
Loss on disposal of non-current assets		367	257
Impairment losses		279	-
Loss on valuation of investment securities		443	-
Total extraordinary losses		1,089	260
Profit before income taxes		26,292	45,535
Income taxes -current		(2,368)	3,740
Income taxes - deferred		572	277
Total income taxes		(1,795)	4,018
Profit		28,088	41,516

Statement of changes in equity

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus		Reserve for tax purpose reduction entry of non-current assets	Other retained earnings	
						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
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							
Disposal of treasury stock			76				
Cancellation of treasury stock			(80)				(8,809)
Net changes in items other than shareholders' equity							
Total changes during the period	-	-	(3)	-	(202)	-	1,971
Balance as of March 31, 2023	19,209	16,114	-	4,802	3,311	217,000	130,467

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2022	(5,681)	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)				(7,654)
Disposal of treasury stock	678	755				755
Cancellation of treasury stock	8,889	-				-
Net changes in items other than shareholders' equity			(788)	(788)	(104)	(892)
Total changes during the period	1,913	3,679	(788)	(788)	(104)	2,786
Balance as of March 31, 2023	(3,768)	387,137	6,075	6,075	1,019	394,232

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus	Retained earnings				
		Legal capital surplus	Legal retained earnings	Other retained earnings			
				Reserve for tax purpose reduction entry of non-current assets	Reserve for special account for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward
Balance as of March 31, 2023	19,209	16,114	4,802	3,311	-	217,000	130,467
Changes of items during the period							
Dividends of surplus							(17,421)
Provision of reserve for tax purpose reduction entry of non-current assets				300			(300)
Reversal of reserve for tax purpose reduction entry of non-current assets				(185)			185
Provision of reserve for special account for tax purpose reduction entry of non-current					363		(363)
Profit							41,516
Acquisition of treasury stock							
Disposal of treasury stock							(19)
Net changes in items other than shareholders' equity							
Total changes during the period	-	-	-	115	363	-	23,597
Balance as of March 31, 2024	19,209	16,114	4,802	3,426	363	217,000	154,065

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2023	(3,768)	387,137	6,075	6,075	1,019	394,232
Changes of items during the period						
Dividends of surplus		(17,421)				(17,421)
Provision of reserve for tax purpose reduction entry of non-current assets		-				-
Reversal of reserve for tax purpose reduction entry of non-current assets		-				-
Provision of reserve for special account for tax purpose reduction entry of non-current		-				-
Profit		41,516				41,516
Acquisition of treasury stock	(3)	(3)				(3)
Disposal of treasury stock	95	75				75
Net changes in items other than shareholders' equity			956	956	(56)	899
Total changes during the period	91	24,167	956	956	(56)	25,067
Balance as of March 31, 2024	(3,676)	411,305	7,031	7,031	963	419,300

【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, designated 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.

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 16. 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	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Merchandise and finished goods	4,859	3,184
Work in process	2,873	2,107
Raw materials and supplies	9,990	17,086
Total	17,722	22,377

(※2) Receivables and debts to affiliated companies

	Millions of yen	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Short term receivables	42,839	49,186
Short term debts	65,232	81,069

Notes to statement of income

(※1) The approximate ratio of expenses belonging to selling expenses is 33% in the previous fiscal year and 30% in the current fiscal year. The approximate ratio of expenses belonging to general and administrative expenses is 67% in the previous fiscal year and 70% in the current fiscal year.

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

	Millions of yen	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Provision for product warranties	209	490
Salary / Bonus	9,516	9,420
Provision for bonuses	2,000	2,154
Retirement benefit expenses	1,030	961
Provision for bonuses for directors (and other officers)	74	90
Depreciation	4,900	4,931
Commission expenses	8,031	9,278
License fee	9,295	8,367

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

	Millions of yen	
	FY2022 (Year ended March 31, 2023)	FY2023 (Year ended March 31, 2024)
Transaction volume from business transactions		
Net sales	402,261	373,062
Purchase of goods	333,429	275,633
Other operating expenses	14,612	16,159
Transaction volume other than business transactions	47,239	40,670

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	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Shares of subsidiaries	323,312	324,686
Shares of associates	1,098	1,098

2. Impaired securities

FY2022(As of March,31 2023)

Not applicable.

FY2023(As of March,31 2024)

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	
	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Deferred tax assets		
Loss on valuation of investment securities	8,644	8,635
Depreciation and amortization	2,056	2,183
Provision for bonuses	1,368	1,509
Contribution of securities to retirement benefit trust	720	720
Accrued expenses	425	452
Loss on valuation of inventories	407	387
Accounts payable	334	282
Unused tax losses	1,018	240
Accrued enterprise tax	—	227
Product warranty	105	106
Other temporary differences	1,175	1,366
Deferred tax assets subtotal	16,256	16,113
Valuation allowance	(8,921)	(8,925)
Valuation allowance subtotal	(8,921)	(8,925)
Total deferred tax assets	7,335	7,188
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(2,227)	(2,649)
Prepaid pension costs	(2,262)	(2,576)
Retirement benefit trust refund securities	(2,464)	(2,464)
Reserve for tax purpose reduction entry of non-current assets	(1,459)	(1,510)
Reserve for special account for tax purpose reduction entry of non-current assets	—	(160)
Enterprise tax refund receivable	(386)	—
Other temporary differences	(52)	(46)
Total deferred tax liabilities	(8,853)	(9,407)
Net deferred tax liabilities	(1,518)	(2,218)

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

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Statutory tax rate (Adjustment)	30.60%	30.60%
Dividend income, etc. Amount that is not permanently included in profits	(41.83%)	(21.06%)
Withholding taxes on distributions	4.17%	2.27%
Research and development expenses tax credit	—	(2.03%)
Deemed direct foreign tax credit	—	(0.45%)
Items that are not permanently deducted, such as entertainment expenses	0.18%	0.12%
Increase / decrease in valuation allowance	0.55%	0.01%
Others	(0.50%)	(0.63%)
Income tax burden rate after tax effect accounting is applied	(6.83%)	8.83%

3. Accounting or tax effect accounting for corporate taxes and local corporate taxes

The Company applies the group tax sharing system and accounts for corporate income taxes and local corporate income taxes or conducts tax effect accounting and disclosures relating to these taxes in accordance with 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	63,119	1,965	1,340	2,182	63,744	42,167
	Structures	3,908	89	43	158	3,954	2,854
	Machinery and equipment	26,494	*1 3,052	687	1,305	28,859	20,426
	Vehicles	443	48	8	36	483	371
	Tools, furniture and fixtures	78,340	*2 8,667	*3 4,254	8,449	82,753	76,038
	Land	5,035	—	43	—	4,991	—
	Construction in progress	457	1,385	1,137	—	705	—
	Total	177,798	15,209	7,516	12,132	185,491	141,858
Intangible assets	Software	59,659	*4 5,851	*5 2,784	4,559	62,726	51,178
	Others	14,490	*6 3,579	*7 4,853	200	13,216	11,712
	Total	74,149	9,431	7,638	4,760	75,943	62,890

(※)1 Main changes in the current period

- *1 Acquisition of machinery and equipment for Hoshizaki Factory No. 13 ¥1,423 million
- Transfer of machinery and equipment for Hoshizaki Factory No. 13 ¥ 653 million
- *2 Acquisition of molds ¥7,226 million
- *3 Disposal of mold ¥3,480 million
- *4 Acquisition of outsourced development software ¥1,738 million
- Transfer of in-house software ¥2,529 million
- Transfer of outsourced development software ¥ 687 million
- *5 Disposal of software used in products ¥1,322 million
- *6 Acquisition of in-house software ¥2,439 million
- Acquisition of outsourced development software ¥1,138 million
- *7 Transfer of in-house software ¥2,529 million
- Transfer of outsourced development software ¥ 687 million

(※)2 "Balance at the beginning of the current period" and "Balance at the end of the current period" are stated based on the acquisition price.

【Reserve details】

(Millions of yen)

Subject	Balance at the beginning of the current period	Increase in the current period	Amount of decrease for the current period	Balance at the end of the current period
Allowance for doubtful accounts	681	712	671	722
Provision for bonuses	4,471	4,932	4,471	4,932
Provision for bonuses for directors (and other officers)	74	90	74	90
Provision for product warranties	345	618	615	348
Provision for share awards	137	264	137	264

(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, 2024 to the filing date of Annual Securities Report.

(1) Annual Securities Report, Attached Documents, and Confirmation Letter

Business term (131st): From April 1, 2022 to March 31, 2023

Filed with the Director-General of the Kanto Local Finance Bureau on June 23, 2023

(2) Internal Control Report and Attached Documents

Filed with the Director-General of the Kanto Local Finance Bureau on June 23, 2023

(3) Quarterly Report and Confirmation Letter

First quarter of 132nd business term (from April 1, 2023 to June 30, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2023

Second quarter of 132nd business term (from July 1, 2023 to September 30, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on November 13, 2023

Third quarter of 132nd business term (from October 1, 2023 to December 31, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on February 13, 2024

(4) Extraordinary Report

Filed with Director-General of the Kanto Local Finance Bureau on May 9, 2024

An extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item (xix) of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (occurrence of an event that significantly affects the financial position, operating results, and cash flow status of the consolidated company).

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

Not applicable.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 25, 2024

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, 2024, 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, 2023 to March 31, 2024, 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, 2024, 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
<p>Valuation of goodwill in the Domino business</p> <p>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 15 to the consolidated financial statements, goodwill as of March 31, 2024 was JPY 52,955 million or 5.9% of total assets on the consolidated statement of financial position, and included the goodwill relating to the Domino business in the amount of JPY 52,489 million. Furthermore, as described in Note 16 to the consolidated financial statements, the group recognized an impairment loss of JPY 28,216 million primarily attributable to the recoverable amount decreasing due mainly to impact of currency exchange, higher discount rates and revision of future business plan.</p> <p>The Group describes the assumptions used in the goodwill impairment test of the Domino business in Note 16 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 competitiveness of its products in digital printing market. The discount rate is affected by the interest policy and benchmark companies in the United Kingdom, which is where DPS located, The applied growth rates for subsequent years in the business plan are based on the long-term growth of the world economy and are adjusted in consideration of the uncertainty of future market growth, causing the applied growth rates to decline proportionally.</p> <p>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.</p>	<p>Our audit procedures to test the valuation of goodwill in the Domino business included the following, among others:</p> <ul style="list-style-type: none"> • 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, actions taken to eliminate threats or safeguards applied.

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, 2024.

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, 2024, 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, actions taken to eliminate threats or safeguards applied.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to BROTHER INDUSTRIES, LTD. and its subsidiaries are disclosed in [Corporate governance (3) Audits] included in [Information about Reporting Company] of the Annual Securities Report

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 25, 2024

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, 2024, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 132th fiscal year from April 1, 2023 to March 31, 2024, 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, 2024, 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
<p>Valuation of Domino Printing Sciences plc shares As presented in the financial statements, Shares of subsidiaries and associates as of March 31, 2024 was JPY 325,784 million or 61.2% 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.</p> <p>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.</p> <p>Considering the quantitative significance as well as qualitative significance, we identified the valuation of DPS shares as a key audit matter.</p>	<p>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.</p>

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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fee-related information are disclosed in independent auditor's report on the consolidated financial statements as of and for the year ended March 31, 2024.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.