Annual Securities Report

(The 133rd Fiscal Term)
from April 1, 2024 to March 31, 2025

BROTHER INDUSTRIES, LTD.

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

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[Independent Auditor's Report]

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Company name	Brother Kogyo Kabushiki Kaisha
Company name in English	BROTHER INDUSTRIES, LTD.
Title and name of representative	Representative Director & President Kazufumi Ikeda
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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		IFRS Accounting Standards				
		129th fiscal term	130th fiscal term	131st fiscal term	132nd fiscal term	133rd fiscal term
Fiscal year end		March, 2021	March, 2022	March, 2023	March, 2024	March, 2025
Revenue	(Millions of yen)	631,812	710,938	815,269	822,930	876,558
Profit before tax	(Millions of yen)	42,944	86,429	56,953	52,523	74,694
Profit for the year attributable to owners of the parent company	(Millions of yen)	24,520	61,030	39,082	31,645	54,778
Comprehensive income attributable to owners of the parent company	(Millions of yen)	69,219	97,231	59,896	88,690	48,841
Equity attributable to owners of the parent company	(Millions of yen)	483,050	561,146	596,619	668,047	691,390
Total assets	(Millions of yen)	743,896	811,149	850,486	896,109	932,650
Owners' equity per share	(Yen)	1,858.28	2,170.46	2,334.34	2,613.43	2,704.21
Basic earnings per share for the year	(Yen)	94.36	234.89	152.67	123.81	214.27
Diluted earnings per share for the year	(Yen)	94.07	234.18	152.22	123.48	213.74
Ratio of owners' equity to gross assets	(%)	64.9	69.2	70.2	74.5	74.1
Rate of return on equity attributable to owners of the parent company	(%)	5.4	11.7	6.8	5.0	8.1
Price-earnings ratio	(Times)	26.0	9.5	13.0	22.8	12.6
Net cash provided by (used in) operating activities	(Millions of yen)	109,265	72,254	14,432	141,028	90,023
Net cash provided by (used in) investing activities	(Millions of yen)	(25,080)	(40,781)	(32,198)	(42,068)	(48,152)
Net cash provided by (used in) financing activities	(Millions of yen)	(74,038)	(65,191)	(36,638)	(61,584)	(34,609)
Cash and cash equivalents at the end of year	(Millions of yen)	191,002	167,915	119,042	166,146	172,776
Number of employees [Excluding average number of temporary employees]	(Number of persons)	38,741 [5,441]	41,215 [4,553]	41,653 [3,272]	40,538 [1,803]	42,801 [2,463]

Note

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

(2) Key financial data of the reporting company

Fiscal year		129th fiscal term	130th fiscal term	131st fiscal term	132nd fiscal term	133rd fiscal term
Year end		March, 2021	March, 2022	March, 2023	March, 2024	March, 2025
Net sales	(Millions of yen)	345,317	417,368	463,063	421,940	524,018
Recurring profit	(Millions of yen)	55,281	78,831	27,348	43,063	85,406
Profit for the year	(Millions of yen)	49,008	65,213	28,088	41,516	75,838
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	257,755,930	257,755,930	257,755,930
Net assets	(Millions of yen)	348,306	391,445	394,232	419,300	469,223
Total assets	(Millions of yen)	477,011	519,696	523,824	532,380	569,210
Net assets per share	(Yen)	1,334.14	1,507.76	1,536.40	1,634.28	1,829.26
Amount of dividends per share	(Yen)	60.00	64.00	68.00	84.00	100.00
(Amount of interim dividend per share included in the above)		(27.00)	(30.00)	(34.00)	(34.00)	(50.00)
Profit per share for the period	(Yen)	188.34	250.67	109.58	162.21	296.24
Profit per share for the period after adjustment for potential shares	(Yen)	187.76	249.91	109.26	161.78	295.52
Equity ratio	(%)	72.8	75.1	75.1	78.6	82.3
Rate of return on equity	(%)	15.0	17.7	7.2	10.2	17.1
Price-earnings ratio	(Times)	13.0	8.9	18.2	17.4	9.1
Payout ratio	(%)	31.9	25.5	62.1	51.8	33.8
Number of employees	(Number of persons)	3,803	3,867	3,890	3,877	3,903
[Excluding average number of temporary employees]		[385]	[459]	[516]	[521]	[563]
Total shareholder return	(%)	151.7	142.7	132.0	187.3	185.6
(Comparison indicator: Tokyo Stock Price Index (including dividends))	(%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest stock price	(Yen)	2,592	2,622	2,690	2,884	3,235
Lowest stock price	(Yen)	1,530	1,916	1,881	1,938	2,495

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
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.
April 2018	Brother Group Environmental Vision 2050 formulated FY2030 medium-term targets set as milestones for the environmental vision
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	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
December 2024	BROTHER MACHINERY INDIA PRIVATE LTD. started production of Machine Tools
March 2025	CS B2027— Medium-term business strategy “Creating our Future. Boldly.” 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.

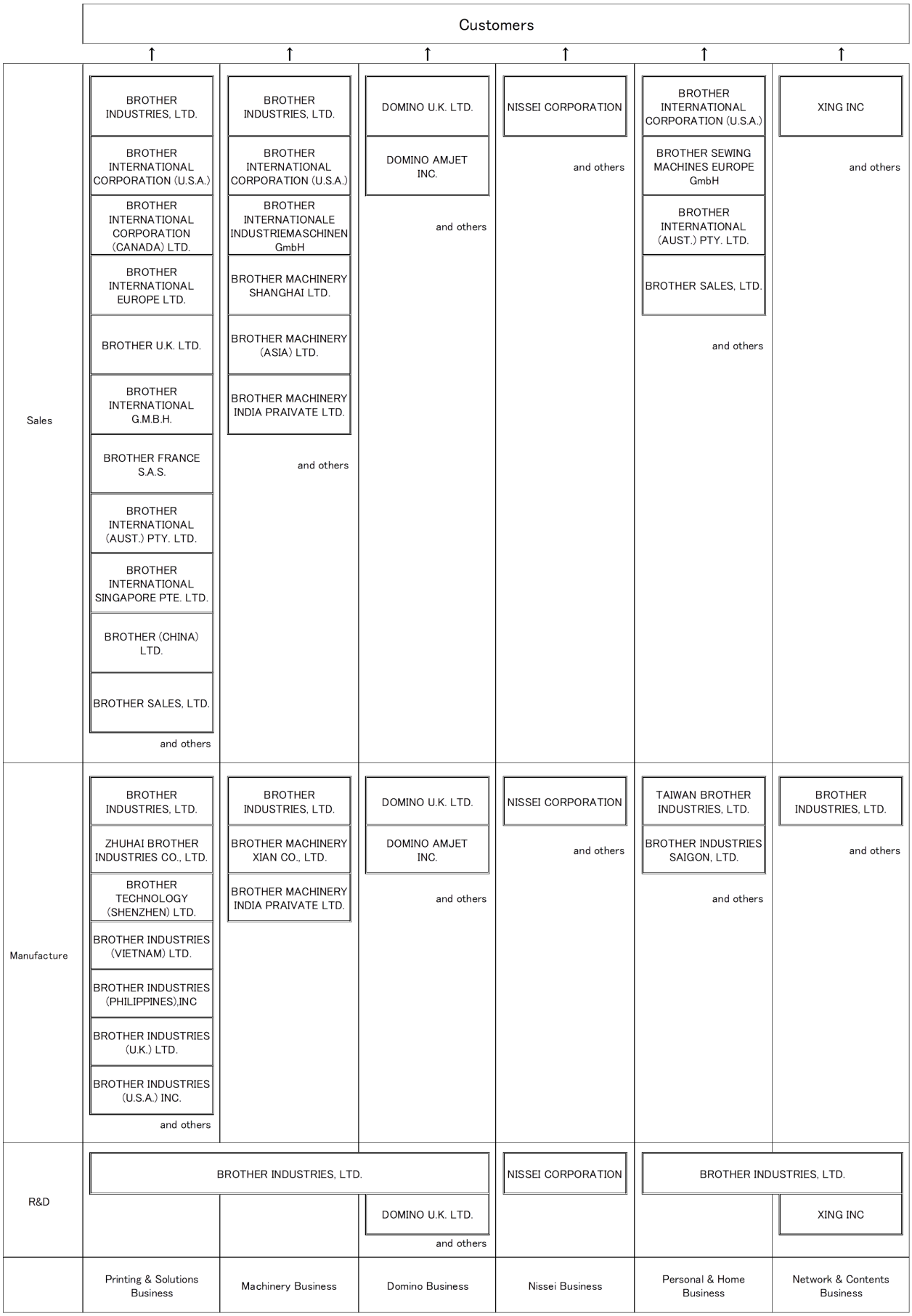
The following seven businesses are categorized in the same manner as the reporting segment categories set forth in 5. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 6. Segment Information.

In the current consolidated fiscal year, Brother Mobile Solutions, Inc. is excluded from the scope of consolidation as a result of an absorption-type merger with Brother International Corporation (U.S.A.) as the surviving company, and Domino Portugal Producao Commercialzacao and APS France SARL are excluded from the scope of consolidation as a result of liquidation.

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				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
(Consolidated Subsidiaries) BROTHER INTERNATIONAL CORPORATION (U.S.A.) *1	Somerset, New Jersey, U.S.A.	U.S. dollars 7,034,000	P&S, Machinery Nissei, P&H	100.0	-	-	2	No	Sales of Brother products	No
BROTHER INTERNATIONAL CORPORATION (CANADA) LTD.	Montreal, Quebec, Canada	Canadian dollars 11,592,000	P&S, P&H	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONAL DE MEXICO, S.A. DE C.V.	Mexico City, Mexico	Mexican pesos 125,926,000	P&S, P&H	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INDUSTRIES (U.S.A.) INC.	Bartlett, Tennessee, U.S.A.	U.S. dollars 14,000,000	P&S, Nissei	-	100.0	1	1	No	Manufacture of Brother products	No
BROTHER INTERNATIONAL CORPORATION DO BRASIL, LTDA. *1	Sao Paolo, Brazil	Reals 49,645,000	P&S, P&H	-	100.0	-	2	No	Sales of Brother products	No
BROTHER SEWING MACHINES EUROPE GmbH	Bad Vilbel, Germany	Euros 25,000	P&H	100.0	-	-	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	-	-	4	No	Sales of Brother products	No
BROTHER U.K. LTD. *1	Same as above	British pounds 17,400,000	P&S	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH	Emmerich, Germany	Euros 9,000,000	Machinery	100.0	-	-	3	No	Sales of Brother products	No
BROTHER FRANCE SAS *1	Paris, France	Euros 12,000,000	P&S	-	100.0	-	1	No	Sales of Brother products	No
BROTHER INTERNATIONAL GmbH *1	Bad Vilbel, Germany	Euros 25,000,000	P&S	-	100.0	-	2	No	Sales of Brother products	No
BROTHER ITALIA S.p.A.	Milano, Italy	Euros 3,700,000	P&S	-	100.0	-	2	No	Sales of Brother products	No
DOMINO PRINTING SCIENCES PLC	Cambridge, United Kingdom	British pounds 5,733,000	Domino	100.0	-	2	2	No	No	No
DOMINO U.K. LTD.	Same as above	British pounds 100	Domino	-	100.0	-	-	No	Sales of Brother products	No
DOMINO AMJET INC.	Chicago, Illinois, U.S.A.	U.S. dollars 1,000	Domino	-	100.0	-	-	No	No	No

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
BROTHER INDUSTRIES (U.K.) LTD. *1	Wrexham, Wales, United Kingdom	British pounds 9,700,000	P&S	100.0	-	1	1	No	Manufacture of Brother products	No
BROTHER FINANCE (U.K.) PLC	Manchester, United Kingdom	British pounds 2,500,000	Other (Financial business)	100.0	-	-	3	No	No	No
BROTHER INDUSTRIES (SLOVAKIA) s.r.o.	Krupina, Slovakia	Euros 5,817,000	P&S	-	100.0	-	1	No	Manufacture of Brother products	No
TAIWAN BROTHER INDUSTRIES, LTD.	Kaohsiung City, Taiwan	New Taiwan dollars 242,000,000	P&H	100.0	-	-	5	No	Manufacture of Brother products	Yes
ZHUHAI BROTHER INDUSTRIES, CO., LTD.	Zhuhai City, Guangdong Province, China	U.S. dollars 7,000,000	P&S, Domino	100.0	-	1	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	Karnataka, India	Indian rupees 1,330,880,000	Machinery	100.0	0.0	-	5	No	Manufacture of Brother products	No

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
BROTHER MACHINERY SHANGHAI LTD.	Shanghai, China	Renminbi 50,000,000	Machinery	-	100.0	-	5	No	Sales of Brother products	No
BROTHER INDUSTRIES SAIGON, LTD. *1	Dong Nai Province, Vietnam	U.S. dollars 28,000,000	P&H	100.0	-	-	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	-	-	2	Yes	Sales of Brother products	Yes
BROTHER SALES, LTD. *1	Mizuho-ku, Nagoya	Millions of yen 3,500	P&S, P&H	100.0	-	-	4	No	Sales of Brother products	Yes
TEICHIKU ENTERTAINMENT, INC.	Minato-ku, Tokyo	Millions of yen 123	N&C	-	96.1	-	-	No	No	No
NISSEI CORPORATION *1	Anjo-shi, Aichi	Millions of yen 3,475	Nissei	100.0	-	-	3	No	Purchasing Brother parts	No
STANDARD CORP.	Minato-ku, Tokyo	Millions of yen 90	N&C	-	100.0	-	-	No	No	No
62 other companies	-	-	-	-	-	-	-	-	-	-
(Entities accounted for using the equity method) BM Kogyo Co., Ltd. *2	Midori-ku, Nagoya	Millions of yen 100	Other (Other manufacturing industry)	16.7	-	-	1	No	Manufacturing outsourcing and purchasing Brother products or parts	No

Company name	Location	Capital stock	Details of main business	Ratio of voting rights held		Details of relationship				
						Concurrent service by officers, etc.		Provision of loans	Business transactions	Leasing of equipment
				Direct (%)	Indirect (%)	BIL officers (persons)	BIL employees (persons)			
Mizunami Seiki Co., Ltd. *2	Mizunami-shi, Gifu	Millions of yen 72	Other (Other manufacturing industry)	14.9	- [16.9]	-	1	No	Manufacturing outsourcing and purchasing Brother products or parts	No
Mizuho Sewing Co., Ltd. *2	Mizuho-ku, Nagoya	Millions of yen 76	Other (Other manufacturing industry)	18.9	- [11.6]	-	1	No	Same as above	No
Showa Seiki Co., Ltd. *2	Mizuho-ku, Nagoya	Millions of yen 100	Other (Other manufacturing industry)	18.1	- [22.4]	-	1	No	Same as above	No
2 other companies	-	-	-	-	-	-	-	-	-	-

Notes

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

Main Profit and Loss Information

	BROTHER INTERNATIONAL CORPORATION (U.S.A.)	BROTHER INTERNATIONAL EUROPE LTD.
Revenue (Millions of yen)	236,302	144,849
Income before tax (Millions of yen)	7,359	10,460
Profit for the year (Millions of yen)	3,292	9,898
Total equity (Millions of yen)	99,823	54,439
Total assets (Millions of yen)	140,327	79,059

5. Employees

(1) Information about group

As of March 31, 2025

Segment titles	Number of employees	
Printing & Solutions	28,631	[1,740]
Machinery	1,951	[276]
Domino	3,412	[119]
Nissei	897	[47]
Personal & Home	2,936	[115]
Network & Contents	3,179	[27]
Other	1,064	[109]
Corporate (shared)	731	[30]
Total	42,801	[2,463]

Notes

1. The number of employees includes part-time, fixed-term, and other such employees.
2. The average number of temporary employees (mostly dispatched temporary employees) for the current consolidated fiscal year is indicated in brackets, and such employees are not included in the number of employees outside brackets.

(2) Information about reporting company

As of March 31, 2025

Number of employees	Average age (Years)	Average length of service (Years)	Average annual salary (Yen)
3,903 [563]	43.6	14.2	8,038,089

Segment titles	Number of employees	
Printing & Solutions	2,076	[172]
Machinery	815	[261]
Domino	153	[31]
Personal & Home	235	[24]
Network & Contents	29	[3]
Other	70	[48]
Corporate (shared)	525	[24]
Total	3,903	[563]

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 temporary 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 (307).
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, 2025, membership was 2,700 employees (including 55 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, 2025, membership was 332 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
6.8	79.6	76.0	74.3	80.1

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)		
				All workers	Fulltime workers	Part-time & fixed term workers
BROTHER SALES, LTD.	4.7	84.6	(Note 3)	67.5	69.2	77.3
NISSEI CORPORATION	2.8	44.4	(Note 2)	60.1	69.8	43.0
XING INC.	4.7	75.0	(Note 2)	68.8	71.7	52.3
STANDARD CORP.	2.6	-	(Note 2)	64.1	79.4	93.2
BETOP STAFF, LTD.	14.3	100.0	(Note 2)	76.0	75.3	74.6

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 71-6, 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. Based on 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), the rates of taking childcare leave and short-term childcare leave specified in Article 71-6, item (ii) 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) are 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, 108; BROTHER SALES, LTD., 13; NISSEI CORPORATION, 18;
   XING INC., 8; 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 gender.

2. Overview of Business

1. Management policy, management environment, issues to address

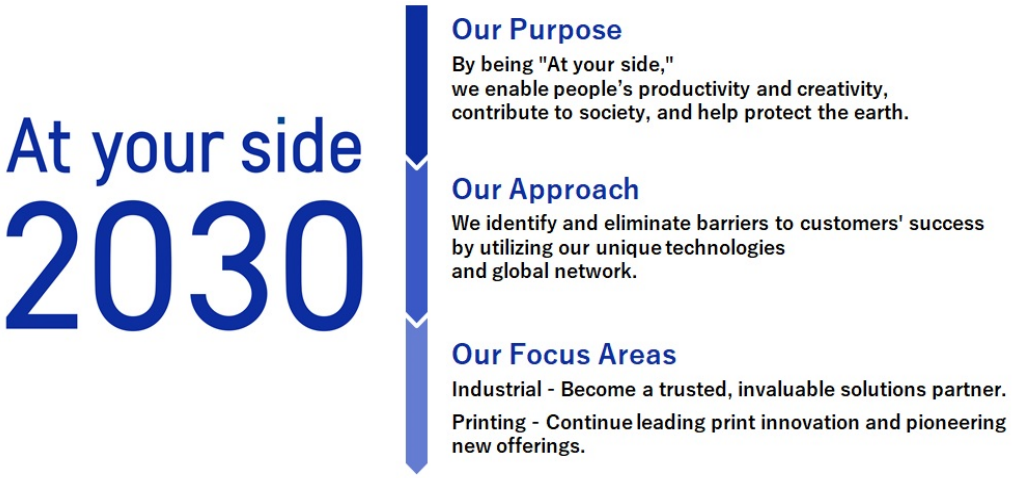
This section contains forward-looking statements, which are based on the Group's judgments as of the end of the current consolidated fiscal year (March 31, 2025).

(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

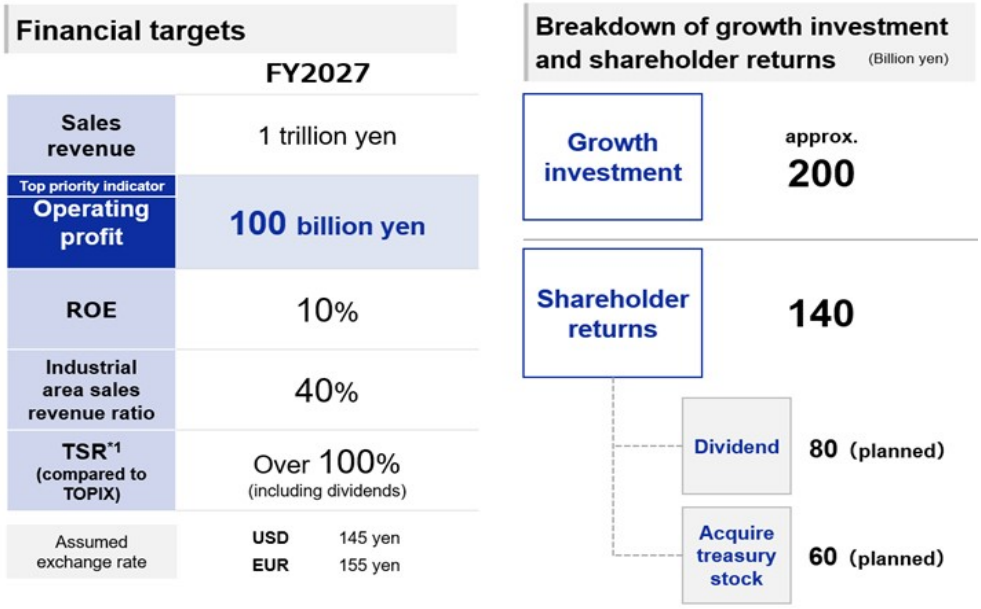
◆ “CS B2027” Medium-Term Business Strategy (from FY2025 to FY2027)

In 2025, the Brother Group formulated the “CS B2027” Medium-Term Business Strategy in order to achieve the Group Vision “At your side 2030.” Based on the theme “Creating our future. Boldly.” we will accelerate business portfolio transformation for the enhancement of our corporate value over the long term, improving profit generating capabilities.

◆Outline of CS B2027

CS B2027 aims to achieve revenue of 1 trillion yen and an operating profit of 100 billion yen, with a target ROE of 10%, by clarifying the roles of each business and executing strategies based on key indicators set for each business. The strategy also aims to increase the industrial area revenue ratio to over 40% and implement management with a focus on capital cost and share prices, targeting a TSR*1 of 100% or more compared to TOPIX. Over the three years, the Group plans to execute growth investments of approximately 200 billion yen, focusing on M&A and alliances, to drive growth in the industrial sector. Additionally, investments will be continued to strengthen the management foundation supporting these transformations.

Regarding shareholder returns, the Group plans to significantly enhance returns, including the acquisition of 60 billion yen worth of treasury stock over three years, totaling 140 billion yen in returns.



To ensure the achievement of these goals, the following four key themes have been set:

Clarification of the role of each business and investment policies	• Clarify the role of each business and set key indicators. • Focus investments on growth business. • Secure management resources to continue the transformation of the printing business.
Solid execution of growth investments	• Execute growth investments of approx. 200 billion yen. • In particular, actively promote M&As and alliances, strengthening the foundation and organizational capabilities needed to achieve growth in the industrial area.
Enhancement of the management foundation	• Integrate and strengthen inkjet technology and expand its applications to diverse fields. • Strengthen talent in key areas. • Strengthen the foundation that supports the Brother Group’s sustainable future.
Financial strategy to support growth and transformation	• Implement management with a focus on capital cost and share prices to enhance TSR*1 and PBR. • Significantly increase shareholder returns, plan to implement 140 billion yen in returns. (including 60 billion yen for the plan to repurchase of our own shares)

◆Business-specific strategies

The Brother Group will classify its businesses into four categories, clarifying the role and key performance indicators for each. Investments and resources will be allocated according to these roles, and each business will execute strategies based on the key performance indicators to achieve the goals of CS B2027.

	Businesses	Roles
Growth business	Industrial Equipment Industrial Printing [Domino / Printing & Automation] New businesses	Achieve discontinuous sales revenue growth through growth investments to establish future business pillars.
Core business	P&S (Printing & Solutions) Communications and Printing Equipment / Home & Office Labeling Commercial & Industrial Labeling	Maximize sales revenue and operating profit while sustaining the company and driving business transformation for future opportunities.
Profit-driven business	P&H(Personal & Home) Nissei	Contribute to overall company profit while maintaining a balance between sales revenue and operating profit.
Profitability transformation business	Industrial Sewing Machines N&C(Network & Contents)	Transform revenue structure to ensure steady profit contribution.

1) Growth business

The Brother Group positions businesses it intends to grow significantly company-wide as growth businesses. This specifically includes the Industrial Equipment business, the Industrial Printing business (which includes the Domino business and the Printing & Automation business), and New businesses, as well as Commercial & Industrial Labeling within the Printing & Solutions business (the “P&S business”). The key indicator for these businesses over the next three years is revenue. The Group will actively consider growth investments, including M&A, to achieve discontinuous growth and establish future businesses pillars. It will also prioritize the allocation of human resources to these businesses.

2) Core business

The P&S Business, excluding Commercial & Industrial Labeling, aims to maximize sales and profit, positioning itself as a core business that supports the revenue base across the company. Investments will be made to further strengthen market positioning and transform business models. The key indicator for this business over the next three years will be the amount of operating profit.

3) Profit-driven business

The Personal & Home business and Nissei business are positioned as profit-driven businesses, enhancing profitability while balancing sales and profits to contribute to the Group's overall earnings. The key indicator for these businesses is the operating profit margin.

4) Profitability transformation business

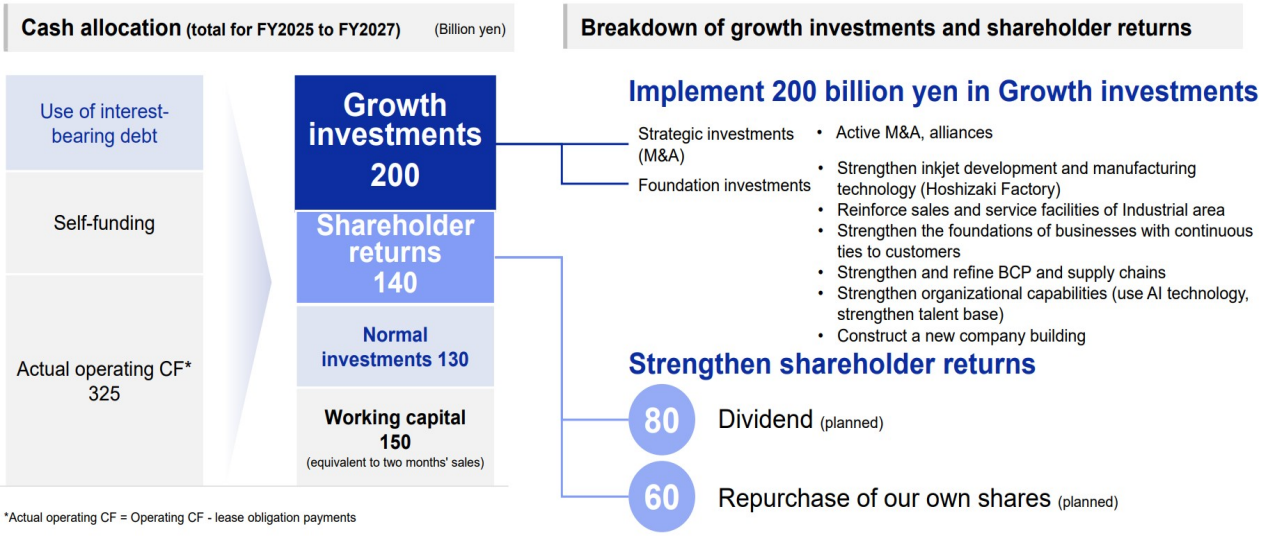
The Industrial Sewing Machines business and Network & Contents business are positioned as profitability transformation business, with a thorough review of profit structures to ensure stable profit generation. The key indicator for these businesses is the operating profit margin, with efforts to improve profitability.

◆Financial Strategy

The Brother Group will promote management conscious of capital costs and stock prices, continuously enhancing shareholder value and maximizing corporate value. Operating cash flow generated from business growth and interest-bearing debt will be used for growth investments and significantly strengthening shareholder returns.

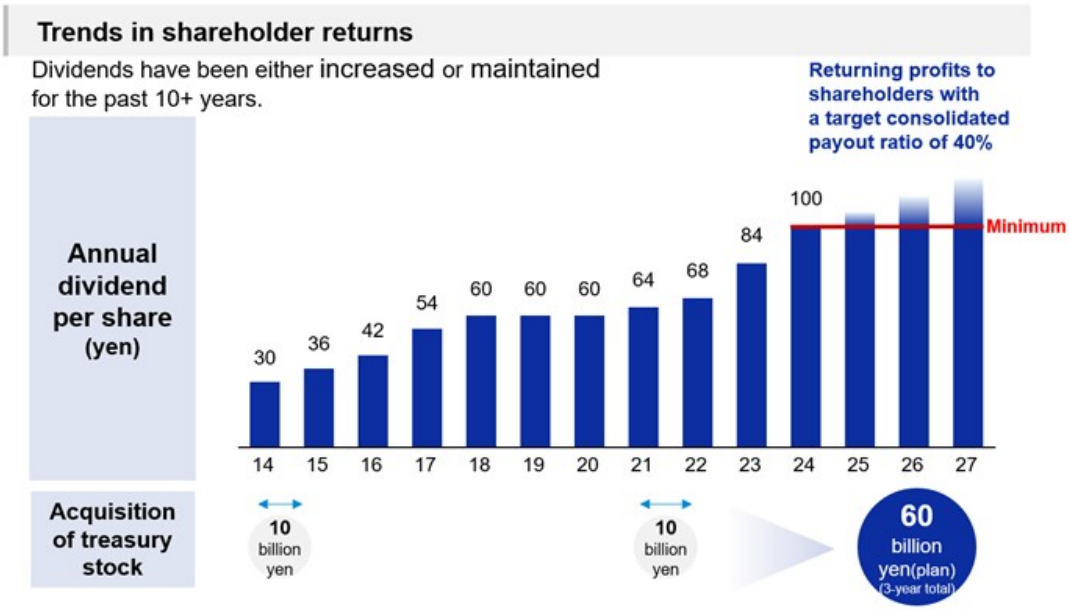
✓Growth investment

The Brother Group will execute growth investments of approximately 200 billion yen, focusing on M&A and alliances, targeting areas such as machinery and factory automation, industrial printing, commercial & industrial labeling, and new businesses, to strengthen the foundation and organizational capabilities for industrial sector growth.



✓Shareholder returns

Regarding dividends, we will provide a minimum annual dividend of 100 yen per share, aiming for a payout ratio of 40%. Following the previous trend of increasing and maintaining dividends, we plan to further strengthen our basic policy of stable and continuous shareholder returns. Additionally, we plan to repurchase a total of 60 billion yen of our own shares during the CS B2027 period. Furthermore, we will consider additional returns based on performance and other factors.



◆Future-financial targets

The Brother Group has set three materialities closely related to financial targets as future-financial targets and will promote activities accordingly.

Financial targets

	FY2027
Sales revenue	1 trillion yen
Top priority indicator Operating profit	100 billion yen
ROE	10%
Industrial area sales revenue ratio	40%
TSR*1 (compared to TOPIX)	Over 100% (including dividends)
Assumed exchange rate	USD 145 yen EUR 155 yen

Future-financial targets

Materiality		FY2027
Supporting people's value creation Growth business Core business	Industrial Equipment	Expand customer adoption of the SPEEDIO machining center series
	Industrial Printing	Expand businesses for providing lifecycle value
	P&S (Printing & Solutions)	Maximize businesses with continuous ties to customers to enhance customer LTV*2
Empowering diverse people	Strengthen the talent portfolio in key areas	
Reducing CO_2 Emissions	Scope 1, 2	Reduce CO_2 emissions by 56% (compared to the FY2015 level)
	Scope 3	Reduce CO_2 emissions per unit of sales*3 by 25.2% (compared to the FY2022 level)

The theme of CS B2027 is "Creating our future. Boldly." This reflects the Group's commitment to not settle for the status quo and to boldly pave the way for the future. Through CS B2027, the Brother Group will accelerate its business portfolio transformation, improve profit-generating capabilities, and enhance our corporate value over the long term.

*1 Total Shareholder Return (TSR)
An indicator that measures the overall return to investors (capital gains + dividends)

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

*3 CO_2 emissions per unit of sales
An indicator showing CO_2 emissions relative to revenue

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.

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 on the 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.

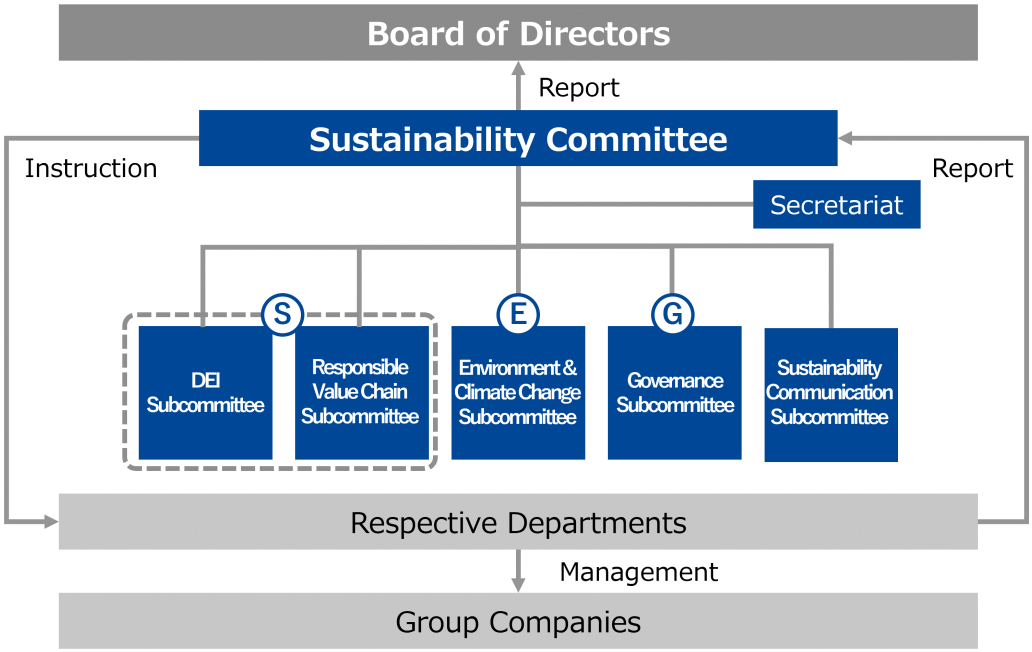
When formulating and revising the important matters listed below, the Sustainability Committee or its subcommittees conduct investigations, followed by deliberation by the Strategy Meeting, which comprises the President and Executive Officers of managing executive level or higher, and the Board of Directors 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 receives reports on 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 disclosure 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, we will aim to achieve our “At your side 2030” Brother Group 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 2022, the Group identified five materialities, which are priority social issues to be addressed in order to “contribute to society” and “help protect the earth.” The Group subsequently reviewed these materialities based on environmental changes and other factors and redefined six materialities in 2025.

In the future, the Brother Group will continue its efforts to further enhance management that emphasizes sustainability by addressing these materialities.

(3) Risk Management

The Brother Group has established the Risk Management Committee chaired by the Representative Director & President and built 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.")

In addition, the Sustainability Committee was established for the purpose of promoting sustainability and managing risks in order to achieve the Brother Group Vision "At your side 2030." 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 deepen discussions and reinforce responses relating to the identification and evaluation of sustainability-related risks and opportunities and proper directions for addressing them. The issues to be addressed include active participation by diverse individuals, pursuit of a responsible value chain, reduction of CO_2 emissions, sustainable use of resources, and governance that supports value creation, thereby strengthening responses.

(4) Metrics and Targets

The Brother Group has set sustainability targets for the term of "CS B2024", the medium-term business strategy, to address the materialities identified for achieving the Brother Group Vision, "At your side 2030," and has taken action as important management issues. The results of measures implemented in FY2024 are described below.

Materiality		Targets for FY2024	FY2024 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 15 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[*1] of customers	- Continued strengthening 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	- Expanded the scope of the employee engagement survey Group-wide, self-initiated measures are underway at each site

Materiality		Targets for FY2024	FY2024 Results
		Enhance talent development and governance for encouraging the assignment of local employees to top management positions of facilities outside Japan	- Continued implementation of the core talent development and succession plans at major facilities outside Japan
		Strengthen talent pipeline for healthy gender balance in management positions and establish environment for achieving diverse ways of working[*2]	- Continued implementation of the Program to Develop Female Management Candidates[*2] - Conducted an awareness-raising campaign to expand opportunities for individuals with disabilities[*2]
	Pursuing a responsible value chain	Expand the scope and subjects of human rights risk assessment on suppliers	- Implemented audits of 25 companies to enhance the effectiveness of human rights due diligence in the upstream supply chain and confirmed that there are no major risks - Conducted human rights due diligence of 48 companies outside the upstream supply chain and confirmed that there are no major risks - Conducted training on human rights risks for primary suppliers - Continued implementation of measures for ensuring responsible mineral procurement
		Attain RBA[*3] Gold certification for three Group manufacturing facilities	- Obtained RBA platinum certification at the Shenzhen Factory in China[*4] and the Philippine Factory[*5] in FY2023 - Obtained RBA platinum certification at the Hoshizaki Factory and the Vietnam Factory[*6] in FY2024
Protect the earth	Reducing CO_2 emissions	- [Scopes 1 and 2[*7]] 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[*7]] Take measures to reduce 150,000 tons through own effort Ref.) FY2030 target: 30% reduction from the FY2015 level (before March 3, 2025 revision of medium-term targets)	- [Scopes 1 and 2] Implemented energy saving and energy-creating measures including increasing the efficiency of electricity use and introducing solar power generation, achieving the FY2024 target (reducing CO_2 emissions by 47% compared to FY2015) - [Scope 3] Implemented measures including making products smaller and lighter and reducing energy consumption and achieved FY2024 target (implement measures to reduce CO_2 emissions by 150,000 t)
	Circulating resources	Achieve ratio of virgin materials used in products of 81% or less Ref.) FY2030 target: below 65% (before March 3, 2025 revision of medium-term targets)	- Improved use rates of cardboard and recycled materials by cast iron suppliers and achieved the FY2024 target (no more than 81% virgin materials used in products)

Regarding the materialities, we redefined the six materialities in 2025 based on environmental changes and other factors. We set sustainability targets for the term of “CS B 2027”, the medium-term business strategy, to address the six materialities identified for achieving the “At your side 2030” Group vision and are taking action to achieve these targets as important management issues.

Targets for FY2027	
Supporting people’s value creation	- Machinery business: Expand customer adoption of the SPEEDIO machining center series - Industrial Printing business: Expand businesses for providing lifecycle value - Printing & Solutions business: Expand businesses with continuous ties to customers to enhance customer LTV*[1].
Empowering diverse people	- Improve employee engagement on a global basis. - Promote the active roles of diverse talent tailored to the conditions and challenges of each facility and region. - Strengthen the talent portfolio in key areas.
Pursuing a responsible value chain	- Enhance the effectiveness of human rights risk assessments across the entire value chain. - Continuously obtain RBA certification[*3] at key factories.
Reducing CO_2 emissions	- [Scopes 1 and 2][*7] Reduce CO_2 emissions by 56% compared to the FY2015 level. - [Scope 3][*7] Reduce CO_2 emissions per unit of sales[*8] by 25.2% compared to the FY2022 level.
Promoting sustainable use of resources	- Reduce resources per unit of sales*[9] by 16.9% compared to the FY2022 level.
Supporting value creation through governance	- Reform governance to support business portfolio transformation.

*[1] The abbreviation for Lifetime 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] 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] Brother Technology (Shenzhen) Ltd.

*[5] Brother Industries (Philippines), Inc.

*[6] Brother Industries (Vietnam) Ltd.

*[7] 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 Scopes 1 and 2 (emissions by other entities related to the activities of business operators)

[*8] An indicator that expresses CO_2 emissions relative to revenue

[*9] An indicator that expresses virgin material usage relative to revenue

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

2. Human Capital

◆Strategy, Metrics and Targets

The most important foundation for the Brother Group's sustainable growth is its talent. The Brother Group has made "empowering diverse people" one of its materialities and set as targets for FY2025 "improving employee engagement[*1] on a global basis", "promoting active roles by diverse talent tailored to the conditions and challenges of each facility and region", and "strengthening the talent portfolio in key areas." To "strengthen talent foundations to achieve business portfolio transformation" as set forth in CS B2027, the Brother Group will continue its initiatives to further strengthen human capital, including fostering an organizational culture that encourages employees to take on challenges, investing in the development of leadership talent, and creating work environments where each employee can thrive.

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

<Views on ensuring diversity>

The Brother Group believes that recruiting 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. BIL sought to increase the number of women in senior positions (equivalent to managerial positions, or professions receiving the equivalent treatment) to 60 or more by the end of FY2025, and at the end of FY2024, the number has reached 60. 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. Since FY2022, Women's Leadership Development Training sessions have been held five times with a total of 101 employees participating. 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 2025, the foreign employee ratio is 1.4% and the foreign manager ratio is 0.5%. Furthermore, BIL's foreign Executive Officer ratio was 9.5% and 9.1% as of the end of March 2024 and March 2025, 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 FY2024, increasing from 62% in FY2019. 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 40% in FY2024, while the ratio of mid-career recruits in managerial positions was 28%. 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 ambitious business portfolio transformation, BIL 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. Based on the belief that employees continuously taking on new challenges and growing leads to company growth, BIL strives to create diverse career paths, enhance specialization with an awareness of market value, and provide opportunities for challenges and growth by offering rank-specific training, topical training, career development support, and other programs as means of supporting the realization of career ownership. Also, BIL's policy on internal environment improvement is to build foundations that enable diverse talents to play active roles, and in FY2024, BIL conducted in-house lectures on the employment of persons with disabilities and LGBTQ issues with the objective of enhancing understanding of diversity, and more than 800 employees participated. In this way, BIL's policy on internal environment improvement is to build foundations that enable diverse talents to play active roles, and BIL is undertaking initiatives that will enable employees to work with high levels of motivation, establish diverse career paths, and adopt more flexible working 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 improving employee engagement on a global basis as sustainability targets for FY2027 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 FY2008, 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, we conducted employee engagement surveys at more than 90% of our locations globally in FY2023 and at all sites globally in FY2024 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, BIL was selected as a Certified Health & Productivity Management Outstanding Organization (White 500) in 2024 for the ninth consecutive year. In addition, 14 domestic group companies were also selected as Certified Health & Productivity Management Outstanding Organizations.

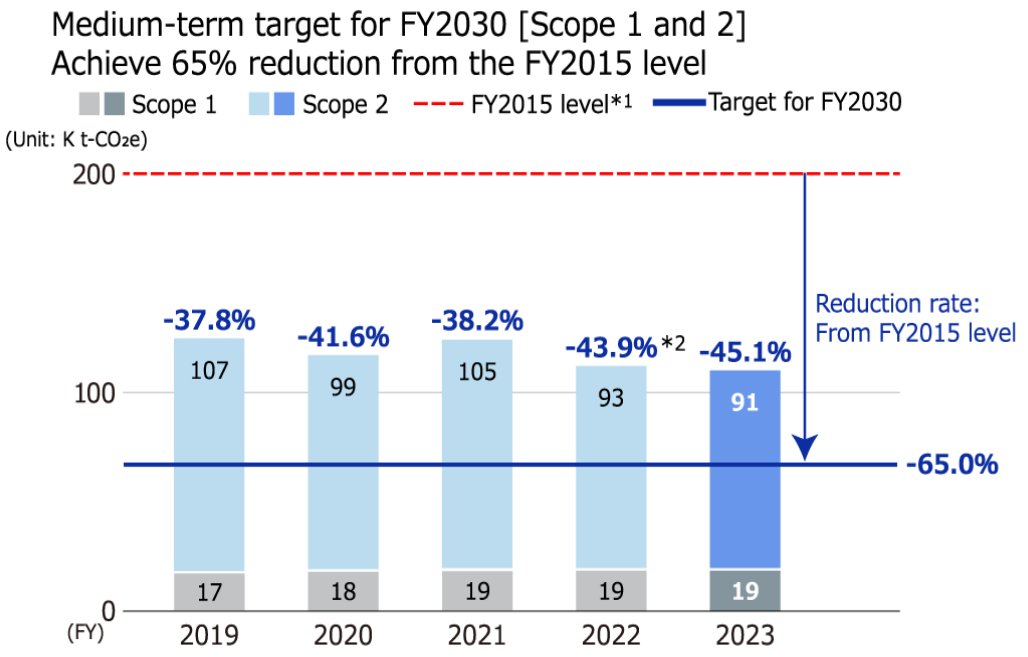
3. Environmental Initiatives

◆Brother Group Environmental Vision 2050

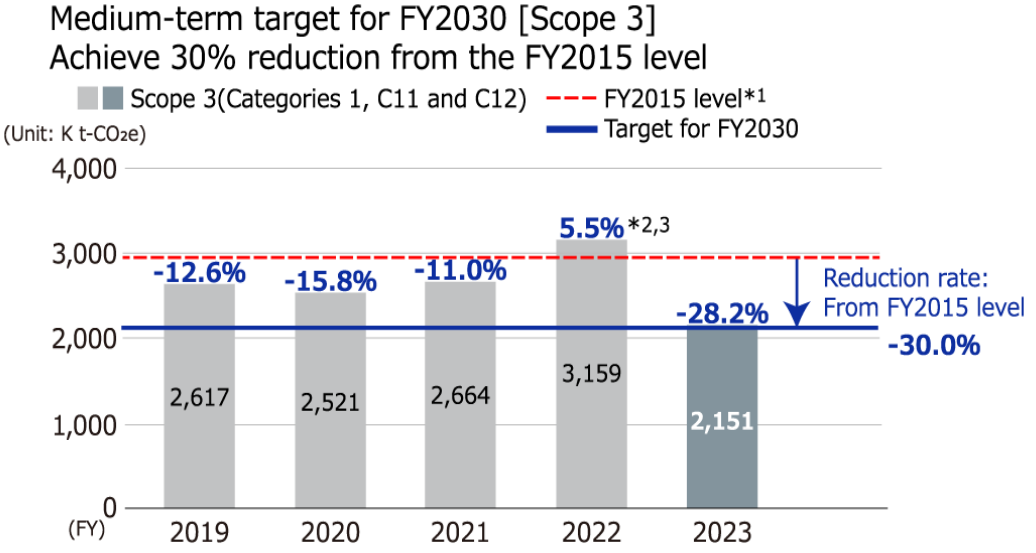
As a company that uses energy and resources to provide products made from bio-based materials such as paper, thread, and cloth, in 2018, the Brother Group formulated the Brother Group Environmental Vision 2050 (the "Vision"), focusing on the three pillars of reduction of CO_2 emissions, resource circulation, and biodiversity conservation. The Vision recognizes the key social issues of climate change, resource depletion, environmental pollution, and destruction of the ecosystem as business risks for the Brother Group and clearly states the Group's continuous commitment to solving these issues over the long term.
Considering the urgent need to accelerate climate change measures in the international community, we have revised our medium-term target for Scope 3 CO_2 emissions reduction to a more ambitious goal: a 28.5% reduction compared to FY2022 by FY2030. Regarding resource circulation, we have been promoting initiatives such as the use of recycled materials in the Printing & Solutions (P&S) business, the Machinery business, and the Personal & Home (P&H) business. As a result, the combined rate of virgin material usage in the Machinery and P&H businesses has been reduced to 65% or less. Moving forward, with the aim of further reducing the absolute amount of virgin material used—thereby contributing to Scope 3 CO_2 emissions reduction and the conservation of biodiversity—we have updated our target for the P&S business, which accounts for over 80% of the Group's total virgin material usage. Specifically, we aim to reduce the amount of virgin material used in P&S products, including packaging materials, by 25% compared to FY2022.

Targets and goals		Medium-term Targets for FY2030
Reduction of CO_2 emissions	Aim to achieve carbon neutrality within the entire Group in all business operations and minimize CO_2 emissions from the entire value chain so as to contribute toward creating a carbon-free society (Main efforts) Introduction of solar power generation, renewal of air conditioning facilities, renewal and adoption of energy-saving for production facilities, etc.	• [Scopes 1 and 2] Achieve 65% reduction from the FY2015 level • [Scope 3 C1, C11, and C12] Achieve 28.5% reduction from the FY2022 level *The medium-term target for FY2030 has been recognized as a target based on scientific evidence (1.5°C target) by the Science Based Targets initiative (SBTi), an initiative established to help achieve greenhouse gas emissions reduction targets. (As of May 12, 2025) SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
Resource Circulation	Maximize resource circulation within the entire Group toward 2050 to ensure the sustainable use of resources and minimize the environmental impact due to wastes (Main efforts) Reuse of products and parts, use of recycled materials, etc.	•Reduce the amount of virgin materials used in products[*1] by 25%[*2] by FY2030 compared to the FY2022 level through the expansion of circular-economy-based businesses and materials recycling. •The Group's manufacturing facilities continuously endeavor to ensure efficient use of water resources and proper treatment of wastewater *1 Including packaging materials *2 Applies to the Printing and Solutions Business
Biodiversity conservation	Minimize the environmental impact of business operations within the entire Group on the ecosystem and promote activities to restore and conserve the ecosystem beyond the impact (Main efforts) Biodiversity conservation activities, reduction of CO_2 emissions, and promotion of resource circulation	•The Brother Group assesses the environmental impact of its business operations on the ecosystem and the effectiveness of restoration and conservation activities, and works to avoid and reduce the environmental impact on the ecosystem •The manufacturing and sales facilities of the entire Group work on ecosystem restoration and conservation activities on a voluntary basis depending on the situation in each region

◆Actual CO_2 emissions up to FY2023 (prior to the revision of the medium-term targets on March 3, 2025)



*1: FY2015 level [Scope 1] 75, [Scope 2]125
*2: Corrections were made for standardization by rounding off numbers.



*1: FY2015 level 2,994
*2: The numerical value has been changed because the Domino Business was added to the scope of aggregation for Scope 3.
*3: The numerical value has been changed because the CO_2 emissions from purchased goods and services other than products and parts were added to C1 (Purchased goods and services). However, the additional CO_2 emissions in FY2022 (about 2% of the entire Scope 3) are not included in the auditing for ISO 14064.

* In FY2023, sales of product units decreased significantly in Scope 3 categories 1, 11, and 12 due to a temporary decline in sales volume of product units as a result of inventory optimization by sales companies.

◆Support for the TCFD

In order to contribute to the development of society and future of the earth, the Brother Group has identified the reduction of CO_2 emissions as a materiality—one of the important issues to be solved—and has set CO_2 emission reduction targets as sustainability goals. In February 2020, the Brother Group expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (“TCFD”).
Based on these TCFD recommendations, in FY2021, 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 FY2024, the scope of business analysis was expanded to include businesses throughout the Brother Group*, and the analysis results are planned to be released in FY2025. The Group will continue its efforts to enhance information disclosures and will step up its climate change countermeasures in order to contribute to the formation of a decarbonized society.

* The Printing & Solutions business, Machinery business, Domino business, Nissei business, Personal & Home business, Network & Contents business and new businesses

(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 CO_2 emissions as an important matter for the Brother Group. While recognizing that climate change, which is becoming increasingly serious around the globe, is an important social issue, the Group regards climate change as both a business risk and opportunity for the Group and is striving to resolve it on a long-term and continuous basis.
In FY2024, the Group assessed the importance of climate-related risks and opportunities that could impact all Group businesses starting in 2024 into the future based on the recommendations of TCFD. It identified six 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 WEO2023 APS scenario and NZE scenario by the International Energy Agency (IEA), the SSP5-8.5 scenario by the Intergovernmental Panel on Climate Change (IPCC), and Aqueduct (a water risk assessment tool) for the 1.5°C and 4.0°C scenarios.
The results of this analysis reconfirmed that, in both risks and opportunities, the promotion of carbon neutrality is important to the Brother Group. Going forward, the Group will further strengthen initiatives such as CO_2 emission reduction activities.

Transition risks (policy and legal risks, market changes)

Changes in the external environment	Financial impact	Estimated time	Impact on the Brother Group	Countermeasure	
Introduction of carbon tax or increase in carbon tax rates	Large	Long-term	Procurement: Soaring raw materials costs Manufacturing: Higher energy costs Sales: Higher transportation fuel costs	Mitigation	・Reduce CO_2 emissions at business sites[*1] Promote energy-saving measures and utilize renewable energy at each site ・Reduce CO_2 emissions in products[*2] Makes products smaller and lighter and improve energy saving performance Reduce the number of parts and reduce packaging materials Reduce CO_2 emissions relating to raw materials through collaboration with suppliers
Tighter regulations on energy and low-carbon	Small	Medium to Long-term	Manufacturing: Higher capital investment, costs for switching to renewable energy, and costs for responding to sustainability-related regulations and disclosure requirements	Mitigation	・Research future regulatory movements Gather information on environmental regulatory trends in Europe and reflect in product development and investment plans
Rising demand for environmentally- and socially-conscious products	Medium	Medium to Long-term	Sales: Lower revenue if unable to respond to customers' preferences for environmentally-friendly products and ethical consumption	Mitigation	・Reduce waste and virgin material usage[*3] Reuse recycled materials in products and reuse collected products Use recyclable cushioning materials in packaging Improve product durability and longer life

Physical risks (Acute)

Changes in the external environment	Financial impact	Estimated time	Impact on the Brother Group	Countermeasure	
Increased severity and frequency of abnormal weather events	Large	Short to Long-term	Production stoppage due to floods	Respond	・Secure parts inventories to withstand temporary suspensions of production ・Implement risk countermeasures through multi-site production for some models ・Diversify parts suppliers

Opportunities (Products and services)

Changes in the external environment	Financial impact	Estimated time	Impact on the Brother Group	Countermeasure
Increasing need for customers to reduce CO_2 emissions	Large	Long-term	Sales: Higher demand and sales of energy-saving, energy-creating, and recycling-related products and services and higher demand for electrification and fuel conversion	・Develop compact machine tools for EVs and non-automotive markets[*4] Develop new products in the SPEEDIO series featuring high environmental performance and productivity ・Expand sales of the PureDrive spot cooler and fuel cells ・Invest to gather information on future environmental technologies Invest in Mirai Creation Fund III and WiL Ventures III
Rising demand for environmentally- and socially-conscious products	Medium	Long-term	Sales: Higher sales of products and services that contribute to decarbonization (environmental label certification) and increased demand for environmentally-friendly products	・Increase products with environmental labels such as Blue Angel, EPEAT, and SuMPO EPD ・Provide highly durable products and continuous services ・Expand circular-economy-based businesses[*5]

* Financial Impact　Low: 1 billion yen or less　Medium: 1 to 10 billion yen　Large: Over 10 billion yen
Expected Time　Short term: 1 to 2 years based on the fiscal year　Medium term: 3 to 4 years including the medium-term management strategy　Long-term: 5 years or more including the long-term Group vision

*1

■ Efforts to Reduce CO_2 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 CO_2 emissions, the following Group manufacturing facilities overseas have been certified as carbon neutral facilities after completing PAS 2060: 2014[*1] certification by offsetting remaining emissions with carbon credits: Brother Industries (U.K.) Ltd. and Brother Industries (Slovakia) s.r.o. In addition, the Kariya Factory, a domestic manufacturing facility, achieved carbon neutrality and completed ISO 14068-1: 2023*[2] certification.

*1 PAS 2060: 2014

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

*2 ISO 14068-1: 2023

An international standard that provides principles, requirements, and guidance for achieving and demonstrating carbon neutrality by organizations and products through quantification, reduction, and offsets.

*2

■ Efforts to Reduce CO_2 Emissions in Products

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

<Laser Printers>

Color laser printer products launched in 2023 are smaller and lighter than earlier products and contribute to decreasing CO_2 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.), activities that will reduce CO_2 emissions during parts production have been started in collaboration with parts suppliers by introducing renewable energy for the electric power used during parts production.

<GTX Pro series of garment printers>

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

*3, *5

■ Rising demand for environmentally- and socially-conscious products

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 for realizing and expanding circular-economy-based businesses: expanding the collection and remanufacturing* of toner and ink cartridges, which are printer consumables, promoting the reuse of products, and providing highly durable products and continuous services. In this way, the Group is promoting the effective use and recycling of resources and is also contributing to the reduction of CO_2 emissions.

<Remanufacturing of toner cartridges>

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

* Remanufacturing refers to the process of cleaning and inspecting used cartridges to create cartridges of the same quality as new cartridges.
  Recycling refers to the process of crushing used cartridges and reusing the raw materials and energy sources.

*4

■ Initiatives to develop compact machine tools for EVs and non-automotive markets

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 is responding to opportunities arising from the automobile industry's shift from internal combustion engines to EVs.

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

(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 CO_2 emissions, the Brother Group aims to achieve carbon neutrality[*1] in all business operations and minimize CO_2 emissions from the entire value chain by FY2050. In addition, the medium-term targets for FY2030—which serves as a milestone—are to reduce CO_2 emissions (Scopes 1 and 2) from the Brother Group by 65% compared to FY2015 and to reduce emissions by 28.5% compared to FY2022 at each stage of the procurement, use and disposal of products (categories C1, 11, and 12 of Scope 3), which emit particularly significant amounts of CO_2 in the value chain. This medium-term target for FY2030 for reducing CO_2 emissions has been certified as a "1.5°C target" by the Science Based Targets initiative (SBTi), an international initiative, that is aligned with the objective of the Paris Agreement of limiting global warming to 1.5°C (as of May 12, 2025).

Furthermore, as a milestone toward achieving the medium-term target for FY2030, the Group has set short-term targets for 2027 in the Brother Group Environmental Action Plan 2027 and is promoting activities.

*1 Achieve overall zero CO_2 emissions from the Brother Group

	Targets for FY2027	FY2024 Results
Reducing CO_2 emissions	[Scopes 1 and 2] Reduce CO_2 emissions by 56% compared to the FY2015 level	[Scopes 1 and 2] Implemented energy-saving and energy-creating measures, such as increasing electricity use efficiency and introducing solar power generation and achieved the FY2024 target (47% reduction in CO_2 emissions compared to the FY2015 level)
	[Scope 3] Reduce CO_2 emission intensity[*2] by 25.2% compared to the FY2022 level	[Scope 3] Implemented measures to make products smaller and lighter, reduce power consumption, and so on and achieved FY2024 target (implement measures to reduce CO_2 emissions by 150,000 t)

*2 An indicator that expresses CO_2 emissions relative to revenue

Among the initiatives described above, the Group positioned "reducing the amount of virgin resources used in products," which has been identified as a key measure that can contribute to achieving CO_2 emissions reduction targets (Scope 3), set a target for FY2027 under the "promoting sustainable use of resources," an item identified as a materiality, and will implement reduction measures. (For details, refer to "2. Overview of business, 1. Management policy, management environment, issues to address, (2) Medium- to long-term management strategies.")

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

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. Tarde and geopolitical risks	The Group conducts 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 changes in international circumstances are recognized as risks that could have major impact on the Company's business operations. In particular, some U.S. tariff policies have already been implemented, and there are concerns that those policies could be tightened further or retaliatory measures could be introduced in the future. If this were to result in the imposition of additional tariffs or new regulations, there is a risk of higher import costs and disruption of supply chains. In addition, changes in trade policies or energy policies of individual countries, unforeseen revision of legal systems or regulations, or other such developments could have adverse impacts on the Company's business results and financial standing.	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. To address the risk of increased costs resulting from changes in U.S. tariff policy, the Group continuously monitors tariff trends and regulatory changes and will promptly analyze the impacts if additional tariffs were to be imposed. We will mitigate the impact on earnings from higher tariffs by appropriately reflecting the additional costs in product prices and implementing cost reduction measures. Furthermore, in light of tariff risks and market environment changes in the future, we will continuously examine optimization of production sites. Through these initiatives, we will work to minimize the impacts of tariff risks on business. 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.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
2. Contraction of the printing market	Printing volumes in the office and home printing markets continue to decline as a result of the acceleration of digitalization and diversification of working styles, and it is expected that the market overall will contract at a moderate pace in the future. Sales revenue and operating profit in the Printing & Solutions Business account for more than half of Group total, and consequently, it is a business with a substantial impact on the Group's business performance. Therefore, if the Group is unable to respond promptly and accurately to changes in the market environment, there may be an impact on the Group's business performance or profit foundations.	To respond to the risk of contraction of the printing market, we are reinforcing earnings capacity in existing business and reforming the business portfolio. In the office and home businesses, we are expanding "connected business," such as contract services and subscriptions, and seek to build ongoing relationships with customers and enhance lifetime value (LTV). In the commercial & industrial labeling business, we are reinforcing the provision of optimal solutions tailored to the application and focusing efforts on expanding business. Also, the Domino Business and the Industrial Printing Business including the industrial printer business continue to grow against the backdrop of the transition from analog to digital and rising needs for automation. By utilizing existing technologies, we will seek further growth and improved profitability in the industrial printing market and to transition to a sustainable business structure.
3. Competition with other companies	The Group is exposed to intense competition with other companies in numerous markets including in the Printing & Solutions Business. We anticipate fiercer market competition as a result of competition with companies that have greater management resources than the Brother Group as well as the rise of local manufacturers in emerging countries and collaboration among our competitors. As competition with other companies intensifies, lower sales prices or the inability to maintain current market shares may have an adverse impact on the Group's business results or earnings base.	In addition to providing products that achieve customer value in each market, we are working to deploy services by making use of our regional sales companies and network of sales channels, which are our strengths. We are also building business foundations that feature both speed and cost competitiveness by promoting higher business efficiency, practicing development with little reworking, and reducing manufacturing costs. Furthermore, from a sustainability perspective, we will proactively promote circular economy business models, including improving the environmental performance of products and expanding the collection and recycling of consumable cartridges, and seek sustainable growth.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
4. Changes in global economic circumstances	The Group engages in business globally, and therefore, if changes in global economic conditions have effects on demand in relevant markets, an impact on the Group's business results can be anticipated. The Company's products and services in the Printing & Solutions Business, for example, are used by a wide range of customers for office, home, and commercial applications. Also, our products and services in the Industrial Printing Business and Machinery Business are used by customers in various manufacturing industries including packaging for consumer goods, automobiles, and apparel. Therefore, if the management status of customers deteriorates due to changes in the global economy and investment in the Company's products and services is curtailed, there could be an adverse impact on the Group's business results.	We seek to build a stable earnings base that is not easily impacted by short-term economic fluctuations, and are working to provide high-value-added products and services and to consistently reinforce functions from development to after-sales service. In the Printing & Solutions Business, we will focus efforts on products for the Small Office/Home Office (SOHO) market, mainly A4 machines, as well as commercial labeling, a growth field, and reinforce profitability by expanding "connected business," such as the provision of stress-free printing experiences and automatic delivery of consumables. In the Industrial Printing Business, we are introducing new products, reinforcing the service and solutions business, and working to optimize business foundations. By providing high-added-value services including automation and data analysis, we will improve customer productivity and enhance our market competitiveness. In the Machinery Business, we are rolling out high productivity and energy-saving products and reinforcing global sales and service structures to contribute to enhanced competitiveness of and CO_2 emissions reductions by customers. In addition, we are building profit structures that are resilient against economic fluctuations by reducing fixed costs and raw materials expenses. Also, the Group has a balanced sales structure in Japan, Asia, the America's and Europe, which controls the risk of economic fluctuation in any specific region. We will continue to use our global networks in the future and develop business in each region.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
5. Supply chains -Supply chain disruption -CSR procurement	・Supply chain disruption The Group operates manufacturing and sales facilities globally. The main manufacturing facilities are located in Vietnam, Philippines, China, and other countries, and sales facilities are located in countries around the world. 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.). 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. As a result, business results may be affected by a loss of sales opportunities and a loss of customers due to product shortages in the market. ・CSR procurement The Group has numerous overseas manufacturing facilities, with the main manufacturing facilities located in Vietnam, Philippines, China, and other countries. These facilities have trading relationships with parts suppliers, and if human rights problems, such as forced labor or child labor, occurred at these suppliers or elsewhere along the supply chain, we could lose the trust of our customers and there could be an impact on transactions with them. Furthermore, tracing materials beyond the suppliers leads to raw materials. In the trade of mineral raw materials, if it was found that the trade of certain minerals in conflict areas in Africa and other 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.	・Supply chain disruption 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. In addition, at various facilities, we have also implemented fire prevention measures and certain disaster prevention and mitigation measures against earthquakes, typhoons and other natural disasters. In Japan, the location of our Headquarters, we have established disaster preparedness and crisis management systems in anticipation of a Nankai Trough earthquake. ・CSR procurement The Company formulated a CSR Procurement Policy as a means of risk mitigation and has posted the policy on its website. We also explain the policy to suppliers by conducting supplier briefings and 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. With regard to responsible procurement of minerals, we established a Responsible Minerals Procurement Policy and posted it on our website. In addition, we conduct surveys on the use of minerals and conduct procurement in collaboration with our suppliers to ensure transparency in supply chains regarding mineral procurement and avoid the use of conflict minerals.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
6. Risks relating to parts and materials	There is a risk that the procured parts and materials used in Group products will again be difficult to procure due to fire or natural disaster such as earthquake affecting suppliers or withdrawal from business by suppliers in response to changes in the business environment or review of business portfolio. Various prices are increasing as a result of a combination of factors including 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, difficulty procuring parts and materials due to trade problems, rising prices for raw materials, 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.	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 address trade issues, we conduct parts and material procurement by responding quickly to changing circumstances so that production activities are not affected. At the same time, 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.
7. Quality and product liability	There is no guarantee that all products are free of defects and that product safety issues or quality issues will not occur in the future. If major problems of these types occur, the possible outcomes include incurring massive costs, harm to brand image, deterioration of social evaluation, decreases in purchases of Brother products by customers, and impacts on the Group’s business results.	In order to provide high-quality and appealing products, the Group has established production management systems and manufactures products in accordance with rigorous quality control systems. We also verify that quality levels are appropriate with regard to products that are supplied by manufacturing contractors. If an accident caused by a product were to occur, we would place the highest priority on responding to the injured party while disclosing information, reporting to governmental agencies, and taking measures to prevent any further damage.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
8. Laws and regulations –Compliance in general –Taxation	・Compliance in general 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. Furthermore, improper conduct by employees could cause harm to the Group and have an adverse impact on the Group's business activities. 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. 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. 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. 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. If the above risks were to materialize, there could be an adverse impact on the Group's business activities.	・Compliance in general 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. 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. 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. The status of responses relating to major compliance risks are described below. ・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
8. Laws and regulations –Compliance in general –Taxation	・Taxation The Group engages in business activities around the world and is subject to the tax systems of each country and region where it has business sites. If the tax systems or tax rates in these countries and regions change, there could be a negative impact on the Group's business results. To address issues of tax base erosion and profit shifting (BEPS), tax authorities in many countries and regions are stepping up their efforts, and if legal systems are changed or tax enforcement becomes stricter in the future, there is a risk that the Group will be subject to additional taxation or international double taxation.	・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. ・Taxation Serious tax-related issues are reported to regional headquarters and information is shared with the BIL tax department. Support is obtained from tax accountants and other external professionals, and we consult with tax authorities, as necessary. In addition, with respect to transactions between group companies, we appropriately manage transfer pricing with each country and region to ensure that arm's-length prices are maintained, and in the case of transactions that entail high transfer price taxation risks, we use an advance pricing agreement (APA) system to mitigate tax-related risks.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
9. Environment –Social demands relating to the environment –Environmental regulations and environmental pollution	・Social demands relating to the environment For the Group, which conducts business activities globally, the following risks are currently and will remain into the future extremely important issues and may have a significant impact on business management. In addition to physical risks that can significantly impact production and sales activities, such as human injury and death, suspension of business operations, disruption of supply chains, and so on caused by disasters, climate change also entails transition risks such as tighter laws and regulations associated with the rapid shift to a decarbonized society, increased response costs and loss of sales opportunities due to delays in responses. In the Machinery Business in particular, there are risks arising from the transition from internal combustion engine vehicles to electric vehicles in the automobile industry. As for advancement of the circular economy, policies aimed at economic development while controlling resource consumption are being promoted mainly in European countries, and entail transition risks such as tighter laws and regulations, increased response costs and loss of sales opportunities due to delays in responses.	・Social demands relating to the environment In response to climate change, in order to reduce the emissions of greenhouse gasses that cause it, we have set medium-term targets for 2030 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, we have collaborated with parts suppliers since FY2023 to introduce renewable energy for the electric power used when manufacturing parts used in laser printer products and inkjet printer products, thereby reducing CO_2 emissions from the manufacture of parts by 30,000 tons over the two years up to FY2024. 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 set a medium-term target for 2030 (reduce virgin materials used in products in the Printing & Solution Business, which uses particularly high amounts of resources, by 25%) to improve the Group’s resource efficiency. 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 CO_2 reductions. Also, 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 and its support for the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) in March 2025.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
9. Environment –Social demands relating to the environment –Environmental regulations and environmental pollution	・Environmental regulations and environmental pollution The Group, which conducts business globally, is subject to the application of various environmental laws and regulations in each country and region around the world. In particular, regulations on chemical substances in products such as the EU RoHS Directive are being established and are frequently amended in various countries and regions. If a violation of these regulations occurs, product recalls, suspension of production and sales, imposition of fines or criminal penalties, loss of social trust, and other repercussions could have a significant impact on the Group's business management.	As a response to the TCFD, we analyzed the financial impact of climate change on all of the Group's businesses and posted the results on the Web and other media. As a response to the TNFD, we are conducting investigations and preparations for disclosures in accordance with the TNFD recommendations. We will work to enhance information disclosures even further in the future. ・Environmental regulations and environmental pollution The Group has identified chemical substances that should be prohibited, restricted or managed in the Brother Group Green Procurement Standards and strives to reliably comply with laws and regulations by obtaining compliance guarantees concerning parts and materials from suppliers, providing composition information, conducting supplier audits, and conducting sampling testing of delivered goods. Furthermore, the Group responds to the enactment or amendment of environmental laws and regulations by identifying trends at an early stage and taking action including modification of product designs in an effort to enable compliance when the new regulations come into effect.
10. Security trade	The Group engages in a wide range of diverse businesses on a global scale. As geopolitical risks, such as U.S.-China relations, conditions in Russia and Ukraine, and conditions in the Middle East are rising, export regulations and security-related laws and regulations in individual countries are being tightened, and we anticipate even stricter regulations in the future over the short, medium, and long term. In particular, some of the Company's machine tools are subject to export-related laws and regulations, and if regulations become even stricter, the risks of legal violations and the impact on business and operations will increase. If a legal violation were to occur, there is a risk that the Group's business and operations would be subject to significant impact, including legal sanctions, administrative guidance, suspension of export of all products for a certain period, and loss of social credibility.	We are identifying and analyzing regulations developments in each country and regions and reviewing and strengthening management systems and internal rules promptly and flexibly according to the importance and urgency of the risks. We are also tightening export management systems Group-wide, conducting rigorous employee education and training, and taking action to raise awareness of compliance throughout the supply chain. Through these efforts, we seek to identify at an early stage and prevent the manifestation of legal violations and the risks of business interruption in order to achieve sustainable growth and maximize corporate value in an international environment that is undergoing extremely rapid change.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
11. Information systems –Information security –Information networks	・Information security If personal information and confidential information are leaked due to some cause, there may be an adverse impact on the Group's business activities and business results including a loss of the trust of customers and a deterioration of brand image. To enhance customer service, we also provide product information and support information, and we offer related services. We strive to maintain safe information security levels for these websites and related systems, but if a malware infection, targeted attack or other cyberattack led to the destruction or falsification of data, suspension of services, or other damage, the result could be an adverse impact on the Group's business activities. In addition, the threat of cyberattacks targeting IoT products has been increasing in recent years, and if customer personal information and confidential information were leaked from Brother products, the result could be a loss of the trust of customers, deterioration of brand image, and adverse impact on the Group's business activities or business results. National governments are more actively enacting laws intended to improve the security of IoT products and protect personal information, and it is possible that sales of non-compliant products will not be possible in the relevant countries.	・Information security The Group has adopted information management rules, established the Information Management Committee, and created information security operational rules. We have also established rules on the use of social media. We strive to prevent leaks of personal information and confidential information and strengthen globally uniform multi-layered defense measures against cyberattacks by implementing security measures and conducting internal education based on these operational and use rules. It has also recently become possible to access some internal information using smartphones and other such devices, and we are reinforcing control systems by limiting the terminals that can be used, encrypting information, and taking other measures. With regard to access to personal and confidential information, we control access and perform access log management to prevent improper handling. The Group established the Product Information Security Basic Policy and is working to enhance product security throughout the Group so that customers can use our products with reassurance. We also take measures to minimize risks by establishing internal rules on reporting lines 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.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
11. Information systems –Information security –Information networks	・Information networks The Group manages production management, sales management, and financial and other information using networks. In addition, the Group has come to use external data centers and cloud services in recent years, utilizing information systems located not only within the Company but also externally via networks. If networks are disrupted, system operation interrupted, or other such events occur, this would impede the implementation of these business activities. Furthermore, in the event of an unforeseeable intrusion or attack from outside, such as a malware infection, targeted attack, or other cyberattack, depending on the particulars and scale, there could be an adverse impact on business activities. In addition, given the need to maintain and enhance the reliability of financial reports, the occurrence of unforeseeable control issues could give rise to a situation where the reliability of financial reports cannot be guaranteed.	・Information networks We take all possible measures such as storing information and performing equipment maintenance, and in the case of key systems that impact supply chains, we have created systems that can minimize downtime and be restored quickly in the event of an incident. As a countermeasure against unforeseeable external intrusions and attacks, we are strengthening security measures based on globally uniform multi-layered defenses, and we periodically review those measures. We respond to increasingly advanced cyber threats by conducting security monitoring 24 hours a day, 365 days a year, to rapidly detect suspicious behavior on 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. 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.

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

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
13. M&A (impairment risks)	The Group has established a policy of accelerating investment in growth including M&A with the aims of further expanding its industrial areas and creating and developing new business. When implementing M&A and so on, there is a risk that investment effects will not be achieved as intended as a result of business integration burdens that are greater than initially anticipated or the inability of the investment target to develop business as anticipated at the time of investment. The Group has recorded goodwill of 53,679 million yen (5.8% of total assets) in its consolidated financial statements as of March 31, 2025, of which goodwill relating to the Domino Business acquired in 2015 accounts for 53,214 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.	CS B2027, the Group's Medium-Term Business Strategy, sets a policy of significantly strengthening organizational capabilities and structures for implementing M&A with the objectives of both dynamic investment execution and reinforced governance while ensuring active participation in and support of post-merger integration (PMI) by the head office. CS B2027 also positions the Industrial Printing Business including the Domino Business as a growth business that will function as a growth engine for the Brother Group, and we are working to expand new products and business areas, reinforce service and solutions businesses, and strengthen business foundations as priority measures. 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 indications of impairment, to confirm the value of goodwill assets and record appropriate valuation amounts.
14. Foreign exchange fluctuation risks	Overseas business accounts for large proportions of the Group's manufacturing and sales, and foreign exchange fluctuation risks relating to transactions denominated in foreign currencies occur on a regular basis. Based on results for the fiscal year ended March 31, 2025, each one-yen increase in the value of the yen against the euro results in a decrease in annual profit of approximately 1 billion yen. Also, each one-yen decrease in value against the dollar results in a decrease in annual profit of approximately 200 million yen. In addition, if currencies in the regions where the Group's main manufacturing facilities are located including China and southeast Asia increase in value, this could be a factor pushing up manufacturing and procurement costs, and thus, medium- to long-term fluctuations in foreign exchange rates are expected to have a certain degree of impact on business results. Assets held by foreign subsidiaries in local currencies (net amount after deducting liabilities) will decrease in value after conversion to yen if these local currencies 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.	To mitigate these risks, we are taking measures to increase the rate of linkage between receipts and payments in foreign currency transactions. Furthermore, we efficiently manage and avoid short-term risks by conducting foreign exchange forwards and through other means.

Item	Particulars, likelihood, timing and degree of impact of risk	Countermeasures
15. Intellectual property	(1) Infringement of the Group's intellectual property by third parties such as sale of counterfeit goods by third parties could occur. The possible results of this include deterioration of the Group's business results and a decline in the Group's reputation.	(1) The Group enforces intellectual property rights against infringing conduct by third parties while giving consideration to the degree of impact on business results and reputation.
	(2) There is a possibility of the institution of litigation by a third party against the Group in relation to the patent rights or other intellectual property rights of the third party. If the third party's claims were upheld, the Group may be enjoined from selling its products and may be required to pay compensatory damages.	(2) The Group conducts business activities while respecting the patent rights and other intellectual property rights of other companies, but in the event that a third-party institutes litigation on the grounds of infringement, after carefully investigating the details, the Group takes countermeasures such as defending against the litigation or reaching a settlement.
	(3) The Group conducts its business activities while entering into license agreements relating to patents and other intellectual property rights with other companies, as necessary. However, there could be an impact on business activities depending on the terms and conditions of such license agreements.	(3) The Group acquires numerous patent rights as the result of research and development. The Group takes countermeasures, such as licensing some of the patent rights that it holds to other parties, while entering into agreements to minimize the impacts on business activities.
	(4) An inventor could institute litigation regarding rewards for an invention.	(4) The Group has established rules on rewards for inventions and provides appropriate rewards to inventors.

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 outlook for the global economy remained uncertain due to prolonged geopolitical risks, changes in monetary policies in multiple countries, sluggishness in the Chinese economy, exchange rate fluctuations, and other factors.
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, the machine tools market showed gradual recovery despite some fluctuation, and demand for industrial sewing machines increased as apparel-related capital investment demand in Asia rebounded. In Domino Business related areas, capital investment demand remained soft suffering from economic slowdown. In Nissei Business related areas, the recovery in demand for capital investment for factory automation remained slow. The market for home sewing machines was sluggish due to effects from inflation and other factors. The karaoke market in Japan was stable.
Under these circumstances, the Group's consolidated performance during the current consolidated fiscal year was as follows. In the P&S Business, revenue increased as a result of firm sales of communications and printing equipment consumables. In the Machinery Business, revenue from both machine tools and industrial sewing machines increased due to moderate recovery in capital investment demand. In the Domino Business, despite soft capital investment, revenue increased due to firm sales of consumables. In the Nissei Business, revenue was down due to sluggish demand for capital investment. In the P&H Business, revenue increased due to firm sales, primarily of middle- to high-end models. In the N&C Business, revenue increased due to steady sales of karaoke systems and other factors.
In addition to these factors, there were positive foreign exchange effects, and revenue increased by 6.5% year-on-year to 876,558 million yen. Despite a substantial increase in SG&A expenses, business segment profit increased by 2.8% year-on-year to 77,683 million yen as a result of effects from price adjustments and positive foreign exchange effects. Operating profit increased by 40.4% year-on-year to 69,888 million yen due to the absence of impairment losses on a portion of goodwill in the Domino Business that were recorded in the previous fiscal year and other factors. Profit for the year attributable to owners of the parent company increased by 73.1% year-on-year to 54,778 million yen.

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

Current fiscal year
U.S. Dollar: 152.48 yen Euro: 163.62 yen

Previous fiscal year
U.S. Dollar: 144.40 yen Euro: 156.80 yen

Performance by business segment was as follows.

1) Printing & Solutions Business

Revenue: 544,828 million yen (+5.8 % year-on-year)

○ Communications and printing equipment: 475,483 million yen (+6.0% year-on-year)

For hardware, sales of laser All-in-Ones and printers decreased due to sluggish markets, mainly in Europe, and effects from supply constraints in the first half, but sales of inkjet All-in-Ones increased in both developed countries and emerging markets. Sales of consumables overall were firm due to effects from price adjustments and other factors. As a whole, revenue increased due to these factors as well as positive foreign exchange effects.

○ Labeling: 69,345 million yen (+4.5% year-on-year)

Although sales of Home & Office labeling declined, sales of Commercial & Industrial labeling remained strong for both hardware and consumables. In addition, positive foreign exchange effects contributed to an increase in revenue.

Business segment profit: 60,986 million yen (-2.5% year-on-year)

Operating profit: 58,867 million yen (-3.5% year-on-year)

Although there were positive effects from price adjustments for consumables and favorable foreign exchange rates, profit decreased due to a significant increase in SG&A expenses, particularly personnel expenses.

2) Machinery Business

Revenue: 85,209 million yen (+10.1% year-on-year)

○ Industrial equipment: 47,318 million yen (+9.8% year-on-year)

Revenue increased due to a moderate recovery in demand for capital investment in the automobile and general machinery markets, particularly in China and Asia.

○ Industrial sewing machines: 37,891 million yen (+10.5% year-on-year)

Sales of garment printers decreased, mainly in Europe and the U.S., but demand for capital investment in industrial sewing machines for apparel use recovered in Asia, and sales were firm. As a result of these factors as well as positive foreign exchange effects, revenue increased overall.

Business segment profit: 853 million yen (-61.4% year-on-year)

Operating profit: 804 million yen (-65.1% year-on-year)

Despite the increase in revenue, profit decreased sharply due to higher SG&A costs, change of the product mix, and other factors.

3) Domino Business

Revenue: 119,396 million yen (+8.9% year-on-year)

Despite a decrease in sales of hardware suffering from economic downturn, revenue increased due to positive foreign exchange effects and steady sales of consumables.

Business segment profit: 5,438 million yen (+7.2% year-on-year)

Operating profit: 3,566 million yen (operating loss in the previous fiscal year: 24,071 million yen)

Despite higher SG&A costs including personnel expenses and expenses for renewal of core business systems, business segment profit increased due to firm sales of consumables and positive foreign exchange effects. The operating loss reported in the previous consolidated fiscal year was the result of recording impairment losses on a part of goodwill.

4) Nissei Business

Revenue: 20,017 million yen (-3.9% year-on-year)

Revenue decreased due to sluggish sales, mainly of reducers, caused by stagnant demand for capital investment.

Business segment profit: 474 million yen (-53.5% year-on-year)

Operating loss: 16 million yen (operating profit in the previous year: 991 million yen)

Business segment profit was down sharply due to the decrease in revenue as well as higher SG&A costs. Operating profit was negative due to recognition of impairment losses on a part of fixed assets.

5) Personal & Home Business

Revenue: 57,150 million yen (+13.2% year-on-year)

Despite sluggish demand for high-end models, mainly in the U.S., due to inflation and high interest rates, revenue increased due to firm sales of middle- and low-end models and effects from the introduction of new high-end embroidery model in the U.S. and Europe, as well as positive foreign exchange effects.

Business segment profit: 7,315 million yen (+190.7% year-on-year)

Operating profit: 6,659 million yen (+168.7% year-on-year)

Business segment profit increased substantially due to effects from higher revenue and improvement in the gross profit margin resulting from normalization of factory operation rates and effects from the introduction of new high-end embroidery model.

6) Network & Contents Business

Revenue: 38,808 million yen (+1.9% year-on-year)

Revenue increased due to firm sales of karaoke systems and other factors.

Business segment profit: 1,924 million yen (+18.6% year-on-year)

Operating profit: 1,963 million yen (+18.3% year-on-year)

Despite higher SG&A costs, mainly personnel expenses, business segment profit increased due to firm sales of karaoke systems and other factors.

b. Financial position

As a result of increase in inventories, cash and cash equivalents and deferred tax assets, total assets were 932,650 million yen, an increase of 36,540 million yen compared to the end of the previous consolidated fiscal year.

As a result of increase in trade and other payables and other factors, total liabilities were 241,178 million yen, an increase of 13,189 million yen compared to the end of the previous consolidated fiscal year.

Total equity increased 23,350 million yen compared to the end of the previous consolidated fiscal year to 691,472 million yen.

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

U.S. dollar: 149.52 yen Euro: 162.08 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 172,776 million yen, an increase of 6,629 million yen compared to the end of the previous consolidated fiscal year as a result of a 90,023 million yen increase from operating activities, a 48,152 million yen decrease from investing activities, a 34,609 million yen decrease from financing activities, and a 631 million yen decrease from foreign exchange fluctuations.

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 90,023 million yen after deducting income taxes paid of 23,585 million yen as a result of 74,694 million yen in profit before income taxes, depreciation and amortization of 52,686 million yen, a decrease in funds of 5,633 million yen due to an increase in trade and other receivables, a decrease in funds of 21,822 million yen due to an increase in inventories, an increase in funds of 15,631 million yen due to an increase in trade and other payables, and other factors.

2) Cash flows from investing activities

Cash flows used in investing activities were 48,152 million yen, mainly due to purchases of property, plant and equipment of 35,783 million yen and purchases of intangible assets of 11,327 million yen.

3) Cash flows from financing activities

Cash flows used in financing activities were 34,609 million yen due to the repayment of lease obligations of 8,973 million yen, and the payment of dividends of 25,623 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.

a. Material accounting policies and estimates

The Group's consolidated financial statements were prepared in accordance with Article 312 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. Significant Accounting Estimates and Judgments Involving Estimations".

b. 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., a. 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.

Although revenue in the current consolidated fiscal year exceeded the target due in part to positive effects from the depreciation of the yen during the term of the CS B2024, growth in the industrial area was sluggish, particularly in machine tools, and the Company has not yet reached the stage where profitability can be improved, and as a result, the operating profit margin and ROE fell short of the targets.

	Results for Current Consolidated Fiscal Year	CS B2024 performance targets
Revenue	876.6 billion yen	800.0 billion yen
Operating profit margin	8.0%	At least 10.0%
ROE	8.1%	At least 10.0%

Average currency exchange rates (consolidated) were as follows.

Current fiscal year
U.S. Dollar: 152.48 yen Euro: 163.62 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 B2027” 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., a. 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 172,776 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 (R&I). As of the end of the current consolidated fiscal year, the Company's issuer rating was A+ (stable outlook). 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 working capital necessary to maintain growth 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 B2027 Medium-Term Business Strategy, we are making large-scale investments to accelerate business portfolio reform and have set a policy of reinforcing shareholder returns. We will greatly expand the scale of growth investment and expect to make 200 billion yen in investment, of which a large portion will be strategic investment, divided into M&A-related strategic investment and foundational investment that supports growth (reinforcement of inkjet development and production technology, enhancing sales and service sites in the industrial area, strengthening business foundations connected to customers, bolstering BCP and supply chains, reinforcing organizational capabilities through the use of AI and strengthened human resource foundations, construction of new office buildings that were delayed, and other areas). We will greatly reinforce shareholder returns and plan on a total of 140 billion yen over three years, including 80 billion yen in dividends and 60 billion yen in share repurchases.
We will meet these capital needs using 325 billion yen in effective operating cash flows generated over three years from business growth as well as funds on hand and interest-bearing debt.

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 other printing devices	From October 1, 2024 until the relevant patents expire
Same as above	Ricoh Company, Ltd. (Japan)	Grant of licenses to patents relating to electronic photography printing devices	From October 1, 2024 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 2,322 employees engaged in research and development.
The Group's total R&D expenditures during the current consolidated fiscal year were 49,464 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 the launch of the TD-2320D and TD-2350D, new standard model 2-inch thermal label printers in the TD-2D series.
R&D expenses in this segment were 29,383 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 U500Xd2 (U series), a universal compact 5-axis machining center, as a new machine tool product.
New industrial sewing machine products that were launched during the year include the NEXIO BAS-365K and BAS-370K (K series), bridge type programmable electronic sewing machines that use sensing technology to digitalized sewing hook adjustment status, which is directly linked to sewing quality.
R&D expenses in this segment were 5,822 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 8,037 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 896 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 AVENEER EV1, a home embroidery machine that integrates cutting-edge technology with sophisticated design.
R&D expenses in this segment were 2,809 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 779 million yen.

(7) Other Business
R&D expenses in this segment were 1,736 million yen.

3. Information about Facilities

1. Overview of capital expenditures

The Group's capital expenditures for the current consolidated fiscal year were 45,989 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	22,397	Manufacturing facilities for communications and printing equipment, etc.
Machinery	3,269	Manufacturing facilities related to machine tools, industrial sewing machine, and garment printers
Domino	3,706	Manufacturing facilities related to industrial printing equipment
Nissei	1,368	Manufacturing facilities related to reducers and gears
Personal & Home	2,261	Manufacturing facilities related to home sewing machines
Network & Contents	4,612	Investments related to online karaoke systems and telecommunications systems
Other Business and Corporate	8,372	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, 2025

Facility (location)	Segment	Description	Book value (Millions of yen)					Number of employees
			Buildings and structures	Machinery and vehicles	Land (area in thousands of m^2)	Other	Total	
Mizuho Factory (Mizuho-ku, Nagoya, Aichi)	Printing & Solutions, Personal & Home, Others	Research and development facilities for communications and printing equipment, label printers, label writers, and home sewing machines	2,457	1,394	337 (42)	9,117	13,307	2,403 [209]
Hoshizaki Factory (Minami-ku, Nagoya, Aichi)	Printing & Solutions	Processing facilities for printer heads	5,145	5,473	10 (32)	376	11,005	215 [87]
Momozono Factory (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	440	381	12 (4)	153	986	51 [22]
Kariya Factory (Kariya-shi, Aichi)	Machinery	Manufacturing facilities for machine tools and garment printers	5,017	1,397	160 (133)	1,425	8,000	767 [251]
Logistics Center (Minami-ku, Nagoya, Aichi) *1	Other	Logistics facilities	672	115	135 (22)	3	927	- [-]
Research & Development Center (Mizuho-ku, Nagoya, Aichi)	——	Research and development facilities	560	268	396 (4)	495	1,721	98 [3]
Head office (Mizuho-ku, Nagoya, Aichi)	——	Other facilities	1,722	12	71 (4)	6,131	7,938	318 [14]

(2) Domestic subsidiaries

As of March 31, 2025

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.	5,937 [491]	5,984	2,871 (97)	492	15,284	805 [41]
BROTHER REAL ESTATE. LTD. B 6 Ueda rental buildings (Tenpaku-ku, Nagoya, Aichi) 16 other sites *3	Other	Stores for rent and parking lots	850	-	1,208 (7) [3]	498	2,557	- [-]

(3) Overseas subsidiaries

As of March 31, 2025

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.	2,025	585	2,127 (416)	9,732	14,470	747 [202]
BROTHER INDUSTRIES (U.S.A.) INC. (Tennessee, U.S.A.) *3	Printing & Solutions, Nissei	Manufacturing facilities for OEM products (mailing printers), etc.	2	141	- (-) [18]	90	234	79 [64]
BROTHER INDUSTRIES (U.K.) LTD. (Wrexham, Wales, U.K.) *3	Printing & Solutions	Manufacturing facilities for consumables for printers and All-in-Ones, etc.	281	547	- (-) [42]	249	1,077	190 [13]
BROTHER TECHNOLOGY (SHENZHEN) LTD. (Shenzhen City, Guangdong Province, China) *3	Same as above	Manufacturing facilities for printers and All-in-Ones	379	179	- (-) [64]	4,268	4,827	2,529 [-]
BROTHER INDUSTRIES (VIETNAM) LTD. (Hai Duong Province, Vietnam) *3	Same as above	Same as above	7,139	3,001	- (-) [210]	1,824	11,965	10,180 [-]
BROTHER INDUSTRIES (PHILIPPINES), INC. (Batangas Province, Philippines) *3	Same as above	Manufacturing facilities for printers, All-in-Ones, and label writers	18,927	2,710	- (-) [134]	821	22,459	9,161 [966]
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	143	241	- (-) [30]	576	961	561 [176]

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	126	22	- (-) [9]	114	263	286 [52]
BROTHER INDUSTRIES SAIGON, LTD. (Dong Nai Province, Vietnam) *3	Same as above	Manufacturing facilities for home sewing machines	1,424	383	- (-) [56]	607	2,415	2,031 [-]
BROTHER MACHINERY XIAN CO., LTD. (Xian City, Shaanxi Province, China) *3	Machinery	Manufacturing facilities for machine tools and industrial sewing machines	2,737	1,317	- (-) [79]	1,380	5,435	586 [5]
BROTHER MACHINERY INDIA PRIVATE LTD. (Karnataka Province, India)	Same as above	Manufacturing facilities for machine tools	1,137	538	179 (32)	345	2,201	78 [-]
DOMINO U.K. LTD. (Liverpool, Cambridge, U.K.) *3	Domino	Manufacturing facilities for industrial printing equipment and consumables	931	3,415	3,266 (26) [180]	5,265	12,879	961 [12]
DOMINO AMJET INC. (Illinois, U.S.A.)	Same as above	Manufacturing facilities for consumables for industrial printing equipment	615	103	985 (32)	2,048	3,753	319 [-]

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 174 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, 2026 (Millions of yen)	Descriptions and objectives of facilities, etc.	Financing method
Printing & Solutions	29,100	Manufacturing facilities related to printers, All-in-Ones, electronic stationery, and scanners	Own capital or borrowings
Industrial Printing	6,700	Manufacturing facilities for industrial printing equipment	Own capital or borrowings
Machinery	2,900	Manufacturing facilities related to machine tools and industrial sewing machine.	Own capital or borrowings
Nissei	1,700	Manufacturing facilities for reducers and gears.	Own capital or borrowings
Personal & Home	2,400	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	10,200	IT-related investment and construction of and improvements to buildings, etc.	Own capital or borrowings
Total	58,000		

Note As of April 1, 2025, the Group changed the presentation of its reportable segments. Details of the change are described in “5. Financial Information 1. Consolidated Financial Statements (1) Consolidated Financial Statements and Notes to the Consolidated Financial Statements, 45. Subsequent Events”.

(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, 2025)	Number of issued shares as of filing date (Shares) (June 23, 2025)	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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), there had been no changes from the end of the current 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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), there had been no changes from the end of the current 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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), 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.
   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 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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), 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.
   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 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*	311 (Note) 1	233 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 31,100 (Note) 2	Common shares 23,300 (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), 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.
   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 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*	262 (Note) 1	569 [541] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 26,200 (Note) 2	Common shares 56,900 [54,100] (Note) 2
Amount to be paid in upon the exercise of stock options (yen)*	1 per share	
Period to exercise stock options*	From March 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, 2025) 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, 2025), 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.
   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 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*	376 [360] (Note) 1	422 [387] (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 37,600 [36,000] (Note) 2	Common shares 42,200 [38,700] (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, 2025) 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, 2025), 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.
   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 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*	566 (Note) 1	716 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 56,600 (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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), 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.
   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 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*	697 (Note) 1	595 (Note) 1
Type, details, and number of shares underlying stock options*	Common shares 69,700 (Note) 2	Common shares 59,500 (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, 2025) is reflected. As of the end of the month preceding the filing date (May 31, 2025), 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.
   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.

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, 2025

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	-	57	36	230	509	15	12,217	13,064	-
Number of shares held (number of units)	-	880,314	153,352	225,105	903,276	144	413,798	2,575,989	157,030
Percentage of shareholdings (%)	-	34.17	5.95	8.74	35.07	0.01	16.06	100.00	-

Notes

1. Of 1,483,103 treasury shares, 14,831 units are included in “Individuals and others” and 3 shares in “Status of shares less than one unit.”
   The 1,483,103 treasury shares represent the number of such shares recorded on the shareholders' register. The actual number of treasury shares as of March 31, 2025 is 1,482,103 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” and “Status of shares less than one unit” column above includes 2,504 units and 65 shares of Company shares held by the Board Incentive Plan trust.

(6) Major shareholders

As of March 31, 2025

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	40,138	15.66
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	15,048	5.87
STATE STREET BANK AND TRUST COMPANY 505001 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	ONE CONGRESS STREET, SUITE 1 BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	12,060	4.71
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
JPMorgan Securities Japan Co., Ltd	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	5,063	1.98
The Brother Group Employee Stock Ownership Association	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467-8561, Japan	4,695	1.83
Sumitomo Life Insurance Company (Standing agent: Custody Bank of Japan, Ltd.)	2-1, Yaesu 2-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,499	1.76
STATE STREET BANK AND TRUST COMPANY 505103 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	ONE CONGRESS STREET, SUITE 1 BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	4,111	1.60
JP MORGAN CHASE BANK 385781 (Standing agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Building A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	3,306	1.29
Total	-	103,170	40.26

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), STATE STREET BANK AND TRUST COMPANY 505001, STATE STREET BANK AND TRUST COMPANY 505103 and JP MORGAN CHASE BANK 385781 are all shares related to the trust business of each company.
3. In addition to the above, the Company holds 1,482 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 July 29, 2024 indicates that MUFG Bank, 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, 2025, 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. (%)
MUFJ Bank, Ltd.	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,656,974	1.42
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	8,773,405	3.40
Mitsubishi UFJ Asset Management Co., Ltd.	9-1, Higashishinbashi 1-chome, Minato-ku, Tokyo	2,728,900	1.06
Total	-	15,159,279	5.88

5. The Report of Possession of Large Volume (amended report) made available for public inspection as of March 6, 2025 indicates that BlackRock Japan Co., Ltd. and five joint holders hold shares as shown below. However, as the Company has not confirmed the actual number of shares held as of March 31, 2025, their shareholdings are not included in the above major shareholders.

The details of the Report of Possession of Large Volume (corrected report) are as follows.

Name	Address	Number of stocks, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
BlackRock Japan Co., Ltd.	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	4,937,600	1.92
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA Amsterdam, The Netherlands	446,601	0.17
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, United Kingdom	732,904	0.28
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	613,200	0.24
BlackRock Fund Advisors	400 Howard Street San Francisco, United States	3,034,300	1.18
BlackRock Institutional Trust Company, N.A.	400 Howard Street San Francisco, United States	2,340,801	0.91
Total	-	12,105,406	4.70

(7) Voting rights

1. Issued shares

As of March 31, 2025

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	1,482,100	-	Number of shares per unit = 100 shares
Shares with full voting rights (Other)	Common shares	256,166,800	2,561,158	The same as above
Shares less than one unit	Common shares	157,030	-	-
Total number of issued shares		257,755,930	-	-
Number of voting rights held by all shareholders		-	2,561,158	-

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 (2,504 voting rights) held by the Board Incentive Plan trust.

2. Treasury shares, etc.

As of March 31, 2025

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	1,482,100	-	1,482,100	0.58
Total	-	1,482,100	-	1,482,100	0.58

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

The Company introduced a stock compensation plan using Board Incentive Plan trust (the “Plan”) for Directors and Executive Officers (excluding Outside Directors, part-time Directors, and Directors and Executive Officers who are non-residents of Japan).

(i) Outline of the Plan

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

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

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

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

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

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

2. Acquisition and disposal of treasury shares

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

(1) Acquisitions by resolution of shareholders' meeting

Not applicable.

(2) Acquisitions by resolution of board of directors' meeting

Categories	Number of shares	Total amount (Yen)
Status of resolution adopted at the Board of Directors meeting (May 9, 2025) (Acquisition period: May 12, 2025 – April 30, 2026)	11,000,000	20,000,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired during the fiscal year	-	-
Total number and total value of remaining shares subject to resolution	-	-
Unexercised percentage as of end of the current fiscal year (%)	-	-
Treasury shares acquired during the current period	854,100	2,082,595,042
Unexercised percentage as of filing date (%)	92.24	89.59

Note: The number of treasury shares acquired during the current period does not include shares from acquisition of treasury shares from June 1, 2025 to the filing date of this Annual Securities Report.

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

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

Categories	Number of shares	Total amount (Yen)
Treasury shares acquired during the fiscal year	1,916	5,330,872
Treasury shares acquired during the current period	239	552,895

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, 2025 to the filing date of this Annual 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) (Exercise of stock options)	122 48,800	348,451 72,050,008	- 7,900	- 13,222,163
Total number of treasury shares held	1,482,103	-	2,223,442	-

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, 2025 to the filing date of this Annual 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, 2025 to the filing date of this Annual 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.

Under the “CS B2024” Medium-Term Business Strategy, which ended in the current consolidated fiscal year, the Company pursued a policy of making prior investments for the future, considering 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, and also implementing flexible share repurchases. 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 dividend of 50 yen per share declared at the end of the interim period and previously paid, the dividend for the year is 100 yen per share, an increase of 16 yen from the previous consolidated fiscal year.

Under the “CS B2027” Medium-Term Business Strategy, which started in FY2025, the Company is continuing its plans to maintain or increase dividends and reinforce shareholder returns even further. We set 100 yen per share as the minimum level for the annual dividend and will provide shareholder returns with a target payout ratio of 40%. In addition, we plan to repurchase a total of 60 billion yen of the Company’s own shares during the term of the CS B2027. We will also consider additional returns based on business performance and other factors. In accordance with this policy, at the Board of Directors meeting held on May 9, 2025, the Company resolved to repurchase our own shares up to a maximum of 20 billion yen from May 12, 2025 to April 30, 2026 in order to enhance shareholder returns and capital efficiency and implement dynamic capital measures.

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

Date for resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
November 8, 2024 Board of Directors resolution	12,812	50.0
May 19, 2025 Board of Directors resolution	12,813	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 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 Outside Directors as of the filing date of this Annual Securities Report (June 23, 2025).

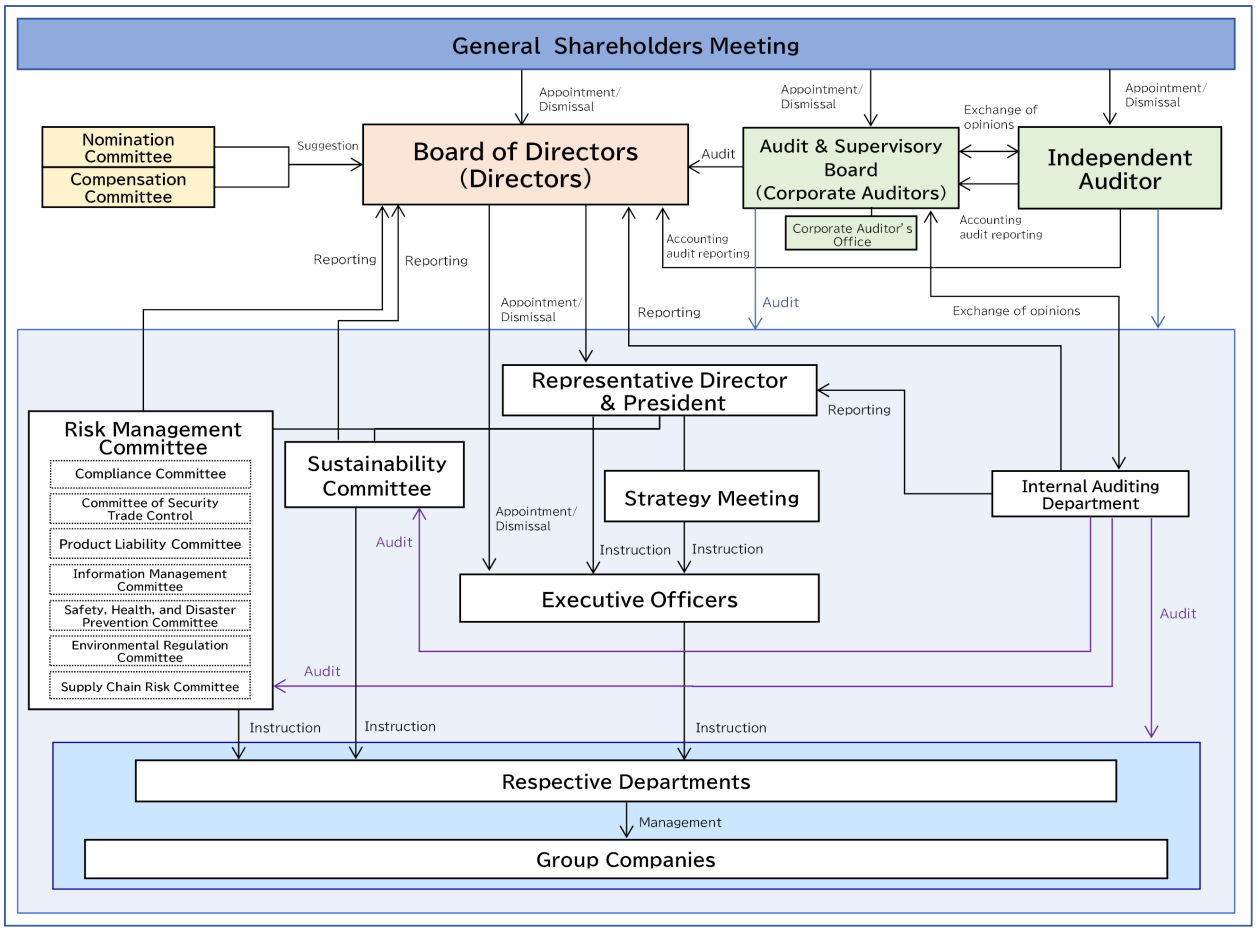
The Company has established the Nomination Committee and Compensation Committee as arbitrary advisory committees to the Board of Directors in order to enhance the independence and objectivity of the functions of the Board of Directors regarding the appointment, dismissal and remuneration of Directors 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.

* The Company proposed a resolution for the election of 10 directors at the Ordinary General Meeting of Shareholders scheduled for June 25, 2025. If the proposal is approved and adopted, the Company will have 10 directors (including five outside directors), but there will be no changes to the composition of the voluntary advisory committees.

3) Relationship between corporate organizations and internal control



4) Corporate organizations

The Board of Directors 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	13	Matters related to financial results (quarterly, full year), shareholder returns Medium-term business strategy Sustainability targets Business portfolio policy Human resource strategy, Personnel matters for officers and general managers, Payment of annual bonuses to Directors 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	6	Outside concurrent service by executive Directors Structure of Executive Officers, Directors, and Corporate Auditors for the next fiscal year Post-retirement treatment of officers Board of Directors skills matrix	All committee members attended all meetings (6 committee members)
Compensation Committee	5	Annual bonuses and stock-based compensation for the current fiscal year Compensation structures and levels for Directors and executive officers Modification of remuneration for officers	All committee members attended all meetings (6 committee members)

(2) Information about officers

1 Directors, Corporate Auditors, and Executive Officers

1) The composition of the Company's officers as of the filing date of this Annual Securities Report (June 23, 2025) is as follows.

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

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director & Chairman	Toshikazu Koike	October 14, 1955	April 1979 Joined the Company August 1982 Brother International Corporation (U.S.A.) October 1992 Director of Brother International Corporation (U.S.A.) January 2000 Director & President of Brother International Corporation (U.S.A.) June 2004 Director of the Company January 2005 Director & Chairman of Brother International Corporation (U.S.A.) April 2005 Director & Managing Executive Officer of the Company April 2006 Director & Senior Managing Executive Officer of the Company June 2006 Representative Director & Senior Managing Executive Officer of the Company June 2007 Representative Director & President of the Company June 2018 Representative Director & Chairman of the Company June 2020 Outside Director of Toyo Seikan Group Holdings, Ltd. May 2021 Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation June 2022 Director & Chairman (current position) June 2024 Outside Director of Ibiden Co., Ltd. (current position)	(Note 4)	30
Director & Vice Chairman	Ichiro Sasaki	April 30, 1957	April 1983 Joined the Company January 2005 Managing Director of Brother U.K. Ltd. April 2008 General Manager of NID Research & Development Dept. of the Company April 2009 Executive Officer of the Company April 2013 Managing Executive Officer of the Company June 2014 Director & Managing Executive Officer of the Company June 2016 Representative Director & Managing Executive Officer of the Company April 2017 Representative Director & Senior Managing Executive Officer of the Company June 2018 Representative Director & President of the Company June 2024 Director & Vice Chairman of the Company (current position)	(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	April 1985 Joined the Company April 2003 Director & Vice President of Brother International GmbH April 2009 General Manager of Corporate Planning Dept. of the Company April 2013 Director & Executive Vice President of Brother International Corporation (U.S.A.) April 2014 Director & President of Brother International Corporation (U.S.A.) April 2015 Group Executive Officer of the Company November 2019 Director & Chairman of Brother International Corporation (U.S.A.) April 2020 Managing Executive Officer of the Company June 2021 Director & Managing Executive Officer of the Company April 2023 Director & Senior Managing Executive Officer June 2023 Representative Director & Senior Managing Executive Officer April 2024 Representative Director & Vice President June 2024 Representative Director & President of the Company (current position)	(Note 4)	12
Representative Director & Executive Vice President* Head of Industrial Printing Business Division	Tadashi Ishiguro	June 21, 1960	April 1984 Joined the Company May 1987 Brother International Corporation (U.S.A.) January 2005 Director & President of Brother International Corporation (U.S.A.) April 2011 Group Executive Officer of the Company April 2013 Group Managing Executive Officer of the Company April 2014 Director and Chairman of Brother International Corporation (U.S.A.) June 2014 Director & Group Managing Executive Officer of the Company January 2015 Director & Managing Executive Officer of the Company April 2017 Director & Senior Managing Executive Officer of the Company June 2017 Representative Director & Senior Managing Executive Officer of the Company April 2021 Representative Director & Executive Vice President of the Company (current position)	(Note 4)	36

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director & Executive Vice President* 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., SC Development Dept., Quality Management Dept., of P&S Business Division	Satoru Kuwabara	November 21, 1962	April 1987 Joined the Company October 2004 General Manager, Development Dept. 1 of Information & Document Company April 2008 General Manager, Development Dept. 1 of the Company April 2009 General Manager of Development Planning Dept. of the Company April 2010 CEO of BROTHER TECHNOLOGY (Shenzhen) LTD. April 2014 General Manager of Development Planning Dept. of the Company October 2014 General Manager, LE Development Dept. of the Company April 2015 Executive Officer of the Company April 2019 Managing Executive Officer of the Company June 2021 Director & Managing Executive Officer of the Company April 2023 Director & Senior Managing Executive Officer June 2023 Representative Director & Senior Managing Executive Officer April 2024 Representative Director & Executive Vice President of the Company (current position)	(Note 4)	13
Director & Senior Managing Executive Officer* Quality Production Center Responsible for: Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept., IJ Production Dept., Centralized Procurement Dept.	Taizo Murakami	February 2, 1962	April 1984 Joined the Company April 2007 General Manager, Production Technology Dept. of Printing & Solutions Company April 2008 General Manager, Production Technology Dept. of the Company April 2009 General Manager, Parts Engineering Dept. of the Company April 2010 Managing Director of Brother Industries Technology (Malaysia) Sdn. Bhd. April 2013 General Manager, Prototype Engineering Dept. of the Company April 2016 Executive Officer of the Company April 2019 Managing Executive Officer of the Company June 2022 Director & Managing Executive Officer of the Company April 2024 Director & Senior Managing Executive Officer of the Company (current position)	(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	April 1970 Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation) June 2000 Director of JGC Corporation (now JGC Holdings Corporation) June 2001 Managing Director of JGC Corporation June 2002 Senior Managing Director of JGC Corporation June 2006 Director and Vice President of JGC Corporation March 2007 President and Representative Director of JGC Corporation June 2009 Chairman and Representative Director of JGC Corporation June 2014 Principal Corporate Advisor of JGC Corporation June 2017 Outside Director of the Company (current position) June 2019 Outside Director of Japan Post Bank Co., Ltd. (current position)	(Note 4)	8
Director	Aya Shirai	May 23, 1960	April 1979 Joined All Nippon Airways Co., Ltd. June 1993 Member of Amagasaki City Council December 2002 The Mayor of Amagasaki City June 2011 Outside Director of Gunze Limited April 2013 Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation June 2015 Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. Outside Director of Sumitomo Precision Products Co., Ltd. June 2018 Outside Director of Sanyo Chemical Industries, Ltd. (current position) June 2019 Outside Director of the Company (current position) June 2022 Outside Director of The Royal Hotel, Ltd. (current position)	(Note 4)	6

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

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	Masahiko Miyaki	December 12, 1953	April 1977 Joined NIPPONDENSO Co., LTD. (now DENSO Corporation) June 2004 Managing Officer, Fuel Injection Engineering Dept. of DENSO Corporation June 2007 Managing Officer, Powertrain Control Systems Business Group of DENSO Corporation June 2010 Director & Senior Executive Officer, Electric System Business Group of DENSO Corporation June 2011 Director of TOYOTA BOSHOKU Corporation January 2012 Director & Senior Executive Officer, Powertrain Control Systems Business Group of DENSO Corporation June 2013 Representative Director & Vice President, Overall R&D, Engineering Research & Development Center, China Region of DENSO Corporation April 2015 Representative Director & Vice President, Quality, Safety, & Environmental Center of DENSO Corporation April 2017 Director of DENSO Corporation June 2017 Advisor to DENSO Corporation June 2021 Outside Director of the Company (current position)	(Note 4)	3
Standing Corporate Auditor	Keizo Obayashi	July 14, 1962	April 1986 Joined the Company March 2004 Brother International Europe, Ltd. April 2017 General Manager of Treasury Dept. of the Company April 2020 General Manager of Corporate Auditors' Office of the Company June 2020 Corporate Auditor of the Company (current position)	(Note 5)	6
Standing Corporate Auditor	Takeshi Yamada	June 5, 1963	April 1987 Joined the Company May 1993 Brother Industries (U.K.) April 2002 Brother Sales, Ltd. June 2005 Brother International Corporation (U.S.A.) April 2014 Director of Brother International Corporation (U.S.A.) April 2017 Representative Director & President of Brother International Corporation April 2018 General Manager, Corporate Planning Dept. of the Company April 2023 Deputy General Manager, Corporate Auditors' Office of the Company June 2023 Corporate Auditor of the Company (current position)	(Note 6)	7

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Akira Yamada	May 16, 1953	April 1986 Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki June 1991 Registered as an attorney in New York (current position) January 1992 Partner of Miyake & Yamazaki March 1994 Resident Partner of Bangkok Office of Miyake & Yamazaki January 2015 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. June 2015 External Audit & Supervisory Board Member of Denyo Co., Ltd. December 2015 Representative of Three Fields L.L.C. (current position) December 2016 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position) June 2018 Corporate Auditor of the Company (current position) June 2021 Outside Director (Member of the Audit and Supervisory Committee) of Denyo Co., Ltd.	(Note 7)	1
Corporate Auditor	Kazuya Jono	December 10, 1954	April 1977 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation June 2005 Executive Officer of Sumitomo Mitsui Banking Corporation (“SMBC”) April 2007 Managing Executive Officer of SMBC April 2009 Managing Executive Officer of Sumitomo Mitsui Financial Group (“SMFG”) Director and President of Sumitomo Mitsui Card & Credit, Inc. April 2010 Director and Senior Managing Executive Officer of SMBC Senior Managing Executive Officer of SMFG June 2011 Director of SMFG June 2012 Director and President, CEO of Citibank Japan Ltd. June 2015 Outside Auditor of The Japan Steel Works Ltd. Outside Auditor of Toray Industries, Inc. June 2019 Corporate Auditor of the Company (current position)	(Note 6)	3

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Chika Matsumoto	February 22, 1961	October 1990 Joined Chuo Shinko Audit Corporation (later changed its name to Misuzu Audit Corporation) March 1994 Registered as a CPA (current position) August 2007 Partner of AZUSA Audit Corporation (now KPMG AZSA, LLC) July 2013 Board member of KPMG AZSA LLC July 2017 Member of Management Oversight Committee, KPMG AZSA LLC July 2020 General Manager of Nagoya Office, KPMG AZSA LLC June 2023 Corporate Auditor of the Company (current position) June 2023 Outside Auditor of Hino Motors, Ltd. (current position)	(Note 6)	0
Total					194

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 18 Executive Officers and four Group Executive Officers. The four Directors to whom * is affixed in the table above concurrently serve as Executive Officers.

2) The Company submitted proposals for the election of 10 directors and election of one corporate auditor as agenda items (resolutions) at the Ordinary General Meeting of Shareholders scheduled for June 25, 2025. If these resolutions are approved and adopted, the composition and terms of office of the Company's officers will be as set forth below.
Please note that the titles or positions of the officers reflect the details of resolutions to be adopted at the Board of Directors meeting and Audit & Supervisory Board meeting scheduled to be held immediately after the Ordinary General Meeting of Shareholders.

12 males, 3 females (female ratio of 20.0%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director & Chairman	Toshikazu Koike	October 14, 1955	April 1979 August 1982 October 1992 January 2000 June 2004 January 2005 April 2005 April 2006 June 2006 June 2007 June 2018 June 2020 May 2021 June 2022 June 2024	Joined the Company Brother International Corporation (U.S.A.) Director of Brother International Corporation (U.S.A.) Director & President of Brother International Corporation (U.S.A.) Director of the Company Director & Chairman of Brother International Corporation (U.S.A.) Director & Managing Executive Officer of the Company Director & Senior Managing Executive Officer of the Company Representative Director & Senior Managing Executive Officer of the Company Representative Director & President of the Company Representative Director & Chairman of the Company Outside Director of Toyo Seikan Group Holdings, Ltd. Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation Director & Chairman (current position) Outside Director of Ibiden Co., Ltd. (current position)	(Note 4)	30

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	April 1985 Joined the Company April 2003 Director & Vice President of Brother International GmbH April 2009 General Manager of Corporate Planning Dept. of the Company April 2013 Director & Executive Vice President of Brother International Corporation (U.S.A.) April 2014 Director & President of Brother International Corporation (U.S.A.) April 2015 Group Executive Officer of the Company November 2019 Director & Chairman of Brother International Corporation (U.S.A.) April 2020 Managing Executive Officer of the Company June 2021 Director & Managing Executive Officer of the Company April 2023 Director & Senior Managing Executive Officer June 2023 Representative Director & Senior Managing Executive Officer April 2024 Representative Director & Vice President June 2024 Representative Director & President of the Company (current position)	(Note 4)	12
Representative Director & Executive Vice President* Head of Industrial Printing Business Division	Tadashi Ishiguro	June 21, 1960	April 1984 Joined the Company May 1987 Brother International Corporation (U.S.A.) January 2005 Director & President of Brother International Corporation (U.S.A.) April 2011 Group Executive Officer of the Company April 2013 Group Managing Executive Officer of the Company April 2014 Director and Chairman of Brother International Corporation (U.S.A.) June 2014 Director & Group Managing Executive Officer of the Company January 2015 Director & Managing Executive Officer of the Company April 2017 Director & Senior Managing Executive Officer of the Company June 2017 Representative Director & Senior Managing Executive Officer of the Company April 2021 Representative Director & Vice President of the Company (current position)	(Note 4)	36

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director & Executive Vice President* 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., SC Development Dept., Quality Management Dept., of P&S Business Division	Satoru Kuwabara	November 21, 1962	April 1987 Joined the Company October 2004 General Manager, Development Dept. 1 of Information & Document Company April 2008 General Manager, Development Dept. 1 of the Company April 2009 General Manager of Development Planning Dept. of the Company April 2010 CEO of BROTHER TECHNOLOGY (Shenzhen) LTD. April 2014 General Manager of Development Planning Dept. of the Company October 2014 General Manager, LE Development Dept. of the Company April 2015 Executive Officer of the Company April 2019 Managing Executive Officer of the Company June 2021 Director & Managing Executive Officer of the Company April 2023 Director & Senior Managing Executive Officer June 2023 Representative Director & Senior Managing Executive Officer April 2024 Representative Director & Vice President of the Company (current position)	(Note 4)	13
Director & Senior Managing Executive Officer* Quality Production Center Responsible for: Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept., IJ Production Dept., Centralized Procurement Dept.	Taizo Murakami	February 2, 1962	April 1984 Joined the Company April 2007 General Manager, Production Technology Dept. of Printing & Solutions Company April 2008 General Manager, Production Technology Dept. of the Company April 2009 General Manager, Parts Engineering Dept. of the Company April 2010 Managing Director of Brother Industries Technology (Malaysia) Sdn. Bhd. April 2013 General Manager, Prototype Engineering Dept. of the Company April 2016 Executive Officer of the Company April 2019 Managing Executive Officer of the Company June 2022 Director & Managing Executive Officer of the Company April 2024 Director & Senior Managing Executive Officer of the Company (current position)	(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	April 1970 Joined Japan Gasoline Co., Ltd. (now JGC Holdings Corporation) June 2000 Director of JGC Corporation (now JGC Holdings Corporation) June 2001 Managing Director of JGC Corporation June 2002 Senior Managing Director of JGC Corporation June 2006 Director and Vice President of JGC Corporation March 2007 President and Representative Director of JGC Corporation June 2009 Chairman and Representative Director of JGC Corporation June 2014 Principal Corporate Advisor of JGC Corporation June 2017 Outside Director of the Company (current position) June 2019 Outside Director of Japan Post Bank Co., Ltd.	(Note 4)	8
Director	Aya Shirai	May 23, 1960	April 1979 Joined All Nippon Airways Co., Ltd. June 1993 Member of Amagasaki City Council December 2002 The Mayor of Amagasaki City June 2011 Outside Director of Gunze Limited April 2013 Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation June 2015 Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. Outside Director of Sumitomo Precision Products Co., Ltd. June 2018 Outside Director of Sanyo Chemical Industries, Ltd. (current position) June 2019 Outside Director of the Company (current position) June 2022 Outside Director of The Royal Hotel, Ltd. (current position)	(Note 4)	6

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

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	Masahiko Miyaki	December 12, 1953	April 1977 Joined NIPPONDENSO Co., LTD. (now DENSO Corporation) June 2004 Managing Officer, Fuel Injection Engineering Dept. of DENSO Corporation June 2007 Managing Officer, Powertrain Control Systems Business Group of DENSO Corporation June 2010 Director & Senior Executive Officer, Electric System Business Group of DENSO Corporation June 2011 Director of TOYOTA BOSHOKU Corporation January 2012 Director & Senior Executive Officer, Powertrain Control Systems Business Group of DENSO Corporation June 2013 Representative Director & Vice President, Overall R&D, Engineering Research & Development Center, China Region of DENSO Corporation April 2015 Representative Director & Vice President, Quality, Safety, & Environmental Center of DENSO Corporation April 2017 Director of DENSO Corporation June 2017 Advisor to DENSO Corporation June 2021 Outside Director of the Company (current position)	(Note 4)	3
Standing Corporate Auditor	Keizo Obayashi	July 14, 1962	April 1986 Joined the Company March 2004 Brother International Europe, Ltd. April 2017 General Manager of Treasury Dept. of the Company April 2020 General Manager of Corporate Auditors' Office of the Company June 2020 Corporate Auditor of the Company (current position)	(Note 5)	6
Standing Corporate Auditor	Takeshi Yamada	June 5, 1963	April 1987 Joined the Company May 1993 Brother Industries (U.K.) April 2002 Brother Sales, Ltd. June 2005 Brother International Corporation (U.S.A.) April 2014 Director of Brother International Corporation (U.S.A.) April 2017 Representative Director & President of Brother International Corporation April 2018 General Manager, Corporate Planning Dept. of the Company April 2023 Deputy General Manager, Corporate Auditors' Office of the Company June 2023 Corporate Auditor of the Company (current position)	(Note 6)	7

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Akira Yamada	May 16, 1953	April 1986 Registered as an attorney (current position) Joined Miyake, Hatasawa & Yamazaki June 1991 Registered as an attorney in New York (current position) January 1992 Partner of Miyake & Yamazaki March 1994 Resident Partner of Bangkok Office of Miyake & Yamazaki January 2015 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. June 2015 External Audit & Supervisory Board Member of Denyo Co., Ltd. December 2015 Representative of Three Fields L.L.C. (current position) December 2016 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position) June 2018 Corporate Auditor of the Company (current position) June 2021 Outside Director (Member of the Audit and Supervisory Committee) of Denyo Co., Ltd.	(Note 7)	1
Corporate Auditor	Chika Matsumoto	February 22, 1961	October 1990 Joined Chuo Shinko Audit Corporation (later changed its name to Misuzu Audit Corporation) March 1994 Registered as a CPA (current position) August 2007 Partner of AZUSA Audit Corporation (now KPMG AZSA, LLC) July 2013 Board member of KPMG AZSA LLC July 2017 Member of Management Oversight Committee, KPMG AZSA LLC July 2020 General Manager of Nagoya Office, KPMG AZSA LLC June 2023 Corporate Auditor of the Company (current position) June 2023 Outside Auditor of Hino Motors, Ltd. (current position)	(Note 6)	0

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Corporate Auditor	Ikuko Akamatsu	February 27, 1968	January 1995 April 1997 April 2008 December 2010 August 2018 April 2019 July 2019 June 2020 June 2023 June 2025	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Registered as a CPA (current position) Registered as a Certified Fraud Examiner (current position) Chief Researcher, Management Training and Consulting Division, Institute of Management SANNO University Outside Director of Top's Inc. (current position) Senior Researcher, Management Training and Consulting Division, Institute of Management SANNO University Board Director, The Japanese Institute of Certified Public Accountants (current position) Outside Director of CAWACHI LIMITED Outside Audit & Supervisory Board Member of Toyo Seikan Group Holdings, Ltd. (current position) Outside Director of Nippon Kayaku Co., Ltd. (current position) Corporate Auditor of the Company (expectation)	(Note 8)	-
Total						145

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, Ms. Chika Matsumoto and Ms. Ikuko Akamatsu are Outside Auditors.
4. For one year from the closing of the Ordinary General Meeting of Shareholders held on June 25, 2025
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. For four years from the closing of the Ordinary General Meeting of Shareholders held on June 25, 2025

9. The Company has introduced an executive officer system to ensure swift decision-making and revitalize the Board of Directors. There are 18 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), eight Executive Officers (Mr. Tatsuo Terakura, Mr. Masahiro Akita, Mr. Hiroaki Fujino, Mr. Akira Nakashima, Mr. Eiji Okada, Mr. Hirotake Nakamura, Mr. Kunihiro Yasui, and Mr. Takeshi Iseki), two Group Managing Executive Officers (Mr. Donald Cummins, and Mr. Robert Pulford), and two Group Executive Officer (Mr. Yoshiichi Sugimoto, and 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 as of the filing date of this Annual Securities Report (June 23, 2025).

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.

Note: The Company proposed a resolution for the election of 10 directors at the Ordinary General Meeting of Shareholders scheduled for June 25, 2025. If the proposal is approved and adopted, the Company's five outside directors will continue to be Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, Mr. Naoki Hidaka, and Mr. Masahiko Miyaki.

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 characteristics 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.

The Company has conducted transactions with KPMG AZSA LLC, where Ms. Matsumoto served as head of the Nagoya Office. However, Ms. Matsumoto left KPMG AZSA in 2023, and the Company has determined that these transactions do not pose a risk of conflict of interest with general shareholders. 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.
Note: The Company proposed a resolution for the election of one Corporate Auditor at the Ordinary General Meeting of Shareholders scheduled for June 25, 2025. If the proposal is approved and adopted, the Company's three outside auditors will be Mr. Akira Yamada, Ms. Chika Matsumoto, and Ms. Ikuko Akamatsu.

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 characteristics 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 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.
The Company has conducted transactions with KPMG AZSA LLC, where Ms. Matsumoto served as head of the Nagoya Office. However, Ms. Matsumoto left KPMG AZSA in 2023, and the Company has determined that these transactions do not pose a risk of conflict of interest with general shareholders. 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.
Ms. Ikuko Akamatsu, a candidate for outside Auditor, was nominated based on her extensive experience, accomplishments, and expertise acquired over many years as a certified public accountant and certified fraud examiner. The Company believes that she can audit the Company's management from an independent perspective, separate from the executive team.
Capital relationships between the Company and Mr. Akira Yamada, Ms. Chika Matsumoto, and Ms. Ikuko Akamatsu are described under "1 Directors, Corporate Auditors, and Executive Officers" in the section on their respective shareholdings.

Other than this, there are no personal, capital, transactional, or other interests involved, and Mr. Akira Yamada and Ms. Chika Matsumoto have been performing their duties from an independent perspective as Outside Auditor. The Company has determined that Mr. Akira Yamada, Ms. Chika Matsumoto, and Ms. Ikuko Akamatsu do not pose any risk of conflict of interest with general shareholders in their roles as Outside Auditor.

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) as of the filing date of this Annual Securities Report. 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 four 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 FY2024. 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	12	12
Outside Auditors	Akira Yamada	12	12
	Kazuya Jono	12	12
	Chika Matsumoto	12	12

The Company submitted a proposal for the election of one corporate auditor as an agenda item (resolution) at the Ordinary General Meeting of Shareholders scheduled for June 25, 2025. If this resolution is approved, the Audit & Supervisory Board will continue to comprise five Auditors (including three outside Auditors).

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, Director & Vice Chairman, and Representative Director & President	○	○
	Hold meetings with independent officers (Outside Auditors and Outside Directors) for exchanges of opinions		○
	Hold meetings with 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 ・Audit of the status of establishment and operation of internal control systems ・Audit of Group governance ・Audit of information management ・Confirmation of the operational status of personnel systems	○	○

○: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 14 staff members. In addition, a total of 14 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

Yae Sugiura

d. Composition of assistants related to auditing

The assistants relating to the Company's accounting audits consist of 18 certified public accountants and 34 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	FY2023		FY2024	
	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	126	1	128	-
Consolidated subsidiaries	78	-	78	-
Total	204	1	206	-

(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.

(FY2024)

Not applicable.

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

Categories	FY2023		FY2024	
	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	-	51	-	13
Consolidated subsidiaries	961	171	1,009	153
Total	961	223	1,009	167

(FY2023)

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

(FY2024)

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, 2024 to March 31, 2025)

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	501	311	86	47	56	11
(Outside Directors)	(63)	(63)	(-)	(-)	(-)	(5)
Corporate Auditor	81	81	-	-	-	5
(Outside Auditors)	(31)	(31)	(-)	(-)	(-)	(3)
Total	582	393	86	47	56	16
(Outside Directors and Outside Auditors)	(95)	(95)	(-)	(-)	(-)	(8)

Notes

1. The amount of remuneration paid to Directors does not include the employee salary portion for those employees who also serve as Directors.
2. Since performance-based remuneration related to stock-based remuneration is linked to the performance targets (revenue, profit, CO_2 reductions, and TSR (TOPIX comparison ratio) for FY2024) in the former medium-term business strategy (FY2022–FY2024), the amounts shown are calculated according to the degree of achievement of the performance targets minus the amounts disclosed in the previous fiscal year.

2 Total amount of remuneration of persons whose total remuneration, etc. was 100 million yen or more

Name	Category of Officer	Category of Company	Total amount of remuneration, etc. (Millions of yen)	Total amount by type of remuneration (Millions of yen)			
				Basic remuneration	Performance-based remuneration	Stock-based remuneration	
						Basic remuneration	Performance-based remuneration
Kazufumi Ikeda	Director	Reporting company	100	48	27	11	12

Note

Since performance-based remuneration related to stock-based remuneration is linked to the performance targets (revenue, profit, CO_2 reductions, and TSR (TOPIX comparison ratio) for FY2024) in the former medium-term business strategy (FY2022–FY2024), the amounts shown are calculated according to the degree of achievement of the performance targets minus the amounts disclosed in the previous fiscal year.

3 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 FY2024 annual bonuses are 876,558 million yen for revenue and 54,778 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% × CO_2 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. CO_2 coefficient

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

Degree of Achievement	CO_2 Coefficient
100% or more	100%
80% to less than 100%	Same as degree of achievement
Less than 80%	0%

*4. TSR coefficient

The Company's TSR coefficient for the applicable period is calculated based on the ratio between the Company's TSR and the TOPIX (TOPIX comparison ratio) as shown in the table below.

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

TSR Ratio	TSR 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	Actual results	Reason for selecting as an indicator
Revenue	FY2024 (fiscal year ending March 31, 2025): 800 billion yen	876.6 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% (more than 56 billion yen)	54.8 billion yen	Profit for the year is highly important as an indicator for measuring improvement in corporate value
CO_2	47% reduction in CO_2 emissions during the target period (FY2022–FY2024) compared to FY2015 for Scopes 1 and 2	Over 47% reduction	Among the sustainability targets in the medium-term business strategy, climate change countermeasures (reduction of CO_2 emissions) are of high social importance
TSR	100% or more against TOPIX during the target period (FY2022–FY2024)	89.6% against TOPIX	TSR is highly important as an outcome of management that includes not only a company's business performance but also its stock price

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. The 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) Company shares will be acquired 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 FY2024 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 FY2024.

May 17, 2024	Annual bonuses for directors based on FY2023 results
	Grant of shares based on FY2023 results
December 23, 2024	Assessment of officer remuneration levels
	Direction for reviewing officer remuneration levels
February 6, 2025	Review of officer base remuneration, annual bonuses and stock-based remuneration
February 27, 2025	Review of officer base remuneration, annual bonuses and stock-based remuneration
March 24, 2025	Modification of officer remuneration systems

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 FY2024 as indicated below.

June 25, 2024	FY2023 director remuneration
March 24, 2025	Modification of remuneration of outside officers

4 Policy on determining amounts or calculation methods of remuneration of officers and determination methods for the 134th fiscal term

Regarding the policy on determining amounts or calculation methods of remuneration of officers and determination methods, pursuant to a resolution adopted by the Board of Directors on March 24, 2025, the policies for the 133rd fiscal term were partially revised as outlined below and will serve as the policies for the 134th fiscal term. Items not mentioned below are unchanged.

1) 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, “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” and “base profit for the year.”

ii. The total annual bonus fund for the relevant fiscal year is calculated by multiplying the allocation ratio from i and consolidated profit.

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 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.

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

Performance-linked points for stock-based remuneration are calculated using the formula set forth below.

Formula

Performance-linked final value = (A) + (B) + (C) + (D)

(A) Performance-linked cumulative value × 25% × ROE coefficient*[1]

(B) Performance-linked cumulative value × 25% × TSR coefficient*[2]

(C) Performance-linked cumulative value × 25% × Revenue coefficient*[3]

(D) Performance-linked cumulative value × 25% × CO_2 coefficient*[4]

Notes

*1 ROE Coefficient

The ROE coefficient is calculated in accordance with the following table according to the degree of achievement of the ROE target in the final fiscal year of the applicable period.

Degree of Achievement	ROE Coefficient
130% or more	200%
100% to less than 130%	(Degree of achievement - 70%) × 10÷3
70% to less than 100%	Same as degree of achievement
Less than 70%	0%

*2. TSR coefficient

The Company's TSR coefficient for the applicable period is calculated based on the ratio between the Company's TSR and the TOPIX (TOPIX comparison ratio) as shown in the table below.

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

TSR Ratio	TSR Coefficient
150% or more	150%
100% to less than 150%	Same as degree of achievement
less than 100%	0%

*3. 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
150% or more	150%
75% to less than 150%	Same as degree of achievement
Less than 75%	0%

*4. CO_2 coefficient

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

Degree of Achievement	CO_2 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.

Regarding the performance-link indicators for stock-based remuneration, we selected from among the performance targets in the medium-term business strategy. The respective target values and reasons for selecting those indicators are as follows.

Type of indicator	Target value	Reason for selecting as an indicator
ROE	FY2027 (fiscal year ending March 31, 2028): 10%	ROE is an important indicator for measuring enhancement of corporate value
TSR	100% or more against TOPIX during the target period (FY2025–FY2027)	TSR is important as a business performance indicator including stock prices
Revenue	FY2027 (fiscal year ending March 31, 2028): 1 trillion yen	Revenue is important as an indicator for measuring enhancement of corporate value
CO_2	56% reduction in CO_2 emissions during the target period (FY2025–FY2027) compared to FY2015 for Scopes 1 and 2	Climate change measures are of considerable social importance as sustainability targets

* Since target values relate to the end of the final year of the medium-term business strategy (March 31, 2028), actual values are not shown.

(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 invests in 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. 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 investments 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	14	13,728

(Issues whose holdings increased in the current fiscal year)

Not applicable.

(Issues whose holdings decreased in the current fiscal year)

	Number of issues	Total sales value related to decreased holdings (Millions of yen)
Unlisted shares	-	-
Other than unlisted shares	2	248

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	Overview of business alliances, etc. 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)		
Zeon Corporation	2,365,000	2,365,000	Shares are held mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business.	Yes
	3,535	3,124		
Nidec Corporation	1,308,000	654,000	Shares are held mainly for the maintenance of relationships concerning parts procurement and hardware sales in the Printing & Solutions Business. The increase in the number of shares is due to a stock split.	Yes
	3,259	4,009		
Citizen Watch Co., Ltd.	1,526,900	1,526,900	Shares are held for the maintenance of a cooperative manufacturing and sales relationship.	No
	1,361	1,513		
MS&AD Insurance Group Holdings, Inc	395,100	131,700	Shares are held for the maintenance of a comprehensive insurance trading relationship. The increase in the number of shares is due to a stock split.	No
	1,274	1,071		
Sanyo Denki Co., Ltd.	125,400	125,400	Shares are held for the maintenance of a trading relationship in the Machinery Business.	Yes
	1,171	884		
Toho Gas Co., Ltd.	200,000	200,000	Shares are held for the development of a business relationship.	Yes
	827	692		
Okaya & Co., Ltd.	104,000	52,000	Shares are held for the maintenance of hardware sales and purchasing relationship in the Machinery Business. The increase in the number of shares is due to a stock split.	Yes
	725	879		
Okuma Corporation	128,000	64,000	Shares are held for the maintenance of a trading relationship in the Machinery Business. The increase in the number of shares is due to a stock split.	Yes
	436	455		
Yamazen Corporation	300,000	300,000	Shares are held for the maintenance of hardware sales and purchasing relationship in the Machinery Business.	Yes
	395	403		

Issue	Current fiscal year	Previous fiscal year	Overview of business alliances, etc. 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)		
Chiyoda Integre Co., Ltd.	87,800	87,800	Shares are held mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business.	Yes
	255	244		
Jichodo Co., Ltd.	22,200	22,200	Shares are held for the maintenance of a trading relationship.	Yes
	217	292		
Ryoyo Ryosan Holdings, Inc.	79,068	59,900	Shares are held mainly for the maintenance of relationships concerning parts procurement in the Printing & Solutions Business. The increase in the number of shares is due to a business integration.	Yes
	193	294		
Yuasa Trading Co., Ltd.	11,000	11,000	Shares are held for the maintenance of hardware sales and purchasing relationship in the Machinery Business.	Yes
	49	58		
Meiko Trans Co., Ltd.	16,000	16,000	Shares are held for the maintenance of transport service trading.	Yes
	25	25		
Ushio Inc.	-	120,300	As a result of an examination of the rationality of holding the shares, the shares were sold in the current fiscal year.	No
	-	234		
Roland DG Corporation	-	100	The shares were sold in the current fiscal year.	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
	3,081	2,385		
ITFOR Inc.	1,420,000	1,420,000	・Restriction on exercising its voting rights	Yes
	2,108	1,932		
Sumitomo Mitsui Financial Group, Inc.	402,900	134,300	・Restriction on exercising its voting rights ・The increase in the number of shares is due to a stock split.	No
	1,529	1,196		

Notes

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 November 2024.

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 Group's consolidated financial statements were prepared in accordance with the Regulation on IFRS Accounting Standards pursuant to Article 312 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance of Japan Order No. 28 of 1976).

(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, 2024 to March 31, 2025 and the non-consolidated financial statements for the fiscal year from April 1, 2024 to March 31, 2025 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	
		FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	8, 40	166,146	172,776
Trade and other receivables	9, 40	131,591	134,719
Other financial assets	10, 40	7,417	5,314
Inventories	11	207,971	226,840
Other current assets	12	28,772	34,422
Total current assets		541,899	574,073
Non-current assets			
Property, plant and equipment	13, 16	147,757	149,412
Right-of-use assets	16, 21	32,602	28,782
Investment property	14	5,801	5,346
Goodwill and intangible assets	15, 16	97,241	95,836
Investments accounted for using the equity method	17	2,186	2,461
Other financial assets	10, 18, 40	31,355	33,570
Deferred tax assets	19	20,659	24,754
Other non-current assets	12, 24	16,606	18,411
Total non-current assets		354,210	358,576
Total assets		896,109	932,650

	Notes	Millions of yen	
		FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	22, 40	74,289	88,449
Other financial liabilities	20, 21, 23, 40	10,650	10,097
Income tax payables		7,597	10,529
Provisions	25	5,136	4,840
Contract liabilities	29	7,010	7,317
Other current liabilities	26	62,059	62,109
Total current liabilities		166,743	183,343
Non-current liabilities			
Bonds and borrowings	20, 40	600	600
Other financial liabilities	20, 21, 23, 40	29,478	24,795
Retirement benefits liabilities	24	16,182	16,269
Provisions	25	3,968	4,811
Deferred tax liabilities	19	7,219	6,744
Contract liabilities	29	2,562	2,509
Other non-current liabilities	26	1,232	2,104
Total non-current liabilities		61,244	57,834
Total liabilities		227,988	241,178
Equity			
Capital stock	27	19,209	19,209
Capital surplus	27	17,920	17,996
Retained earnings		584,293	612,589
Treasury stock	27	(3,443)	(3,393)
Other components of equity		50,066	44,988
Equity attributable to owners of the parent company		668,047	691,390
Non-controlling interests		73	81
Total equity		668,121	691,472
Total equity and liabilities		896,109	932,650

Consolidated Statement of Income

	Notes	Millions of yen	
		FY2023 (Year ended March. 31, 2024)	FY2024 (Year ended March. 31, 2025)
Revenue	6, 14, 29	822,930	876,558
Cost of sales	11, 13,14, 15, 24,30, 33	(467,589)	(494,968)
Gross profit		355,340	381,589
Selling, general and administrative expenses	13,15,24, 31, 39	(279,761)	(303,906)
Other income	32, 33, 40	8,157	2,289
Other expenses	16, 24, 32, 40	(33,944)	(10,084)
Operating profit	6	49,792	69,888
Finance income	34	5,881	5,925
Finance expenses	34	(3,441)	(1,595)
Share of profit/(loss) of investments accounted for using the equity method	17	291	475
Profit before income taxes		52,523	74,694
Income tax expenses	19	(20,861)	(19,902)
Profit for the year		31,662	54,792
Profit for the year attributable to:			
Owners of the parent company		31,645	54,778
Non-controlling interests		16	14
Profit for the year		31,662	54,792

	Notes	Yen	
		FY2023 (Year ended March. 31, 2024)	FY2024 (Year ended March. 31, 2025)
Earnings per share			
Basic earnings per share	35	123.81	214.27
Diluted earnings per share	35	123.48	213.74

Consolidated Statement of Comprehensive Income

	Notes	Millions of yen	
		FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Profit for the year		31,662	54,792
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Gains on investments in equity instruments designated as FVTOCI	36,40	1,347	137
Remeasurement of the net defined benefit liability (asset)	36	671	(994)
Total of items that will not be reclassified subsequently to profit or loss		2,019	(857)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	36	55,028	(5,078)
Total of items that may be reclassified subsequently to profit or loss		55,028	(5,078)
Other comprehensive income for the year, net of income tax		57,047	(5,935)
Comprehensive income for the year		88,710	48,856
Comprehensive income for the year attributable to:			
Owners of the parent company		88,690	48,841
Non-controlling interests		19	15
Comprehensive income for the year		88,710	48,856

Consolidated Statement of Changes in Equity

FY2023 (Year Ended March 31, 2024)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains on investments in equity instruments designated as FVTOCI
Balance as of April 1, 2023		19,209	17,849	568,055	(3,533)	(4,962)	-
Profit for the year		-	-	31,645	-	-	-
Other comprehensive income		-	-	-	-	55,028	1,347
Total comprehensive income for the year		-	-	31,645	-	55,028	1,347
Acquisition of treasury stock	27	-	-	-	(4)	-	-
Disposal of treasury stock	27	-	(91)	(2)	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	-

	Notes	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
		Other components of equity		Total		
		Remeasurement of the net defined benefit liability (asset)	Total			
Balance as of April 1, 2023		-	(4,962)	596,619	60	596,680
Profit for the year		-	-	31,645	16	31,662
Other comprehensive income		669	57,045	57,045	2	57,047
Total comprehensive income for the year		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)	(2,016)	(17,262)	(6)	(17,269)
Balance as of March 31, 2024		-	50,066	668,047	73	668,121

FY2024 (Year Ended March 31, 2025)

(Millions of yen)

	Notes	Equity attributable to owners of the parent company					
						Other components of equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations	Gains on investments in equity instruments designated as FVTOCI
Balance as of April 1, 2024		19,209	17,920	584,293	(3,443)	50,066	-
Profit for the year		-	-	54,778	-	-	-
Other comprehensive income		-	-	-	-	(5,078)	137
Total comprehensive income for the year		-	-	54,778	-	(5,078)	137
Acquisition of treasury stock	27	-	-	-	(8)	-	-
Disposal of treasury stock	27	-	(97)	-	97	-	-
Dividends paid	28	-	-	(25,623)	-	-	-
Share-based payment transaction	39	-	172	-	-	-	-
Reclassification to retained earnings		-	-	(858)	-	-	(137)
Other		-	-	-	(40)	-	-
Total transactions with owners		-	75	(26,482)	49	-	(137)
Balance as of March 31, 2025		19,209	17,996	612,589	(3,393)	44,988	-

	Notes	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
		Other components of equity		Total		
		Remeasurement of the net defined benefit liability (asset)	Total			
Balance as of April 1, 2024		-	50,066	668,047	73	668,121
Profit for the year		-	-	54,778	14	54,792
Other comprehensive income		(995)	(5,936)	(5,936)	1	(5,935)
Total comprehensive income for the year		(995)	(5,936)	48,841	15	48,856
Acquisition of treasury stock	27	-	-	(8)	-	(8)
Disposal of treasury stock	27	-	-	0	-	0
Dividends paid	28	-	-	(25,623)	(7)	(25,631)
Share-based payment transaction	39	-	-	172	-	172
Reclassification to retained earnings		995	858	-	-	-
Other		-	-	(40)	-	(40)
Total transactions with owners		995	858	(25,498)	(7)	(25,506)
Balance as of March 31, 2025		-	44,988	691,390	81	691,472

Consolidated Statement of Cash Flows

	Notes	Millions of yen	
		FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Cash flows from operating activities			
Profit before income taxes		52,523	74,694
Depreciation and amortization		47,537	52,686
Impairment losses		28,325	546
Finance expenses/(income)		(2,440)	(4,330)
Share of (profit)/loss of investments accounted for using the equity method		(291)	(475)
Losses/(gains) on sale or disposal of fixed assets		(2,794)	2,652
Decrease/(increase) in trade and other receivables		3,351	(5,633)
Decrease/(increase) in inventories		34,417	(21,822)
Increase/(decrease) in trade and other payables		(15,070)	15,631
Decrease/(increase) in retirement benefit assets		(2,269)	(1,764)
Increase/(decrease) in retirement benefit liabilities		(33)	201
Other		3,968	(3,669)
Subtotal		147,224	108,718
Interest received		3,555	5,470
Dividends received		475	618
Interest paid		(1,026)	(1,198)
Income taxes paid		(9,200)	(23,585)
Net cash provided by operating activities		141,028	90,023
Cash flows from investing activities			
Purchases of property, plant and equipment		(38,015)	(35,783)
Proceeds from sales of property, plant and equipment		1,016	321
Purchases of intangible assets		(9,470)	(11,327)
Proceeds from sales of investment properties		3,000	-
Purchases of investments in equity instruments		(1,013)	(1,214)
Proceeds from sales of investments in equity instruments		5	597
Purchases of investments in debt instruments		(4,269)	(4,181)
Proceeds from sales or redemption of investments in debt instruments		8,158	6,423
Payments for acquisition of businesses		(157)	-
Other		(1,322)	(2,987)
Net cash used in investing activities		(42,068)	(48,152)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	37	(15,616)	-
Repayment of long-term borrowings	37	(19,997)	-
Repayment of lease obligations	37	(8,543)	(8,973)
Dividends paid	28	(17,421)	(25,623)
Purchase of treasury stock		(3)	(5)
Dividends paid to non-controlling interests		(7)	(7)
Other		4	0
Net cash used in financing activities		(61,584)	(34,609)
Effect of exchange rate changes on cash and cash equivalents		9,727	(631)
Net increase/(decrease) in cash and cash equivalents		47,103	6,629
Cash and cash equivalents at the beginning of the year	8	119,042	166,146
Cash and cash equivalents at the end of the year	8	166,146	172,776

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 312 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, 2025, were approved on June 20, 2025 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. 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 detective goods and the expected after-sales service costs in the warranty period. The provision of allowance for product warranty is included in “Selling, general and administrative expenses” in the consolidated statement of income.

(17) Revenue

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

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

(18) Government grants

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

(19) Income taxes

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

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

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

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets or liabilities in transactions that do not affect either accounting profit or taxable profit 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 impact of application of IFRS 18 is currently being investigated. The impact of application of IFRS 9 and IFRS 7 will be de minimis.

IFRS		Timing of compulsory application (fiscal year starting on or after the date)	Timing of application by the Group	Overview of establishment
IFRS 9 IFRS 7	Contracts Referencing Nature-dependent Electricity	January 1, 2026	Fiscal year ending March 31, 2027	Revision to appropriately reflect nature-dependent electricity contracts in financial statements
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	New standard replacing IAS 1, the current accounting standard 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.

A reportable segment of 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.

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.

FY2024 (Year Ended March 31, 2025)

(Millions of yen)

	Reportable segment							Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Revenue										
Customers	544,828	85,209	119,396	20,017	57,150	38,808	11,147	876,558	-	876,558
Intersegment	-	-	-	-	-	-	14,678	14,678	(14,678)	-
Total	544,828	85,209	119,396	20,017	57,150	38,808	25,825	891,236	(14,678)	876,558
Business segment profit	60,986	853	5,438	474	7,315	1,924	715	77,708	(24)	77,683
Other income and expenses	(2,119)	(49)	(1,871)	(491)	(656)	39	(2,645)	(7,794)	-	(7,794)
Operating profit/(loss)	58,867	804	3,566	(16)	6,659	1,963	(1,929)	69,913	(24)	69,888
Finance income and expenses										4,330
Share of profit/(loss) of investments accounted for using the equity method										475
Profit before income taxes										74,694

Other items

	Reportable segment							Total	Reconciliations (Note 4)	Consolidated
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Depreciation	28,644	3,318	9,386	1,977	1,799	6,642	917	52,686	-	52,686
Impairment losses	-	-	-	457	-	88	-	546	-	546
Capital expenditure (Note 3)	24,305	3,692	5,358	1,462	2,423	7,053	4,415	48,710	4,523	53,234

(Notes)

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

2) Reconciliation amount of ¥(24) 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 ¥4,523 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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Printing & Solutions		
Communications and printing equipment	448,563	475,483
Labeling	66,379	69,345
Printing & Solutions total	514,942	544,828
Machinery		
Machine tools	43,079	47,318
Industrial sewing machines	34,293	37,891
Machinery total	77,372	85,209
Domino	109,643	119,396
Nissei	20,830	20,017
Personal & Home	50,480	57,150
Network & Contents	38,098	38,808
Others	11,562	11,147
Total	822,930	876,558

(4) Information about geographical areas

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

Revenue from customers

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Japan	116,627	116,363
U.S.A.	210,419	226,840
China	72,849	82,583
Others	423,034	450,770
Total	822,930	876,558

(Note)

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

Non-current assets

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Japan	98,531	100,607
Overseas		
The Americas		
U.S.A.	21,736	18,507
Others	2,940	2,764
The Americas total	24,677	21,271
Europe		
U.K.	88,046	85,450
Others	11,241	11,251
Europe total	99,288	96,701
Asia and others		
China	17,919	15,695
Vietnam	18,242	17,324
Philippines	24,174	26,293
Others	6,264	7,624
Asia and others total	66,601	66,937
Overseas total	190,566	184,911
Total	289,098	285,518

(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

FY2023 (Year ended March 31, 2024)
Disclosure is omitted as it is immaterial.

FY2024 (Year ended March 31, 2025)
Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Cash and cash equivalents		
Cash and deposits	166,146	172,776
Total	166,146	172,776

The balance of “Cash and cash equivalents” in the consolidated statement of financial position as of March 31, 2024 and March 31, 2025, 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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Notes receivable	8,148	6,332
Accounts receivable	122,758	128,885
Other	2,810	2,142
Allowance for doubtful accounts	(2,125)	(2,642)
Total	131,591	134,719

The receivables expected to be collected more than one year after March 31, 2024 and March 31, 2025 are ¥1,431 million and ¥1,290 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Current assets		
Financial assets measured at amortized cost	7,218	5,125
Financial assets measured at FVTPL		
Derivatives	224	213
Items other than derivatives	0	0
Allowance for doubtful accounts	(25)	(24)
Total	7,417	5,314
Non-current assets		
Financial assets measured at amortized cost	8,594	9,834
Financial assets measured at FVTPL		
Derivatives	-	-
Items other than derivatives	5,559	6,886
Financial assets measured at FVTOCI		
Equity instruments	17,231	16,878
Allowance for doubtful accounts	(29)	(28)
Total	31,355	33,570

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Merchandise and finished goods	133,265	154,672
Work in process	13,184	13,783
Raw materials and supplies	61,521	58,385
Total	207,971	226,840

The amounts of inventories recognized in cost of sales for the years ended March 31, 2024 and 2025 are ¥462,865 million and ¥489,526million, respectively.
Also, the amounts of the write-down of inventories recognized as cost of sales are as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Write-down	9,120	9,740

12. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Other current assets		
Prepaid expenses	11,018	11,261
Advance payments	994	1,250
Consumption taxes receivable	10,598	13,276
Income taxes receivable	4,294	6,313
Other	1,865	2,319
Total	28,772	34,422
Other non-current assets		
Long-term prepaid expenses	5,338	5,707
Retirement benefit assets	6,985	8,556
Insurance funds	3,152	2,973
Other	1,129	1,173
Total	16,606	18,411

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, 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
Acquisitions	-	2,981	9,392	14,323	7,713	34,411
Sales or disposals	-	(551)	(5,463)	(12,045)	(1,594)	(19,656)
Foreign exchange differences	(25)	(1,010)	(687)	(639)	(21)	(2,384)
Other	150	3,199	4,058	714	(8,198)	(75)
Balance as of March 31, 2025	17,173	165,275	122,795	157,048	1,742	464,034

(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, 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)
Depreciation	-	(6,207)	(8,142)	(14,141)	-	(28,491)
Impairment losses	(35)	(203)	(238)	(11)	-	(489)
Sales or disposals	-	365	5,169	11,457	-	16,992
Foreign exchange differences	(0)	484	484	503	-	1,472
Other	31	(128)	22	(50)	-	(124)
Balance as of March 31, 2025	(872)	(94,154)	(87,959)	(131,635)	-	(314,621)

(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, 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
Balance as of March 31, 2025	16,300	71,120	34,836	25,413	1,742	149,412

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	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	11,740	11,548
Acquisitions	57	249
Sales or disposals	(250)	(526)
Reclassifications	-	4
Balance at the end of the year	11,548	11,275

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	(5,523)	(5,747)
Depreciation	(425)	(316)
Sales or disposals	201	134
Reclassifications	-	(0)
Balance at the end of the year	(5,747)	(5,929)

(Millions of yen)

Carrying amount and fair value	FY2023 (As of March 31, 2024)		FY2024 (As of March 31, 2025)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	5,801	16,769	5,346	16,094

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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Rental income	1,468	1,289
Direct operating expenses arising from investment property that generated rental income	(706)	(581)

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, respectively.

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, 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
Acquisitions	-	2,969	1,192	-	-	6,830	10,992
Internal generation	-	-	-	335	-	-	335
Sales or disposals	-	(3,702)	-	-	-	(66)	(3,768)
Foreign exchange differences	1,769	(399)	-	64	448	194	2,077
Other	-	5,727	-	0	-	(5,536)	190
Balance as of March 31, 2025	140,899	112,621	12,377	5,467	34,106	36,542	342,014

(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, 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)
Amortization	-	(7,996)	(254)	(673)	(2,288)	(2,592)	(13,806)
Impairment losses	(0)	(4)	-	-	-	(0)	(5)
Sales or disposals	-	3,669	-	-	-	15	3,685
Foreign exchange differences	(1,044)	356	-	(35)	(243)	(138)	(1,105)
Other	-	(1)	-	(0)	-	-	(1)
Balance as of March 31, 2025	(87,220)	(92,653)	(10,829)	(3,687)	(22,237)	(29,550)	(246,178)

(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, 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
Balance as of March 31, 2025	53,679	19,967	1,547	1,779	11,868	6,991	95,836

(Note)
Significant intangible assets as of March 31, 2025 are customer related assets. The carrying amount is ¥11,868 million and the remaining amortization period is 5.25 years.

The research and development expenses for the fiscal years ended March 31, 2024, and March 31, 2025, are as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Research and development expenses	47,941	49,464

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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Property, plant and equipment		
Land	-	35
Buildings and structures	25	203
Machinery, equipment and vehicles	-	238
Tools, furniture and fixtures	11	11
Right-of-use assets		
Buildings and structures	68	47
Tools, furniture and fixtures	0	-
Vehicles	0	0
Intangible assets		
Goodwill	28,216	0
Software	1	4
Other intangible assets	0	0
Other	0	3
Total of impairment losses	28,325	546

(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 consolidated fiscal year other than the losses described in “(3) Impairment test for goodwill.”
There was no significant impairment loss in the current consolidated fiscal year.

(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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Domino	52,489	53,214
Other	466	465
Total	52,955	53,679

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 12.62% and 12.86% 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 4.8% and 3.3% to 3.9% for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.
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 28,216 million yen.
In the current consolidated fiscal year, the recoverable amount exceeded the carrying amount by 13,413 million yen, but there is a risk that if the major assumption that serve as the basis for the value in use were to change, impairment would be incurred. In the current consolidated fiscal year, there was a possibility that impairment losses would be incurred if the discount rate increased by 0.99% or if the final growth rate used to calculate the terminal value of business decreased by 2.60%.

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Carrying amount total	2,186	2,461

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

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
The share amount of earnings of associates from continuing operations	291	475
The share amount of comprehensive income from associates	291	475

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Total assets of unconsolidated structured entities	188,024	246,615
The Company's maximum exposure to loss		
The carrying amount of the investments recognized by the Company	5,559	6,886
Commitments related to additional investments	2,385	1,205
Total	7,944	8,092

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:

FY2023 (Year ended March 31, 2024)

(Millions of yen)

	Balance as of April 1, 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

FY2024 (Year ended March 31, 2025)

(Millions of yen)

	Balance as of March 31, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance as of March 31, 2025
Deferred tax assets					
Inventories	13,560	4,037	-	(59)	17,538
Retirement benefit liabilities	3,043	(29)	314	(19)	3,308
Property, plant and equipment	4,101	(2,650)	-	(43)	1,407
Accrued bonuses	2,664	(42)	-	(9)	2,611
Accrued unused paid absences	2,102	113	-	(20)	2,195
Accrued expenses	2,098	48	-	(80)	2,066
Provisions	740	390	-	(19)	1,111
Other	17,512	(1,673)	136	(320)	15,655
Subtotal	45,825	192	451	(572)	45,895
Deferred tax liabilities					
Property, plant and equipment	(6,807)	2,609	-	(3)	(4,201)
Assets identified by business combinations	(5,696)	855	-	-	(4,841)
Equity instruments designated as FVTOCI	(3,426)	-	5	-	(3,420)
Securities withdrawn from retirement benefit trust	(2,464)	(72)	-	-	(2,536)
Reserve for tax purpose reduction entry of non-current assets	(1,670)	39	-	-	(1,631)
Retirement benefit Assets	(1,960)	(461)	(83)	-	(2,504)
Other	(10,360)	1,334	-	276	(8,749)
Subtotal	(32,385)	4,305	(77)	272	(27,884)
Total	13,439	4,497	373	(300)	18,010

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Deferred tax assets	20,659	24,754
Deferred tax liabilities	(7,219)	(6,744)
Net amount	13,439	18,010

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

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Deductible temporary differences	95,675	102,231
Unused tax losses	14,670	10,867
Total	110,345	113,099

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

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
1st year	2,164	58
2nd year	1	-
3rd year	17	-
4th year	-	-
5th year and thereafter	12,485	10,809
Total	14,670	10,867

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, 2024 and 2025 are ¥283,102 million and ¥278,772 million, respectively. Deferred tax liabilities are not recognized for the above temporary differences as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Current tax expenses	20,216	24,399
Deferred tax expenses		
Origination and reversal of temporary differences	99	(4,803)
Changes of tax rate	(18)	63
Other	563	242
Subtotal	644	(4,497)
Total	20,861	19,902

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 ¥382 million and ¥299 million for the years ended March 31, 2024 and 2025, respectively.

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

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Statutory tax rate	30.60%	30.60%
Tax credit for R&D expenses	(4.92%)	(5.75%)
Lower income tax rates applicable to income in certain foreign subsidiaries	(9.13%)	(2.95%)
Expenses not deductible for tax purposes	19.62%	2.70%
Withholding taxes on distributions	2.45%	1.41%
Taxes on retained earnings of foreign subsidiaries	0.98%	(0.60%)
Changes of tax rate	(0.38%)	(0.01%)
Other	0.50%	1.25%
Average effective tax rate	39.72%	26.64%

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, 2024 and 2025 is 30.60%.
Overseas subsidiaries are subject to income tax at their respective locations.
In Japan, where the Company is located, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025, and the “special defense corporate tax” will be imposed starting from the fiscal year beginning on or after April 1, 2026. The statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary difference expected to reverse in the fiscal year beginning on or after April 1, 2026 will increase from the current 30.6% to 31.5%. The impact of this tax rate change on the Group’s consolidated financial statements will be de minimis.
Also, in Japan, where the Company is located, the fiscal 2023 tax reforms introduced the Income Inclusion Rule (IIR), under the BEPS global minimum tax rules. As a result, starting with the current consolidated fiscal year, the Group is subject to an additional surcharge until the tax burden of subsidiaries and other affiliates of the parent company reaches the minimum tax rate (15%). In the current consolidated fiscal year, corporate income tax under Pillar 2 has been recorded as tax expense for the current period. 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)

	FY2023 (As of Mach 31, 2024)	FY2024 (As of Mach 31, 2025)	Average interest rate (%)	Maturity date
Long-term borrowings	600	600	0.54	2026 to 2028
Short-term lease obligations	9,196	9,151	3.28	-
Long-term lease obligations	27,910	23,506	3.11	2026 to 2074
Other	3,022	2,234	-	-
Total	40,729	35,492	-	-
Bonds and borrowings				
Non-current liabilities	600	600	-	-
Other financial liabilities				
Current liabilities	10,650	10,097	-	-
Non-current liabilities	29,478	24,795	-	-
Total	40,729	35,492	-	-

(Note)

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

(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, 2024	27,648	4,954	32,602
Balance as of March 31, 2025	23,721	5,060	28,782

<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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Depreciation charge for right-of-use assets		
Buildings and structures	7,511	8,208
Other	1,715	1,864
Total	9,226	10,072
Expenses relating to short-term leases and leases of low-value assets	882	798
Interest expense on lease liabilities	834	1,113

<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, 2024 and 2025 is ¥10,294 million and ¥10,934 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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Lease income	11,401	12,035

<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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Within 1 year	3,007	3,738
1 to 2 years	2,192	2,933
2 to 3 years	1,553	2,245
3 to 4 years	1,099	1,446
4 to 5 years	498	703
Over 5 years	97	271
Total	8,449	11,337

22. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Notes payable - trade	503	318
Accounts payable - trade	48,577	59,843
Accounts payable - other	25,207	28,288
Total	74,289	88,449

23. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Current liabilities		
Lease obligations	9,196	9,151
Financial liabilities measured at amortized cost	261	223
Financial liabilities measured at FVTPL		
Derivatives	1,192	722
Total	10,650	10,097
Non-current liabilities		
Lease obligations	27,910	23,506
Financial liabilities measured at amortized cost	1,568	1,288
Total	29,478	24,795

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Present value of defined benefit obligations	51,085	45,997
Fair value of plan assets	(67,104)	(69,966)
Subtotal	(16,018)	(23,968)
Effect of the asset ceiling	9,956	16,281
Present value of the unfunded defined benefit obligation	4,620	4,364
Net defined benefit liabilities	(1,441)	(3,322)
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	5,024	4,809
Retirement benefit assets	(6,466)	(8,131)
Net balance	(1,441)	(3,322)

Overseas plan

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Present value of defined benefit obligations	25,244	23,845
Fair value of plan assets	(17,604)	(15,997)
Subtotal	7,640	7,847
Effect of the asset ceiling	-	-
Present value of the unfunded defined benefit obligation	2,998	3,188
Net defined benefit liabilities	10,638	11,035
Balance in the consolidated statement of financial position		
Retirement benefit liabilities	11,157	11,460
Retirement benefit assets	(518)	(425)
Net balance	10,638	11,035

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Retirement benefit liabilities	16,182	16,269
Retirement benefit assets	(6,985)	(8,556)
Net defined benefit liabilities recognized in the consolidated statement of financial position	9,196	7,712

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	
	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	57,753	55,706	25,017	28,242
Current service cost	2,242	2,036	700	839
Interest expense	779	960	1,023	1,005
Remeasurement	(2,843)	(6,144)	(361)	(1,097)
Actuarial gains or losses arising from changes in demographical assumptions	297	30	(694)	(1,128)
Actuarial gains or losses arising from changes in financial assumptions	(3,357)	(5,959)	300	106
Actuarial gains or losses arising from experience adjustments	216	(214)	32	(75)
Past service cost	-	-	-	-
Benefits paid	(2,225)	(2,197)	(1,480)	(1,703)
Foreign exchange differences	-	-	3,334	(34)
Other	-	-	8	(217)
Balance at the end of the year	55,706	50,362	28,242	27,033

The weighted-average durations of the defined benefit obligations for the year ended March 31, 2024, were 14.9 years for domestic and 12.8 years for overseas plans. For the year ended March 31, 2025, the durations were 13.8 years for domestic and 12.3 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	
	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	59,610	67,104	15,626	17,604
Interest income	836	1,206	646	679
Remeasurement	5,165	903	(302)	(3,212)
Return on plan assets excluding interest income	5,165	903	(302)	(3,212)
Employer contributions	2,966	2,318	565	2,619
Benefits paid	(1,655)	(1,766)	(1,137)	(1,341)
Foreign exchange differences	-	-	2,164	56
Other	181	199	40	(408)
Balance at the end of the year	67,104	69,966	17,604	15,997

The Group's pension assets are sound, but risk margin contributions are made to prepare for risks that may arise in the future. The Group expects to make a contribution of 3,260 million yen to the defined benefit plans during the year ending March 31, 2026.

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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	(2,809)	(9,956)
Interest income	(40)	(185)
Gains (losses) on remeasurement	(7,105)	(6,140)
Change in the effect of the asset ceiling	(7,105)	(6,140)
Balance at the end of the year	(9,956)	(16,281)

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

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Balance at the beginning of the year	2,043	2,113
Interest income	18	19
Remeasurement	20	(12)
Return on reimbursement rights excluding interest income	20	(12)
Employer contributions	63	66
Benefits paid	(84)	(301)
Foreign exchange differences	51	(3)
Balance at the end of the year	2,113	1,881

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

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.

FY2024 (As of March 31, 2025) (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	-	4,218	4,218
Equity instruments	15,638	-	15,638
Domestic stocks	9,549	-	9,549
Foreign stocks	6,089	-	6,089
Debt instruments	15,629	-	15,629
Domestic bonds	7,482	-	7,482
Foreign bonds	8,146	-	8,146
Investments in life insurance company general accounts (Note 1)	-	16,337	16,337
Alternatives (Note 2)	-	18,142	18,142
Other	-	-	-
Total	31,268	38,698	69,966

(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

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.

FY2024 (As of March 31, 2025) (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	-	810	810
Equity instruments	191	-	191
Domestic stocks	-	-	-
Foreign stocks	191	-	191
Debt instruments	315	222	537
Domestic bonds	-	-	-
Foreign bonds	315	222	537
Insurance	-	12,901	12,901
Alternatives (Note)	-	1,051	1,051
Other	-	506	506
Total	507	15,490	15,997

(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

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Weighted-average discount rate	1.0 to 1.9%	1.7 to 2.7%

Overseas plan

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Weighted-average discount rate	1.4 to 5.1%	1.3 to 5.7%

<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:	
	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
increases by 0.5%	decrease by 3,730	decrease by 3,110
decreases by 0.5%	increase by 4,197	increase by 3,473

Overseas plan

(Millions of yen)

If the discount rate:	The defined benefit obligation would:	
	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
increases by 0.5%	decrease by 1,453	decrease by 1,368
decreases by 0.5%	increase by 1,266	increase by 1,274

(2) Defined contribution plans

The total expense recognized in loss in relation to defined contribution plan were ¥15,740 million and ¥17,344 million for the years ended March 31, 2024 and 2025, respectively.

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

(3) Employee benefit expenses

The total 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 ¥186,220 million and ¥206,364 million for the years ended March 31, 2024 and 2025, 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, 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	-	-	-
Foreign exchange differences	42	366	118	527
Balance as of March 31, 2024	2,812	4,108	2,183	9,105
Increase	460	3,586	3,694	7,742
Decrease (used)	(407)	(2,761)	(3,218)	(6,386)
Decrease (reversal)	-	(471)	(216)	(688)
Increase due to passage of time	40	-	-	40
Foreign exchange differences	(5)	(38)	(117)	(161)
Balance as of March 31, 2025	2,900	4,424	2,326	9,651

(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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Current liabilities	5,136	4,840
Non-current liabilities	3,968	4,811
Total	9,105	9,651

26. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Other current liabilities		
Accrued bonuses	16,510	16,749
Accrued unused paid absences	8,811	9,191
Accrued expenses	29,926	30,223
Other	6,811	5,945
Total	62,059	62,109
Other non-current liabilities		
Other long-term employee benefits	501	455
Deferred income	554	1,053
Long-term accrued expenses	-	351
Other	176	245
Total	1,232	2,104

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, 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
Increase	-	-	-	75
Balance as of March 31, 2025	600,000,000	257,755,930	19,209	17,996

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

(2) Retained earnings

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

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

(3) Treasury stock

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

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

	Number of shares (Shares)	Amount (Millions of yen)
Balance as of April 1, 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)
Increase	3,209	(48)
Decrease	(54,502)	97
Balance as of March 31, 2025	2,083,866	(3,393)

The increase in treasury stock by 8,603 shares in the consolidated fiscal year ended March 31, 2024 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 increase in treasury stock by 3,209 shares in the current consolidated fiscal year is the result of an increase of 1,916 shares from purchase of odd-lot shares and the acquisition of 1,293 shares of treasury stock (Company shares) attributable to the Company by companies subject to the equity method. Also, the decrease in treasury stock by 54,502 shares represents the exercise of stock options for 48,800 shares, a decrease of 5,580 shares of treasury stock (Company shares) attributable to the Company sold by companies subject to the equity method, and a decrease of 122 shares as a result of transfers pursuant to requests to purchase additional odd-lot shares.

The number of treasury stock as of March 31, 2025 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:

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 18, 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.

FY2024 (Year ended March 31, 2025)

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
The Board of Directors Meeting held on November 8, 2024	12,812	50.00	September 30, 2024	November 29, 2024

(Note)

The total amounts of dividends pursuant to each of the Board of Directors resolutions adopted on May 17, 2024 and November 8, 2024 include 12 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:

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.

FY2024 (Year ended March 31, 2025)

Resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
The Board of Directors Meeting held on May 19, 2025	12,813	50.00	March 31, 2025	June 4, 2025

(Note)
The total amount of dividends pursuant to a Board of Directors resolution adopted on May 19, 2025 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:

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 location of customers.

FY2024 (Year Ended March 31, 2025)

(Millions of yen)

	Reportable segment							Total
	Printing & Solutions	Machinery	Domino	Nissei	Personal & Home	Network & Contents	Others	
Japan	35,651	10,976	4,219	13,484	2,583	38,300	11,147	116,363
The Americas	216,900	14,598	34,139	3,112	34,814	82	-	303,647
Europe	172,427	7,381	42,791	90	14,006	-	-	236,698
Asia and others	78,777	22,796	28,677	1,757	5,048	206	0	137,265
China	41,071	29,456	9,568	1,571	697	218	0	82,583
Consolidated	544,828	85,209	119,396	20,017	57,150	38,808	11,147	876,558
Leases	38	-	3,941	140	-	7,534	1,277	12,933
Revenue from IFRS 15	544,790	85,209	115,454	19,877	57,150	31,273	9,869	863,624

(Note)

Revenue is geographically disaggregated by location of customers.

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)

	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

(Millions of yen)

	FY2024 (As of April 1, 2024)	FY2024 (As of March 31, 2025)
Receivables from contracts with customers	130,906	135,218
Contract liabilities	9,572	9,827

Revenue recognized in the years ended March 31, 2024 and 2025 that was included in the contract liability balance at the beginning of the period is ¥7,085 million and ¥7,112 million, respectively.
Revenue recognized in the years ended March 31, 2024 and 2025 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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Raw materials costs	328,661	388,806
Employee benefit expenses	65,681	73,885
Depreciation and amortization	25,310	28,091
Other	47,936	4,185
Total	467,589	494,968

31. Selling, General and Administrative Expenses

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

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Employee benefit expenses	120,530	131,471
Depreciation and amortization	22,227	24,595
Freight expenses	27,662	28,686
Advertising expenses	15,849	16,899
Travel and transportation expenses	7,335	7,895
Other	86,157	94,358
Total	279,761	303,906

32. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Gain on sales of fixed assets (Note)	3,500	107
Net gain in the fair value of financial instruments measured at FVTPL		
Other	277	254
Gain on cancellation of leases	134	168
Insurance revenue	117	237
Foreign exchange gains	2,784	-
Income from government grants	497	267
Other	845	1,254
Total	8,157	2,289

(Note)

The gain on sales of fixed assets for the year ended March 31, 2024 is mainly due to the sale of leased real estate.

The breakdown of other expenses is as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Loss on sales and disposal of fixed assets	706	2,759
Impairment losses	28,325	546
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives	3,781	1,312
Loss on cancellation of leases	32	49
Foreign exchange losses	-	1,775
Credit losses	416	963
Structural reform expenses	9	1,007
Other	673	1,668
Total	33,944	10,084

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 ¥57 million and ¥59 million for the year ended March 31, 2024 and 2025, respectively.

The Company received government grants for the construction of the Hoshizaki No. 13 Plant. The government subsidy received for plant construction are recorded as deferred income and will be recognized in profit or loss on the consolidated statement of income as a reduction of “Cost of sales” on a straight-line basis over the useful life of the subsidized assets. No amount was recognized as profit or loss in the year ended March 2025, and recognition will begin in the year ending March 2026.

Otherwise, “Other income” includes the government grants of ¥497 million and ¥265 million as profit or loss for the year ended March 31, 2024 and 2025, respectively.

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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Interest income		
Financial assets measured at amortized cost	3,551	5,461
Net gain in the fair value of financial instruments measured at FVTPL		
Derivatives (Note)	1,978	-
Dividend income	351	457
Other	0	6
Total	5,881	5,925

The breakdown of finance expenses is as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Interest expense		
Financial liabilities measured at amortized cost	624	128
Interest expense on lease liabilities	834	1,113
Net interest expense on net defined benefit liability	342	246
Foreign exchange losses (Note)	1,616	39
Other	23	66
Total	3,441	1,595

(Note)

Foreign exchange losses for the year ended March 31, 2024 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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Profit attributable to ordinary shareholders of the parent company	31,645	54,778
Net income used in the calculation of diluted earnings per share	31,645	54,778
Average number of shares – basic	255,599,389	255,649,108
Increase of shares – basic		
Stock acquisition rights (shares)	683,047	630,889
Average number of shares – diluted	256,282,436	256,279,997

	(Yen)	(Yen)
Basic earnings per share	123.81	214.27
Diluted earnings per share	123.48	213.74

(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:

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
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

FY2024 (Year ended March 31, 2025)

(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	203	-	203	(65)	137
Remeasurements of the net defined benefit liability (asset)	(1,226)	-	(1,226)	231	(994)
Subtotal	(1,023)	-	(1,023)	165	(857)
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations	(5,286)	-	(5,286)	207	(5,078)
Subtotal	(5,286)	-	(5,286)	207	(5,078)
Total	(6,309)	-	(6,309)	373	(5,935)

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

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Gains on investments in equity instruments designated as FVTOCI	0	0
Remeasurements of the net defined benefit liability (asset)	2	0
Total	2	1

37. Liabilities Arising from Financing Activities

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

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.

FY2024 (Year ended March 31, 2025)

	As of April 1, 2024	Cash flow	Non-cash changes				As of March 31, 2025
			Foreign exchange differences	Fair value	New leases	Amortized cost	
Long-term borrowings	600	-	-	-	-	-	600
Lease obligations	37,106	(8,973)	(593)	-	5,118	-	32,658
Total	37,706	(8,973)	(593)	-	5,118	-	33,258

38. Non-Financial Transactions

The details of significant non-financial transactions are as follows:

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Right-of-use assets related to leases	11,984	7,245

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

Date of grant	Number of options granted (Shares)		Exercise period	Exercise price (Yen)	Fair value price at grant date (Yen)	
March 18, 2015	The Company directors	37,300	30 years starting on the day following the stock option grant date	1	The Company directors	1,615
	The Company executive officers	28,800			The Company executive officers	1,655
March 24, 2016	The Company directors	52,200	Same as above	1	The Company directors	1,089
	The Company executive officers	66,000			The Company executive officers	1,089
March 24, 2017	The Company directors	29,700	Same as above	1	The Company directors	1,981
	The Company executive officers	43,500			The Company executive officers	1,944
March 26, 2018	The Company directors	28,300	Same as above	1	The Company directors	2,014
	The Company executive officers	33,200			The Company executive officers	1,967
July 19, 2018	The Company directors	37,900	Same as above	1	The Company directors	1,892
	The Company executive officers	35,600			The Company executive officers	1,855
July 17, 2019	The Company directors	41,400	Same as above	1	The Company directors	1,746
	The Company executive officers	35,400			The Company executive officers	1,670
July 17, 2020	The Company directors	39,100	Same as above	1	The Company directors	1,655
	The Company executive officers	35,600			The Company executive officers	1,579
July 16, 2021	The Company directors	35,100	Same as above	1	The Company directors	1,917
	The Company executive officers	26,400			The Company executive officers	1,917

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

	FY2023 (Year ended March 31, 2024)		FY2024 (Year ended March 31, 2025)	
	Number of shares (Share)	Weighted-average exercise price (Yen)	Number of shares (Share)	Weighted-average exercise price (Yen)
Unexercised balance at beginning of year	696,000	1	657,800	1
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	38,200	1	48,800	1
Matured	-	-	-	-
Unexercised balance at end of year	657,800	1	609,000	1
Exercised balance at end of year	75,700	1	93,000	1

The weighted-average stock price on the exercise date is ¥2,425 for the stock options exercised during the year ended March 31, 2024 and ¥2,767 for those exercised during the year ended March 31, 2025.
The exercise price of unexercised stock options is ¥1 as of March 31, 2024, and ¥1 as of March 31, 2025. The weighted-average remaining contractual term was 18 years for the year ended March 31, 2024 and 17 years for the year ended March 31, 2025.

(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.

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Number of points granted (shares)	56,190	64,210
Weighted-average fair value (Yen)	2,822	2,694

(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 ¥187 million for the year ended March 31, 2025.

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Interest-bearing debt	600	600
Cash and cash equivalents	(166,146)	(172,776)
Net interest-bearing debt	(165,546)	(172,176)
Capital (equity attributable to owners of the parent company)	668,047	691,390

(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, 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
Reclassification to credit-impaired financial assets	(16)	16	-
Increase(decrease) resulting from new financial assets and derecognized financial assets	(30)	738	708
Write-offs	(0)	(152)	(152)
Foreign exchange differences	(2)	(37)	(40)
Balance as of March 31, 2025	261	2,389	2,650

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, 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
Increase (decrease) resulting from new financial assets and derecognized financial assets	(0)	-	(0)
Foreign exchange differences	(0)	-	(0)
Balance as of March 31, 2025	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, 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
Reclassification to non-credit-impaired financial assets	733	(733)	-
Reclassification to credit-impaired financial assets	(435)	435	-
New financial assets and derecognized financial assets	7,160	(10)	7,150
Write-offs	(43)	(188)	(231)
Foreign exchange differences	(3,389)	(30)	(3,419)
Other	(1,190)	1,190	-
Balance as of March 31, 2025	134,517	2,927	137,445

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, 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
New financial assets and derecognized financial assets	926	0	926
Write-offs	(24)	-	(24)
Foreign exchange differences	594	(4)	590
Balance as of March 31, 2025	7,447	107	7,554

Of the financial assets that are written off, there were no financial assets for which collecting activities continued in the year ended March 31, 2024 and 2025.

d. Risk profile

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

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

FY2024 (As of March 31, 2025)

Trade receivables

(Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	119,922	244	120,167
Within 30 days past due	9,342	75	9,418
31 to 60 days past due	2,661	6	2,668
61 to 90 days past due	1,011	379	1,390
Over 90 days past due	1,580	2,221	3,801
Total	134,517	2,927	137,445

Receivables other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	7,409	63	7,473
Within 30 days past due	0	-	0
Over 30 days past due	0	-	0
Over 90 days past due	37	43	81
Total	7,447	107	7,554

Bonds

(Millions of yen)

	12-month expected credit losses
Rating AAA-AA	1,700
Rating A	1,700
Total	3,400

e. Credit risk exposure

The maximum exposure to credit risk as of March 31, 2025 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:

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

FY2024 (As of March 31, 2025)

(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	88,449	88,449	88,449	-	-	-	-	-
Borrowings	600	600	-	200	200	200	-	-
Lease obligations	32,658	36,003	9,459	6,208	5,673	6,368	2,376	5,917
Other	1,511	1,511	223	216	24	24	56	965
Derivative financial liabilities								
Foreign exchange forward contracts/Currency option contracts	722	722	722	-	-	-	-	-
Total	123,941	127,287	98,854	6,624	5,898	6,592	2,433	6,883

<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)

	FY2023 (Year ended March 31, 2024)		FY2024 (Year ended March 31, 2025)	
	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	(719)	(719)	(428)	(428)
EUR	172	172	165	165
GBP	(12)	(12)	(12)	(12)
CNY	23	23	8	8

<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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Profit before income taxes	1,661	1,727
Comprehensive income for the year (before tax effects)	1,661	1,727

<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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Comprehensive income for the year (before tax effects)	172	168

(3) Classification of financial assets and financial liabilities

The classification of financial assets and liabilities is as follows:

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Assets:		
Financial assets measured at amortized cost		
Cash and cash equivalents	166,146	172,776
Trade and other receivables	131,591	134,719
Other financial assets	15,758	14,906
Financial assets measured at FVTPL		
Other financial assets	5,783	7,100
Equity instruments measured at FVTOCI		
Other financial assets	17,231	16,878
Total	336,511	346,381
Liabilities:		
Lease obligations		
Other financial liabilities	37,106	32,658
Financial liabilities measured at amortized cost		
Trade and other payables	74,289	88,449
Bonds and borrowings	600	600
Other financial liabilities	1,829	1,511
Financial liabilities measured at FVTPL		
Other financial liabilities	1,192	722
Total	115,018	123,941

(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)

	FY2023 (As of March 31, 2024)		FY2024 (As of March 31, 2025)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Other financial assets	15,758	15,728	14,906	14,870
Liabilities:				
Bonds and borrowings	600	592	600	587
Other financial liabilities	38,936	38,936	34,169	34,169

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 8.2x and 18.5x and between 0.8x and 2.8x, 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
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

FY2024 (As of March 31, 2025)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at FVTPL				
Other financial assets	-	213	6,886	7,100
Financial assets measured at FVTOCI				
Other financial assets	15,233	-	1,645	16,878
Total	15,233	213	8,531	23,978
Liabilities:				
Financial liabilities measured at FVTPL				
Other financial liabilities	-	722	-	722
Total	-	722	-	722

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.

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.

FY2024 (Year ended March 31, 2025)

(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, 2024	5,559	1,687	7,246
Total gains and losses	220	237	457
Profit or loss (Note 1)	220	-	220
Other comprehensive income (Note 2)	-	237	237
Purchase	1,198	-	1,198
Sale, etc.	-	(299)	(299)
Foreign exchange differences	-	(0)	(0)
Other	(90)	20	(70)
Balance as of March 31, 2025	6,886	1,645	8,531

(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, 2025 is ¥193 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.

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

FY2024 (As of March 31, 2025)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets	-	14,870	-	14,870
Total	-	14,870	-	14,870
Liabilities:				
Bonds and borrowings	-	587	-	587
Other financial liabilities	-	34,169	-	34,169
Total	-	34,756	-	34,756

(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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Zeon Corporation	3,124	3,535
Nidec Corporation	4,009	3,259
Citizen Watch Co., Ltd.	1,513	1,361
MS&AD Insurance Group Holdings, Inc.	1,071	1,274
Sanyo Denki Co., Ltd.	884	1,171
Other	6,629	6,275
Total	17,231	16,878

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

(Millions of yen)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Financial assets held at the end of the period	351	450
Financial assets derecognized during the period	-	6

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)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Fair value	5	597
Cumulative gain or loss	1	278

Changes in the fair value of equity instruments recognized in other comprehensive income are reclassified in retained earnings immediately when they occur. The cumulative amount of gain or loss on such reclassification is the negative amount of ¥(1,347) million and the amount of ¥(137) million for the years ended March 31, 2024 and 2025, 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, 2024 and 2025:

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.

FY2024 (As of March 31, 2025)

(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	143,513	(8,794)	134,719	-	134,719
Derivatives	213	-	213	44	169
Total	143,727	(8,794)	134,932	44	134,888

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	97,243	(8,794)	88,449	-	88,449
Derivatives	722	-	722	44	678
Total	97,966	(8,794)	89,171	44	89,127

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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Financial instruments measured at FVTPL (derivatives)	(1,803)	(1,312)
Financial instruments measured at FVTPL (other than derivatives) (Note)	277	260
Equity instruments measured at FVTOCI	351	457
Financial assets measured at amortized cost	3,135	4,497
Financial liabilities measured at amortized cost	(635)	(141)
Total	1,325	3,760

(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

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

FY2024 (Year ended March 31, 2025)

(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	2,063	311
	Abeam Systems Corporation	Outsourcing of software developments	6,239	1,731

(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)

	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Short-term employee benefits	342	397
Share-based payments	89	103
Total	432	501

43. Commitments

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

(Millions of yen)

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Acquisition of property, plant and equipment	3,855	3,047
Acquisition of intangible assets	291	452
Acquisition of investment real estate	5	17
Total	4,152	3,516

44. Contingent Liabilities

Not applicable.

45. Subsequent Events

Changes in segment classification

Effective April 1, 2025, the Company reviewed some internal management structures in accordance with the medium-term business strategy.

In conjunction with this reorganization, the business centered on garment printers that was included in the Machinery Business was changed to the Printing & Automation. The Printing & Automation and the Domino Business comprise the new Industrial Printing Business segment.

In addition, the presentation of reportable segments was also changed in accordance with the medium-term business strategy.

As a result, the earlier Printing & Solutions Business, Machinery Business, Domino Business, Nissei Business, Personal & Home Business, Network & Contents Business, and Other Businesses segments were changed to the Printing & Solutions Business, Industrial Printing Business, Machinery Business, Nissei Business, Personal & Home Business, Network & Contents Business, and Other Businesses segments.

Revenues and business results for each reportable segment for the current consolidated fiscal year based on the revised reportable segment classification are as set forth below.

(Millions of yen)

	Reportable segment							Total	Reconciliations (Note 2)	Consolidated
	Printing & Solutions	Industrial Printing	Machinery	Nissei	Personal & Home	Network & Contents	Others (Note 1)			
Revenue										
Customers	544,828	137,288	67,316	20,017	57,150	38,808	11,147	876,558	-	876,558
Intersegment	-	-	-	-	-	-	14,678	14,678	(14,678)	-
Total	544,828	137,288	67,316	20,017	57,150	38,808	25,825	891,236	(14,678)	876,558
Business segment profit	60,986	5,226	1,064	474	7,315	1,924	715	77,708	(24)	77,683
Other income and expenses	(2,119)	(2,028)	107	(491)	(656)	39	(2,645)	(7,794)	-	(7,794)
Operating profit/(loss)	58,867	3,198	1,172	(16)	6,659	1,963	(1,929)	69,913	(24)	69,888
Finance income and expenses										4,330
Share of profit/(loss) of investments accounted for using the equity method										475
Profit before income taxes										74,694

(Notes)

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

2) Reconciliation amount of ¥(24) million for segment profit (operating profit) is for the elimination of intersegment transactions.

Repurchase of Company shares

At a Board of Directors meeting held on May 9, 2025, the Board adopted a resolution to repurchase its own shares under Article 156 of the Companies Act as applied with deemed replacement of terms pursuant to Article 165, Paragraph 3 of that Act.

(1) Reason for share repurchase

To improve shareholder return, capital efficiency and to implement flexible capital policies.

(2) Details of repurchase

1 Type of shares to be repurchased:	Common shares
2 Number of shares to be repurchased:	11,000,000 shares (maximum) (equivalent to 4.29% of all issued shares (excluding treasury shares))
3 Total purchase amount:	20 billion yen (maximum)
4 Repurchase period:	May 12, 2025 to April 30, 2026
5 Repurchase method:	Market purchases on the Tokyo Stock Exchange using the discretionary purchase method

(3) Treatment of shares after the share repurchase

In order to eliminate concerns over dilution, the Company has a policy to cancel the shares after the share repurchase.

(2) Others

Semi-annual information, etc. for the current consolidated fiscal year

	FY2024 (Six months ended September 30, 2024)	FY2024 (Year ended March 31, 2025)
Revenue (Millions of yen)	427,228	876,558
Profit before income taxes (Millions of yen)	41,461	74,694
Profit attributable to owners of the parent company (Millions of yen)	28,148	54,778
Basic earnings per share (Yen)	110.11	214.27

2. Financial statements
(1) Financial statements

Balance sheet

	Notes	Millions of yen FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Assets			
Current assets			
Cash and cash equivalents		6,989	33,742
Deposits paid to subsidiaries and associates	※2	2,625	2,384
Notes receivable		2,365	1,842
Accounts receivable	※2	45,940	53,844
Inventories	※1	22,377	23,606
Prepaid expenses		3,592	3,377
Consumption taxes receivable		4,389	5,145
Other current assets	※2	8,010	5,882
Allowance for doubtful accounts		(712)	(698)
Total current assets		95,579	129,126
Non-current assets			
Property, plant and equipment			
Buildings		21,576	20,109
Structures		1,100	1,041
Machinery and equipment		8,432	9,387
Vehicles		111	88
Tools, furniture and fixtures		6,714	5,561
Land		4,991	4,991
Construction in progress		705	1,331
Total property, plant and equipment		43,632	42,510
Intangible assets			
Software		11,548	12,885
Other intangible assets		1,504	2,349
Total intangible assets		13,052	15,234
Investments and other assets			
Investment securities		18,809	19,243
Shares of subsidiaries and associates		325,784	325,784
Investments in capital of subsidiaries and associates		22,759	22,759
Prepaid pension costs		8,418	9,682
Other		4,353	4,879
Allowance for doubtful accounts		(10)	(10)
Total investments and other assets		380,115	382,339
Total non-current assets		436,801	440,084
Total assets		532,380	569,210

	Notes	Millions of yen	
		FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Liabilities			
Current liabilities			
Accounts payable-Trade	※2	31,246	37,059
Deposits paid to subsidiaries and associates	※2	18,523	20,938
Short-term borrowings	※2	33,477	7,824
Accounts payable-Other	※2	4,664	3,755
Accrued expenses		11,078	12,260
Income taxes payable		1,588	5,687
Provision for bonuses		4,932	5,041
Provision for bonuses for directors (and other officers)		90	88
Provision for product warranties		348	936
Other current liabilities		2,434	984
Total current liabilities		108,386	94,576
Non-current liabilities			
Long-term accounts payable		227	75
Deferred tax liabilities		2,218	2,184
Asset retirement obligations		362	839
Long-term leasehold and guarantee deposits received		721	721
Provision for share awards		264	426
Other non-current liabilities		899	1,162
Total non-current liabilities		4,693	5,410
Total liabilities		113,080	99,987

	Notes	Millions of yen	
		FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
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		3,426	3,546
Reserve for special account for tax purpose reduction entry of non-current assets		363	-
General reserve		217,000	217,000
Retained earnings brought forward		154,065	204,498
Total retained earnings		379,657	429,847
Treasury stock		(3,676)	(3,584)
Shareholders' equity		411,305	461,587
Valuation and translation adjustments			
Valuation difference on available-for-sale securities		7,031	6,744
Total valuation and translation adjustments		7,031	6,744
Share acquisition rights		963	891
Total net assets		419,300	469,223
Total liabilities and net assets		532,380	569,210

Statement of income

	Notes	Millions of yen	
		FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Net sales	※2	421,940	524,018
Cost of sales	※2	340,668	412,863
Gross profit		81,272	111,155
Selling, general and administrative expenses	※1、2	68,085	72,184
Operating profit		13,186	38,970
Non-operating income			
Interest and dividend income	※2	33,010	47,342
Exchange gain		608	-
Others	※2	901	1,212
Total non-operating income		34,521	48,555
Non-operating expenses			
Interest expenses	※2	368	360
Exchange loss		-	70
Loss on valuation of derivatives		3,851	1,313
Provision of allowance for doubtful accounts		41	(14)
Others	※2	383	390
Total non-operating expenses		4,643	2,119
Ordinary profit		43,063	85,406
Extraordinary income			
Gain on sales of non-current assets	※2	2,732	2
Gain on sales of investment securities		-	97
Total extraordinary income		2,732	99
Extraordinary losses			
Loss on sales non-current assets		3	0
Loss on disposal of non-current assets	※2	257	2,399
Payment of compensation		-	703
Total extraordinary losses		260	3,103
Profit before income taxes		45,535	82,401
Income taxes -current		3,740	6,578
Income taxes - deferred		277	(15)
Total income taxes		4,018	6,562
Profit		41,516	75,838

Statement of changes in equity

(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 assets					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 assets		-				-
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

(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, 2024	19,209	16,114	4,802	3,426	363	217,000	154,065
Changes of items during the period							
Dividends of surplus							(25,623)
Provision of reserve for tax purpose reduction entry of non-current assets				358			(358)
Reversal of reserve for tax purpose reduction entry of non-current assets				(237)			237
Reversal of reserve for special account for tax purpose reduction entry of non-current assets					(363)		363
Profit							75,838
Acquisition of treasury stock							
Disposal of treasury stock							(25)
Net changes in items other than shareholders' equity							
Total changes during the period	-	-	-	120	(363)	-	50,432
Balance as of March 31, 2025	19,209	16,114	4,802	3,546	-	217,000	204,498

(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, 2024	(3,676)	411,305	7,031	7,031	963	419,300
Changes of items during the period						
Dividends of surplus		(25,623)				(25,623)
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 assets		-				-
Profit		75,838				75,838
Acquisition of treasury stock	(5)	(5)				(5)
Disposal of treasury stock	97	72				72
Net changes in items other than shareholders' equity			(287)	(287)	(72)	(359)
Total changes during the period	92	50,282	(287)	(287)	(72)	49,923
Balance as of March 31, 2025	(3,584)	461,587	6,744	6,744	891	469,223

【Notes】

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, furniture and fixtures: 2 to 20 years

(2) Intangible 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

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 and no 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.

New standards, etc. not yet adopted

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33., September 13, 2024, Accounting Standards Board of Japan)
- Others

1) Overview

As a part of efforts to align Japanese accounting standards with international standards, the Accounting Standards Board of Japan (ASBJ) investigated the development of accounting standards on leases that require lessees to recognize assets and liabilities for all leases, taking into consideration international accounting standards. As a basic policy, the ASBJ issued lease accounting standards based on the single accounting model of IFRS 16, but rather than incorporating all provisions of IFRS 16, only key provisions were adopted in an attempt to create lease accounting standards that are simpler, convenient, and allow the use of IFRS 16 provisions in individual financial statements without the need for fundamental corrections.

For lease accounting, as in the case under IFRS 16, a single accounting model is applied to all leases as the method of allocating lease expenses, regardless of whether release is classified as a finance lease or operating lease. Under this standard, the lessee recognizes depreciation expense relating to the right-of-use asset and an amount equivalent to interest expense relating to the lease liability.

2) Planned date of application

The Company plans to apply this accounting standard from the beginning of the fiscal year ending March 31, 2028.

3) Impact of application of this accounting standard

The Company is currently investigating the amount of impact on the financial statements from application of the Accounting Standard for Leases and other accounting standards.

Notes to balance sheet

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

	Millions of yen	
	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Merchandise and finished goods	3,184	3,466
Work in process	2,107	2,178
Raw materials and supplies	17,086	17,961
Total	22,377	23,606

(※2) Receivables and debts to affiliated companies

	Millions of yen	
	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Short term receivables	49,186	54,325
Short term debts	81,069	61,938

Notes to statement of income

(※1) The approximate ratio of expenses belonging to selling expenses is 30% and 33% for the year ended March 31, 2024 and 2025, respectively. The approximate ratio of expenses belonging to general and administrative expenses is 70% and 67% for the year ended March 31, 2024 and 2025, respectively.

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

	Millions of yen	
	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Provision for product warranties	490	1,121
Salary / Bonus	9,420	10,408
Provision for bonuses	2,154	2,251
Retirement benefit expenses	961	594
Provision for bonuses for directors (and other officers)	90	88
Depreciation	4,931	5,110
Commission expenses	9,278	10,579
License fee	8,367	9,798

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

	Millions of yen	
	FY2023 (Year ended March 31, 2024)	FY2024 (Year ended March 31, 2025)
Transaction volume from business transactions		
Net sales	373,062	472,804
Purchase of goods	275,633	340,295
Other operating expenses	16,159	17,703
Transaction volume other than business transactions	40,670	57,988

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	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Shares of subsidiaries	324,686	324,686
Shares of associates	1,098	1,098

2. Impaired securities

FY2023(As of March,31 2024)

Not applicable.

FY2024(As of March,31 2025)

Not applicable.

When impairing the shares of subsidiaries and associates that have no market values, impairment is performed in cases where the substantial value of the shares 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	
	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Deferred tax assets		
Loss on valuation of investment securities	8,635	8,895
Depreciation and amortization	2,183	2,443
Provision for bonuses	1,509	1,542
Contribution of securities to retirement benefit trust	720	741
Loss on valuation of inventories	387	472
Accrued expenses	452	440
Accrued enterprise tax	227	358
Product warranty	106	286
Accounts payable	282	254
Unused tax losses	240	-
Other temporary differences	1,366	1,461
Deferred tax assets subtotal	16,113	16,895
Valuation allowance	(8,925)	(9,188)
Valuation allowance subtotal	(8,925)	(9,188)
Total deferred tax assets	7,188	7,707
Deferred tax liabilities		
Prepaid pension costs	(2,576)	(3,050)
Financial assets measured at fair value through other comprehensive income	(2,649)	(2,630)
Retirement benefit trust refund securities	(2,464)	(2,536)
Reserve for tax purpose reduction entry of non-current assets	(1,510)	(1,631)
Reserve for special account for tax purpose reduction entry of non-current assets	(160)	-
Other temporary differences	(46)	(42)
Total deferred tax liabilities	(9,407)	(9,891)
Net deferred tax liabilities	(2,218)	(2,184)

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

	FY2023 (As of March 31, 2024)	FY2024 (As of March 31, 2025)
Statutory tax rate	30.60%	30.60%
(Adjustment)		
Dividend income, etc. Amount that is not permanently included in profits	(21.06%)	(16.42%)
Transfer pricing adjustment	-	(3.38%)
Research and development expenses tax credit	(2.03%)	(2.49%)
Withholding taxes on distributions	2.27%	0.72%
Increase / decrease in valuation allowance	0.01%	0.32%
Items that are not permanently deducted, such as entertainment expenses	0.12%	0.06%
Deemed direct foreign tax credit	(0.45%)	(0.04%)
Others	(0.63%)	(1.41%)
Income tax burden rate after tax effect accounting is applied	8.83%	7.96%

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).

4. Adjustment of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates
The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025, and the “special defense corporate tax” will be imposed starting from the fiscal year beginning on or after April 1, 2026. The statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary difference expected to reverse in the fiscal year beginning on or after April 1, 2026 will increase from the current 30.6% to 31.5%. The impact of this tax rate change will be de minimis.

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 “Standards for Revenue and Expense Recognition” under “Significant Accounting Policies.”

Subsequent events

Repurchase of Company shares

At a Board of Directors meeting held on May 9, 2025, the Board adopted a resolution to repurchase its own shares under Article 156 of the Companies Act as applied with deemed replacement of terms pursuant to Article 165, Paragraph 3 of that Act.

(1) Reason for share repurchase

To improve shareholder return, capital efficiency and to implement flexible capital policies.

(2) Details of repurchase

1 Type of shares to be repurchased:	Common shares
2 Number of shares to be repurchased:	11,000,000 shares (maximum) (equivalent to 4.29% of all issued shares (excluding treasury shares))
3 Total purchase amount:	20 billion yen (maximum)
4 Repurchase period:	May 12, 2025 to April 30, 2026
5 Repurchase method:	Market purchases on the Tokyo Stock Exchange using the discretionary purchase method

(3) Treatment of shares after the share repurchase

In order to eliminate concerns over dilution, the Company has a policy to cancel the shares after the share repurchase.

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	63,744	964	451	2,391	64,257	44,147
	Structures	3,954	153	280	157	3,828	2,786
	Machinery and equipment	28,859	*1 3,223	1,070	2,192	31,011	21,624
	Vehicles	483	19	14	41	488	399
	Tools, furniture and fixtures	82,753	*2 7,331	*3 5,886	8,449	84,197	78,636
	Land	4,991	-	-	-	4,991	-
	Construction in progress	705	*4 3,042	*5 2,417	-	1,331	-
	Total	185,491	14,734	10,120	13,231	190,105	147,595
Intangible assets	Software	62,726	*6 6,319	*7 2,988	4,956	66,056	53,171
	Others	13,216	*8 5,895	*9 4,781	269	14,331	11,981
	Total	75,943	12,214	7,769	5,226	80,387	65,153

(※)1 Main changes in the current period

*1 Acquisition of machinery and equipment for Hoshizaki Factory No. 13 ¥1,131 million
Transfer of machinery and equipment for Hoshizaki Factory No. 13 ¥ 313 million
*2 Acquisition of molds ¥5,985 million
*3 Disposal of mold ¥4,601 million
*4 Expense for construction of Minato Warehouse No. 2 ¥1,148 million
Acquisitions related to Mizuho Plant ¥1,035 million
*5 Disposal related to Mizuho Plant ¥1,538 million
*6 Acquisition of outsourced development software ¥1,557 million
Acquisition of in-house software ¥3,133 million
Acquisition of outsourced development software ¥1,611 million
*7 Disposal of software whose development was outsourced ¥2,572 million
*8 Acquisition of in-house software ¥3,103 million
Acquisition of outsourced development software ¥1,599 million
*9 Transfer of in-house software ¥3,133 million
Transfer of outsourced development software ¥1,611 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	722	698	712	708
Provision for bonuses	4,932	5,041	4,932	5,041
Provision for bonuses for directors (and other officers)	90	88	90	88
Provision for product warranties	348	1,412	824	936
Provision for share awards	264	426	264	426

(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, 2025 to the filing date of Annual Securities Report.

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

Business term (132nd): From April 1, 2024 to March 31, 2025

Filed with the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(2) Internal Control Report and Attached Documents

Filed with the Director-General of the Kanto Local Finance Bureau on June 26, 2024

(3) Semiannual Securities Report and Confirmation Letter

First Half of 133rd business term (from April 1, 2024 to September 30, 2024)

Filed with the Director-General of the Kanto Local Finance Bureau on November 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).

Filed with the Director-General of the Kanto Local Finance Bureau on June 26, 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 (ix)-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (results of exercise of voting rights at General Meeting of Shareholders).

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

Not applicable.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 20, 2025

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:

Yae Sugiura

<Audit of Consolidated 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 Information Section, namely, the consolidated statement of financial position as of March 31, 2025, 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, 2024 to March 31, 2025, 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter was addressed in the Audit
Valuation of goodwill in the Domino business Domino business is an industrial printing business that the Group entered by acquiring 100% of the outstanding shares of Domino Printing Sciences plc ("DPS") in June 2015 for the amount of ¥ 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, 2025 was ¥ 53,679 million or 5.8% of total assets on the consolidated statement of financial position, and included the goodwill relating to the Domino business in the amount of ¥ 53,214 million. 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. 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 assumption that DPS maintains and improves the competitiveness of its products in digital printing market and reduces costs through the streamlining of manufacturing and development processes. The discount rate is affected by the interest policy and benchmark companies in the United Kingdom, which is where DPS is located. The applied growth rates for subsequent years in the business plan are based on the long-term growth of the world economy and are adjusted in consideration of the uncertainty of future market growth, causing the applied growth rates to decline proportionally. As stated, we determined that the accounting estimates for the goodwill impairment test include uncertainties and require managements' judgements. Considering the quantitative significance as well as qualitative significance, we identified the valuation of goodwill in the Domino business as a key audit matter.	Our audit procedures to test the valuation of goodwill in the Domino business included the following, among others: • We evaluated the effectiveness of controls over the estimation process of value in use including the approval process of the future business plan. • We evaluated the consistency between the business plan for the next five years on which the estimated 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 DPS's financial performance for the current year, we performed an audit of DPS's financial information and assessed the assumptions underlying cost reductions by using the work of the component auditor, one of our network firms. • We evaluated reasonableness of the market growth rates used by comparing these 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.

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 IFRS Accounting 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 IFRS Accounting 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 IFRS Accounting 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.

• Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, 2025.

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, 2025, 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, 2025, 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 20, 2025

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:

Yae Sugiura

<Audit of Nonconsolidated Financial Statements>

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, 2025, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 133rd fiscal year from April 1, 2024 to March 31, 2025, 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, 2025, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the nonconsolidated financial statements of the current period. The matter was addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	**How the Key Audit Matter was addressed in the Audit**
Valuation of Domino Printing Sciences plc shares As presented in the financial statements, Shares of subsidiaries and associates as of March 31, 2025 was ¥ 325,784 million or 57.2% of total assets, and included the shares of Domino Printing Sciences plc (“DPS”), the core entity of Domino business in the amount of ¥ 195,579 million. In terms of valuing the shares of DPS, the Company calculates the substantial value and confirms that the substantial value has not significantly decreased to a level where recovery is deemed unlikely. The substantial value reflects excess earning power and other factors, which involve accounting estimates like goodwill in the Domino business presented in the consolidated financial statements. Considering the quantitative significance as well as qualitative significance, we identified the valuation of DPS shares as a key audit matter.	For our audit procedures to test the valuation of excess earning power when evaluating the shares of DPS, refer to the audit procedures to the key audit matter, “Valuation of goodwill in the Domino business,” stated in the independent auditor’s report on the consolidated financial statements.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor’s reports thereon.

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

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

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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, 2025.

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.