brother
at your side

Annual Report
for the year ended March 31, 2011

2011

At your side.

At your side.

To create superior value and to offer it promptly to customers, we always think first.
The Brother Group is strongly committed to the phrase “At your side.”
The Group started in 1908 as a repair business for sewing machines in Japan. Today, we provide a broad array of products and services, including not only sewing machines but also information and communications equipment such as All-in-Ones and printers, machine tools, and online karaoke, throughout the world.
With this “At your side.” spirit and through our products and services, we have been supporting, and will continue to support our customers all over the world in the new lifestyles and working styles they seek to realize.

Contents

Forward-Looking Statements

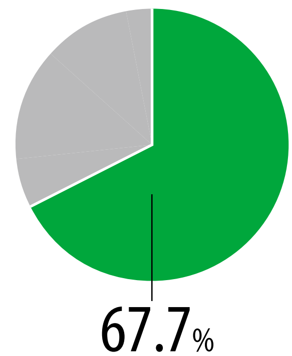
Any statements regarding our future business performances, plans and strategies in this annual report that are not historical facts are forward-looking statements based on information available to management at the time or on management's beliefs. Such forward-looking statements are not guarantees of future performance of the Company and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.

Figures are rounded off to the nearest whole number.

Brother at a Glance

P&S Printing & Solutions

Net Sales by Business Segment
(FY2010)

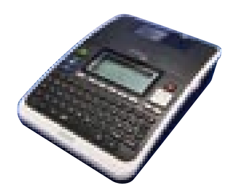


The Printing & Solutions (P&S) business is committed to the advancement of printing technologies, such as laser and inkjet printers, proposing "work-style innovation." We offer a wide variety of products, from compact printers and All-in-Ones with multiple functions including printing, facsimile, copying and scanning all in one unit, to user-friendly labeling systems. Through these information and communications equipment, P&S accommodates wide-ranging needs from SOHO (Small Office, Home Office) to business offices.

Color laser All-in-One

A3 Color All-in-One

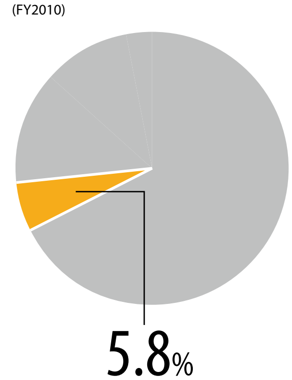
Black-and-white laser printer



Labeling system

P&H Personal & Home

Net Sales by Business Segment
(FY2010)



The Personal & Home (P&H) business encompasses Brother's sewing products and services including home sewing and embroidery machines. Its mission is to offer the customer Brother sewing and embroidery products that are fun, easy to use and can provide a myriad of ways to enhance their creativity.

The P&H product line offers a wide range of products, from conventional home sewing machines to very advanced computer-Internet-connected sewing machines with extensive possibilities for creative sewing and embroidery.

Sewing machine

Sewing and embroidery machine

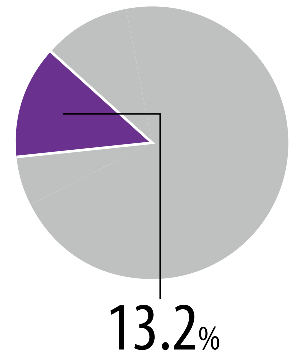
Commercial embroidery machine

M&S Machinery & Solution

The Machinery & Solution (M&S) business helps customers enhance productivity and create new values through industrial sewing machines and machine tools.

Brother's industrial sewing machines offer a rich array of features such as ease of use, high-quality sewing capabilities and energy saving. The machine tool section provides support that is closely integrated with its proposals for machine tools that are best suited for processing parts for automobiles and motorcycles as well as IT-related parts for devices such as hard disc drives and mobile phones.

Net Sales by Business Segment
(FY2010)



Industrial sewing machine

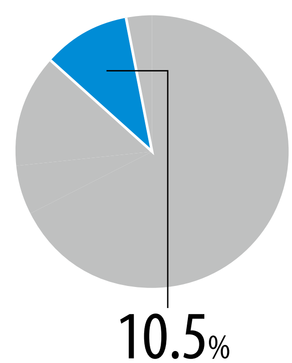
Garment printer

Machine tool

N&C Network & Contents

The Network & Contents (N&C) business provides online karaoke systems for business use and also pursues new customer value by offering services and products for various industries, including the health and business-oriented markets by leveraging contents and distribution technologies nurtured through the online karaoke business.

Net Sales by Business Segment
(FY2010)



Online karaoke system

Music distribution service for jogging

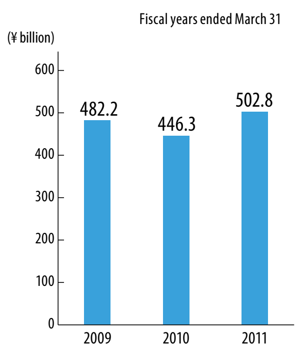
Wireless LAN VoIP Router

Financial Highlights

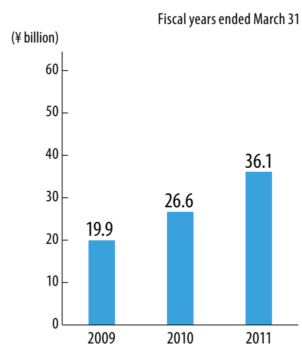
	Millions of Yen Fiscal years ended March 31					
	2006*1	2007	2008	2009	2010	**2011**
Results of Operations:						
Net sales	¥ 579,180	¥ 562,273	¥ 566,379	¥ 482,205	¥ 446,269	**¥ 502,830**
Operating income	45,004	51,255	53,503	19,901	26,637	**36,092**
Income before income taxes and minority interests	42,328	45,788	46,282	23,613	26,234	**34,062**
Net income	24,644	28,875	27,110	15,262	19,629	**26,238**
Depreciation and amortization	16,811	18,442	22,227	23,094	21,028	**24,027**
Capital expenditures	18,710	28,962	31,605	27,169	17,482	**19,788**
Research and development costs	25,248	28,454	34,117	36,859	34,779	**36,253**
Per Common Share (yen):						
Net income	¥ 89.03	¥ 104.82	¥ 98.46	¥ 56.79	¥ 73.34	**¥ 98.03**
Equity	657.05	763.94	785.13	735.26	792.95	**822.43**
Cash dividends	13.00	20.00	22.00	26.00*2	18.00	**24.00**
Financial Position at Year-End:						
Total equity	¥ 181,114	¥ 213,664	¥ 219,223	¥ 199,371	¥ 213,532	**¥ 220,469**
Total assets	348,218	399,109	392,259	337,667	365,991	**372,646**

*1 The fiscal year ended March 31, 2006 includes a three-month transition period for some subsidiaries.
*2 Includes commemorative dividends of ¥2 per share to mark the 100th anniversary of the Company's founding.

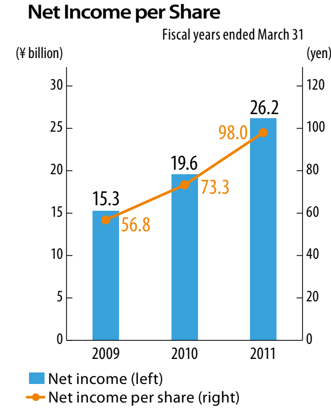
Net Sales



Operating Income

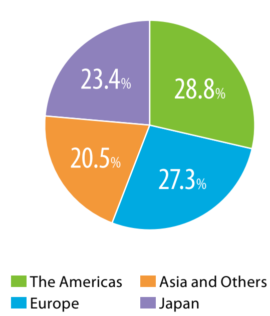


Net Income
Net Income per Share

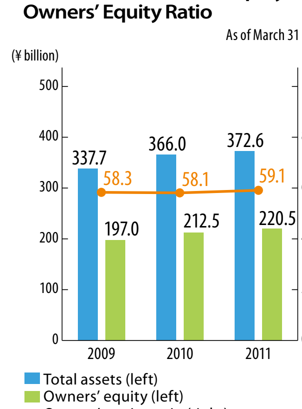


Net Sales by Market

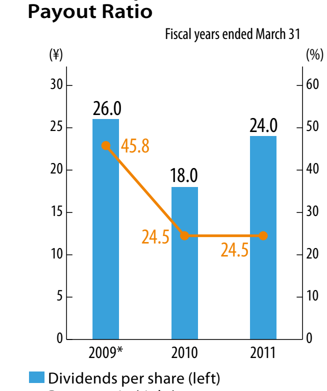
(FY2010)



Total Assets & Owners' Equity
Owners' Equity Ratio



Dividends per Share
Payout Ratio



* Includes commemorative dividends of ¥2 per share to mark the 100th anniversary of the Company's founding.

Message from the Management

During fiscal 2010, which ended on March 31, 2011, while the overall business environment surrounding the Brother Group recovered, albeit only modestly, the yen's continued appreciation, coupled with the impact of the Great East Japan Earthquake that occurred on March 11, 2011, have kept future prospects shrouded in uncertainty.

Under these circumstances, the Brother Group's consolidated net sales came to ¥502.8 billion, operating income to ¥36.1 billion and net income to ¥26.2 billion, with net sales and income both posting year-on-year increases, primarily due to the substantially increased net sales in the Machinery & Solution Business following the sharp market recovery, despite the negative effects caused by the stronger yen.

While we expect the uncertain economic environment will continue in fiscal 2011 due to the impact of the earthquake and other factors, we will strive to carry out our growth strategies again by dedicating all-out efforts to the new mid-term business strategy "CS B2015" launched in April 2011.

Representative Director & President
Toshikazu Koike

Special Feature

New Mid-Term Business Strategy "CS B2015" Launched

The Brother Group formulated a mid- to long-term corporate vision—Global Vision 21—in which we define three objectives for the Group.

Global Vision 21

1. To become a leading global company with high profitability
2. To become a world-class manufacturer by developing outstanding proprietary technologies
3. To embody Brother's motto, "At your side," throughout our corporate culture

The Brother Group has been formulating mid-term business strategies as a roadmap for achieving Global Vision 21. In 2008, we launched a five-year mid-term strategy, "CS B2012." In response to the impact of the rapid recession in 2008, however, we have shifted our focus to "securing profits and cash" and have been striving to strengthen our business infrastructure in preparation for the next opportunity to present itself.

Despite the rapid appreciation of the yen during this period of economic stagnation, net sales substantially increased barring the negative effect of exchange rates. Profits, while still lower compared with levels prior to the recession, also grew steadily, even under the challenging management environment, as a result of our continued efforts to strengthen the revenue base. We believe that we now have an opportunity for further growth ahead of us after pushing through efforts to establish business infrastructure in each business segment on a global basis.

New Mid-Term Business Strategy "CS B2015"

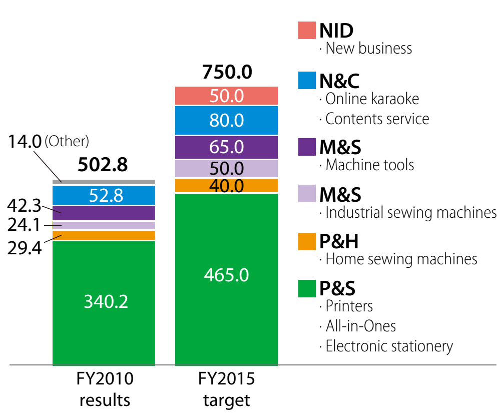
We will strive to follow our growth strategies as determined in CS B2015, which was launched in April 2011 with the new theme of "Back to Growth." We aim to establish a leading position in the target areas of each business, and promote the expansion of business in emerging countries. We will also actively explore opportunities for M&A and alliances in each business and region to realize our growth strategies.

FY2015 Earnings Target

Net sales	¥750.0 billion
Operating income	¥ 58.0 billion
Operating income ratio	7.7%

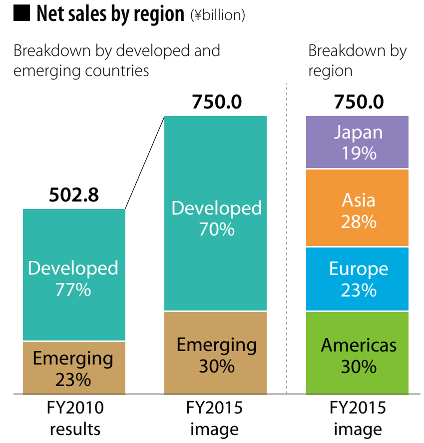
*Assumed exchange rates:
1USD=¥100, 1EUR=¥100, 1RMB=¥20

■ **Net sales by business segment** (¥billion)



*FY2010 exchange rates 1USD=¥82.52, 1EUR=¥113.56

■ **Net sales by region** (¥billion)



CS B2015 Theme

Back to Growth

Priority Strategy by Business Segment

1 Printing & Solutions Business
(Printers, All-in-Ones, Electronic Stationery)

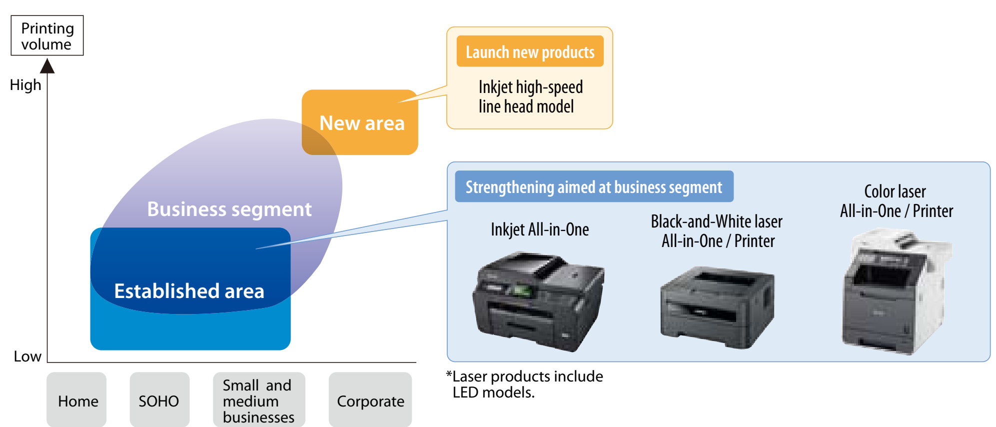
Promote growth strategies on a global basis, and establish a leading position in each target area

Communications and Printing

We will offer highly competitive products from the color/black-and-white laser and inkjet lineup that meet the needs, in terms of function, speed and size, of the business segment that covers the high printing volume areas of the SOHO*1/SMB*2 market to the corporate market. We will also put on the market new inkjet model equipped with high-speed line head for corporate market. Through these initiatives, we will acquire customers with higher printing volumes while maintaining and enhancing our position in the SOHO market, an area of strength. Furthermore, in growing emerging markets, we will redouble efforts to strengthen our sales bases and expand sales by launching products meeting the needs of each market, centering on black-and-white laser models.

*1 SOHO: Small Office, Home Office *2 SMB: Small and Medium Business

■ Business area image



Electronic Stationery

We will further consolidate our position as No.1 in the global market for labeling systems for office use by reinforcing sales of mid- to high-end class models and by stepping up efforts to expand sales in emerging markets. We will also strengthen our solutions business for specialized applications for vertical market such as commercial labeling and mobile printing for business use.

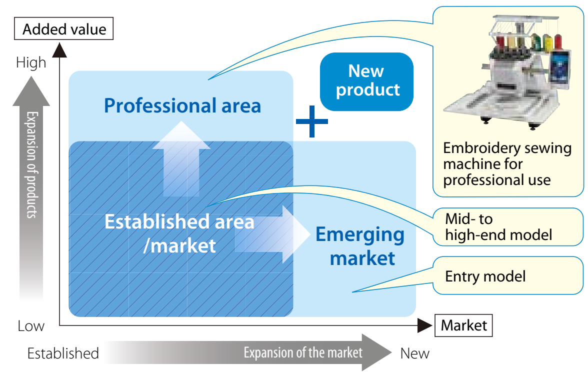
2 Personal & Home Business (Home Sewing Machines)

Secure stable growth and profitability

We will expand sales by launching highly competitive products and also aim to expand business in the area of embroidery sewing machines for professional use where Brother has an advantage. We will also move ahead with efforts to cultivate emerging markets with growth potential and attain the position of global leader in the home sewing machine markets.

Furthermore, we will establish a production structure to offer more competitive products by setting up a new factory for home sewing machines near Ho Chi Minh City, Vietnam, and optimizing the three production bases of the new factory and two other manufacturing facilities in Taiwan and Zhuhai, China.

■ Business area image



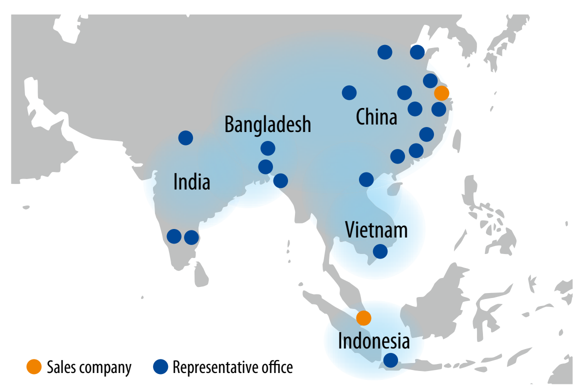
3 Machinery & Solution Business (Industrial Sewing Machines/Machine Tools)

Establish both growth and profits with a range of products that hold the leading position in respective categories

Industrial Sewing Machines

We will strive to broaden our customer base by putting on the market new products differentiated by enhanced stitching quality and performance. We will also further strengthen our sales and service structures in China and other Asian countries where sewing industry markets are expected to expand.

■ Areas where market expansion is expected



Machine Tools

We will strive to expand sales of products for growth markets, including markets for IT-related products and parts processing for which demand is expanding rapidly, by opening up possibilities for compact and high-performance CNC Tapping Centers to the fullest extent possible. We will also reinforce our manufacturing facilities in Xian, China, and respond to increased production associated with business expansion with our two manufacturing facilities—the Xian factory and the Kariya factory in Japan. We will seek the optimization of business by establishing the “local production for local consumption” structure for manufacturing and sales in the Chinese market.

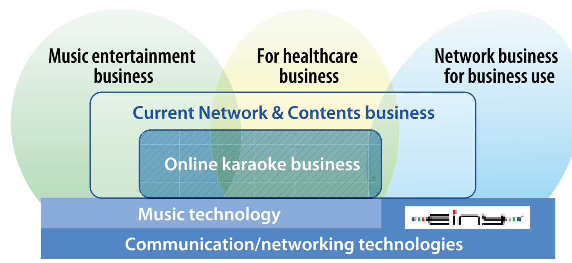
■ “Local production for local consumption” structure in China

4 Network & Contents Business (Online Karaoke/Contents Service)

➔ Maximize profitability in online karaoke business and nurture new business

We will seek the maximization of profit by making use of the integration effect of the online karaoke business acquired through M&A in 2010 and through the introduction of new products. In addition, we will aim to develop and expand new business with the online karaoke business at its core by offering new services that take advantage of our expanded customer base and business infrastructure achieved through M&A.

■ Image for business deployment of new businesses



5 Network Imaging Device Business (New Business)

➔ Nurture and establish new business for the next generation

We will establish a new business for the next generation by focusing on the document application business and the remote collaboration business and promptly making them commercially viable through proactive M&A and alliances.

Priority Strategy for the Management Base

➔ Accelerate "True Globalization"

Development

We will reinforce a R&D company set up in Hangzhou, China, and actively promote the development of advanced technologies mainly in Japan.

Manufacturing

We will seek to optimize manufacturing functions on a global basis, and strengthen our manufacturing capabilities and strive for the self-directed and localized management system to support the growth of the Brother Group.

CSR/Brand

We will further promote activities to have the Brother Group Global Charter, the foundation for activities of our employees, penetrate through our organization. We will also undertake environmental and CSR activities on a global basis under our environmental slogan, "Brother Earth," adopted in 2010, as the pillar of our brand strategy.

Brother Earth
Working with you for a better environment
www.brotherearth.com

Sales/Marketing

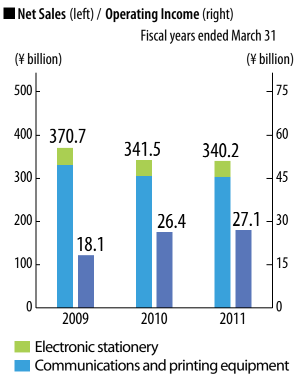
We will globally strengthen our capabilities to capture the needs of customers promptly, and promote marketing activities that accommodate regional characteristics by introducing our initiatives from developed countries into emerging countries.

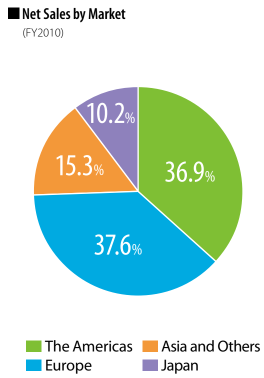
Human Resources

We will promote the recruiting and fostering of global human resources.

Review of Operations

Printing & Solutions (P&S) Business





Net sales: ¥340,194 million (down 0.4% YoY)

Communications and printing equipment

Despite strong performance in all areas, centering on Asia and other regions, the negative effect of exchange rates owing to stronger yen, kept overall net sales almost flat at ¥303,352 million.

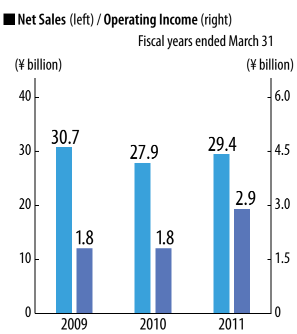
Electronic stationery

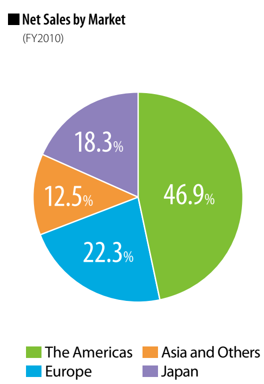
Though sales were robust in all areas, the negative effect of exchange rates resulted in a year-on-year drop of 1.6% in overall net sales to ¥36,841 million.

Operating income: ¥27,093 million (up 2.5% YoY)

In spite of the negative effect of exchange rates, increased sales on the local currency base, primarily of communications and printing equipment, pushed up operating income by 2.5% year-on-year to ¥27,093 million.

Personal & Home (P&H) Business





Net sales: ¥29,433 million (up 5.3% YoY)

In spite of the negative effect of exchange rates, increased sales mainly in the Americas led to a year-on-year rise of 5.3% in overall net sales to ¥29,433 million.

Operating income: ¥2,942 million (up 63.7% YoY)

Increased sales and improved sales composition resulted in a substantial 63.7% increase over the previous year in overall operating income to ¥2,942 million.

Line-up of products and services

Printing & Solutions

MFC-9970CDW
Color laser All-in-One

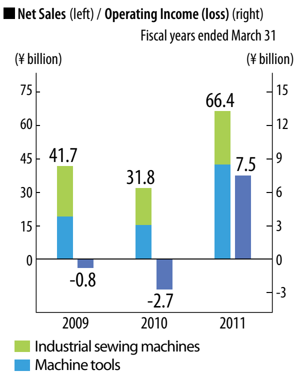
MFC-J6710DW
A3 Color All-in-One

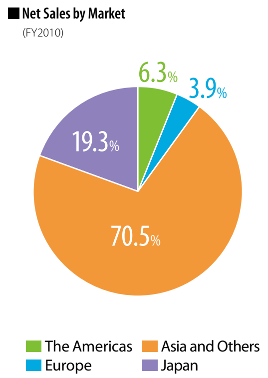
PT-2730
Labeling system

Personal & Home

PR-1000
Commercial embroidery machine

Machinery & Solution (M&S) Business





Net sales: ¥66,412 million (up 108.9% YoY)

Industrial sewing machines

Sales were strong particularly in China and other Asian countries in tandem with a significant recovery in the demand for capital investment in the sewing industry, resulting in a year-on-year increase of 45.2% in net sales to ¥24,106 million.

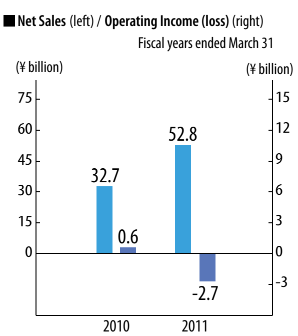
Machine tools

The marked recovery of the market from the previous year substantially lifted net sales by 178.5% year-on-year to ¥42,305 million.

Operating income: ¥7,490 million

Expanded net sales produced substantial profits, bringing the M&S business back into the black (the previous year: operating loss of ¥2,673 million).

Network & Contents (N&C) Business



Net sales: ¥52,805 million (up 61.3% YoY)

Boosted by increased sales in the online karaoke business through the acquisition of the BMB Corp., net sales increased 61.3% year-on-year to ¥52,805 million.

Operating loss: ¥2,731 million

The N&C business incurred an operating loss due to goodwill amortization and delayed realization of the integration effect, coupled with the impact of the Great East Japan Earthquake (the previous year: operating income of ¥573 million).

*1 Figures for the fiscal year ended March 31, 2010 are reclassified according to the new business segment starting on April 1, 2010.

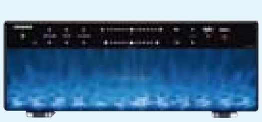
*2 Because net sales of Network & Contents business constitute mostly of net sales of Japan, net sales by market is omitted.

Machinery & Solution

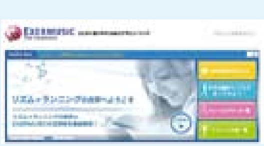
KE-430F
Electronic direct drive lockstitch bar tacker

TC-S2DN
CNC tapping center

Network & Contents



CROSSO
Online karaoke system



EXERMUSIC
Music distribution service for jogging

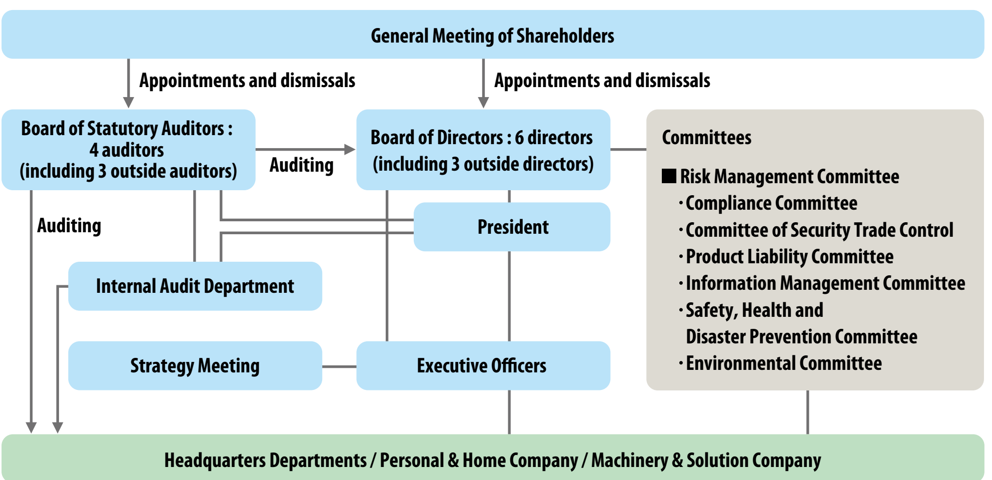
Corporate Governance

Basic Approach to Corporate Governance

Our basic management principles call for the long-term enhancement of corporate value through the optimization of management resources and creation of customer value as well as proactive disclosure of corporate information to shareholders, thereby enhancing corporate transparency and establishing a long-term relationship of trust with shareholders. We also make it our norm to act with a law-abiding spirit and the highest integrity. We view the development of an organizational structure to realize these basic principles and conform to the norm as one of the important challenges for the Brother Group.

Brother Industries, Ltd., has a system of statutory auditors who oversee the executive operations of the Board of Directors. In addition to the Board of Directors, the Board of Statutory Auditors and accounting auditors, the Company has a Strategy Meeting, which is attended by executive officers and maintains an internal audit division and various committees to enhance the internal control and risk management structure. The Company also has a corporate executive officer system.

Governance Structure (As of June 23, 2011)



* For details, please see Board of Directors, Auditors and Executive Officers on page 56.

Corporate Mechanism and Internal Control System

The Board of Directors comprises six members (including three outside directors) and meets regularly each month and in special situations as necessary to determine important management issues and to oversee the executive operations.

Brother has established a corporate executive officer system that separates business operations and supervising in an attempt to strengthen governance and facilitate quick decision-making. Executive officers are selected by the Board of Directors from among directors and employees and are assigned posts in departments where they are responsible for business operations. The Strategy Meeting, attended by executive officers, meets twice per month and as necessary in special situations. The representative director and president chairs this meeting, which plans strategies for the Group and deliberates matters related to the execution of business operations.

To prevent and resolve problems, lawyers within and outside of Japan provide advice as necessary.

Risk Management Structure

As part of the Group's risk management structure, to identify, evaluate and appropriately respond to important risks affecting the Brother Group, the Risk Management Committee, with the representative director and president as the committee's chairman, acts as an independent management control organization that implements internal controls and crisis management.

Subordinate to the Risk Management Committee are six committees—the Compliance Committee; Committee of Security Trade Control; Product Liability Committee; Information Management Committee; Safety, Health and Disaster Prevention Committee; and Environmental Committee—that manage specific risks and link into the overall Group management structure.

Compliance Committee

The Compliance Committee conducts compliance education designed to inform employees about laws and regulations as well as enlighten them about business ethics.

The committee also acts as a channel for compliance consultation to prevent violations.

Committee of Security Trade Control

The Committee of Security Trade Control ensures that export trade is conducted in accordance with laws and regulations, overseeing appropriate export transactions and managing technological offerings. The committee convenes to deliberate legal revisions and other important items. The committee also conducts semiannual internal audits and provides direction and training for Group companies. Through such efforts, the committee works to sustain and improve the management level of the overall Brother Group.

Product Liability Committee

The Product Liability Committee makes an effort to ensure the manufacturing of safe products, as well as to take swift and appropriate action in the event of product-related accidents. The committee meets as necessary and disseminates product safety information to the Group.

Information Management Committee

The Information Management Committee works to curtail the risk of information leaks, developing appropriate policies to protect information retained by the Company on customers and other aspects of its business.

Safety, Health and Disaster Prevention Committee

The Safety, Health and Disaster Prevention Committee maintains the safety and health of employees and aims to prevent accidents and minimize injury from natural disasters.

The committee formulates an annual plan, decides various policies and conducts educational activities.

Environmental Committee

The Environmental Committee deliberates and determines measures related to environmental issues that must be dealt with by the whole Brother Group.

■ Auditor Inspection and Internal Auditing

The Board of Statutory Auditors has four auditors, including three outside auditors. These auditors, following the auditing standards defined by the Board of Statutory Auditors, attend and provide opinions at Board of Directors and other important meetings. They exchange ideas with the Internal Audit Department and, with their five auditing staff members, investigate business affairs and financial conditions, and oversee the execution of duties by the managing director.

Having established the Internal Audit Department, the internal auditing staff (eight members) under the direction of the representative director and president, inspect risk-related conditions affecting the headquarters, internal and Group companies and report directly to the representative director and president as well as to the corporate auditors.

■ Outside Directors

The Company has appointed three outside directors. These three outside directors conduct their operations from a standpoint of independence from the Company's management cadre. The Company recognizes that these outside directors have no interests that conflict with the interests of general shareholders.

Management's Discussion and Analysis

Business Overview

Looking back at the state of the economy during the period under review, emerging economies, particularly China, stayed strong on the back of increasing domestic demand, while developed economies followed a recovery trend as a whole, despite a slowdown due to fiscal concerns in the euro zone. In Japan, in spite of signs of moderate economic recovery, the yen's continued appreciation throughout the year, coupled with the massive damage from the Great East Japan Earthquake that occurred on March 11, 2011, has given rise to uncertainties about the future.

Under these circumstances, the Brother Group's consolidated net sales increased 12.7% over the previous year to ¥502,830 million primarily because of substantially higher sales of machine tools and industrial sewing machines following sharp market recovery, despite the negative effect of the stronger yen. Although there was the negative effect of exchange rates and cost increase of raw materials, substantially higher sales and improving sales composition pushed up operating income by 35.5% year-on-year to ¥36,092 million. Net income chalked up a year-on-year increase of 33.7% to ¥26,238 million.

Performance by Business Segment

For details about performance by business segment, please see "Review of Operations," Pages 10-11.

Fund Procurement, Liquidity and Cash Flows

The Brother Group's financial policies ensure flexible and efficient funding and maintain an appropriate level of liquidity for current and future operating activities. In accordance with these policies, we have created a cash management system to optimize the group-wide use of cash held by individual companies. We also maintain open lines of credit with several banking institutions to complement existing liquidity on hand. Through these measures, we have established a system to correct the uneven distribution of funds and minimize the overall borrowing needs of the Group.

Liquidity Management

The Group's liquidity on hand consists of cash and cash equivalents and the unused portion of open commitment lines of credit. As of March 31, 2011, cash and cash equivalents totaled ¥65,101 million. We maintain commitment lines of credit with several financial institutions for a combined amount of ¥30,000 million, and the entire amount in open lines of credit was unused as of March 31, 2011. This total plus cash and cash equivalents was ¥95,101 million at fiscal year-end. Taking into consideration seasonal funding requirements, debt payable within one year and business environment risks, we believe that we have sufficient liquidity on hand to support our operations through a whole year.

Fund Procurement

As a basic rule, we procure working capital and other short-term funding in debt payable within one year that is funded with local currency. The basic policy on long-term funding for manufacturing facilities is that funds should come from internal reserves, long-term fixed-rate borrowings and corporate bonds. As of March 31, 2011, short-term borrowings stood at ¥8,637 million, primarily denominated in yen. The balance of long-term debt (including current portion of long-term debt within one year) was ¥21,728 million, all procured in fixed-rate debt procured in yen. Outstanding corporate bonds stood at ¥15,500 million.

We have obtained credit ratings from Rating and Investment Information, Inc. (R&I). As of March 31, 2011, R&I assigned the Group's long-term bonds and issuer credit "A" ratings and its commercial paper an "a-1" rating. We consider consistent ratings important in maintaining our access to credit and capital markets.

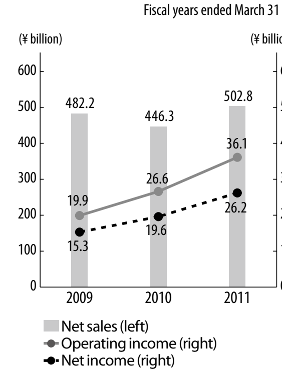
The Brother Group believes that its liquidity on hand, including open commitment lines of credit, and sound corporate finance structure, on top of its ability to generate cash flows from operating activities, make it possible to secure working capital as well as funds for capital investment and R&D investment to maintain the Group's growth.

Cash Flows

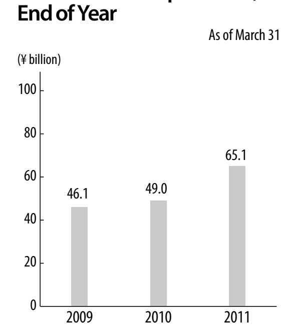
Cash flows from operating activities

Cash flows from operating activities provided net cash and cash equivalents amounting to ¥49,489 million, ¥859 million less than ¥50,348 million in the previous year. This was primarily because of increases in inventories and income taxes-paid despite an increase in income before income taxes and minority interests.

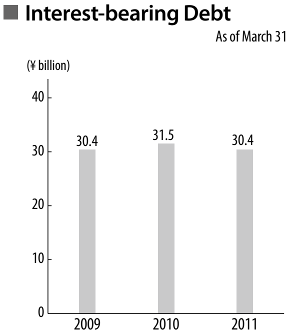
Operating Results



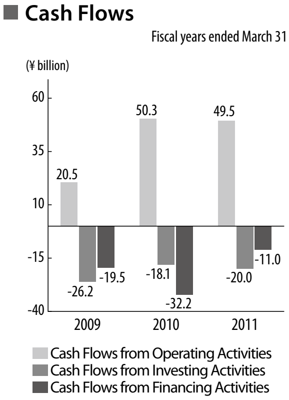
Cash and Cash Equivalents, End of Year



Interest-bearing Debt



Cash Flows



Cash flows from investment activities

Net cash used in investing activities amounted to ¥20,043 million, ¥1,982 million more than ¥18,061 million used in the previous year, reflecting an increase in disbursement for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities totaled ¥10,950 million, ¥21,223 million less than ¥32,173 million used in the previous year. Interest-bearing debt resulted in ¥2,536 million in disbursements, ¥24,429 million less than in the previous year. Cash dividends paid used ¥5,912 million, ¥537 million more than in the previous year.

As a result of these activities, as well as the exchange rate fluctuations affecting the yen conversion value of cash and cash equivalents of overseas consolidated subsidiaries, cash and cash equivalents as of March 31, 2011, amounted to ¥65,101 million, an increase of ¥16,070 million over a year earlier.

■ Outlook for Fiscal 2011

We expect the business environment in fiscal 2011 to stay uncertain due to the anticipated lingering impact of the Great East Japan Earthquake despite gradual growth expectations of developed economies on top of the robust growth of emerging economies.

Despite these conditions, the Brother Group will aim for growth in fiscal 2011, the first year of the new mid-term business strategy "CS B2015." We expect net sales to increase over the previous year given strong demand for our products, but we are likely to see lower profits than the previous year. Although the earthquake caused no direct damage to the Group, we expect to feel the impact on the production of some of our products associated with difficulty in procuring parts and components and also the effect on the online karaoke business in Japan of shorter operating hours at stores owing to power-saving requirements. Though the business outlook going forward still involves opaque factors, the Brother Group as a whole will exert efforts to keep the impact of these factors to a minimum.

■ Business and Other Risk

The following items may impact Group businesses, operating performance and financial conditions. Forward-looking statements reflect the Group's judgment as of March 31, 2011.

(1) Market Competition

In printing and other operations, the Brother Group cultivates business in many markets where it faces stiff competition. Competitors could allocate more management resources to their business than the Group does, new competitors could enter the market and competition could intensify as a result of alliances or collaboration among competitors. As a result, the Group may be unable to maintain its current market share, adversely affecting Group performance.

(2) Acquisition of Human Resources

The Brother Group places a special emphasis on research and development, aiming to differentiate its products from its competitors' through the accumulation of technology and expertise. However, competition for human resources is rising. In the event that ongoing recruitment and employment of skilled human resources becomes more difficult, the Group may become unable to deploy sufficient human resources in research and development, which could lower the competitiveness of its products, adversely affecting Group performance.

(3) Intellectual Property Rights

We conduct business operations by concluding license agreements with other companies on patents and other intellectual property rights as necessary. The balance of royalty revenues and payments based on such license agreements could cause fluctuations in the Group's operating performance and also become constraints on business operations depending on the terms of such agreements. Furthermore, there are limits to the degree to which proprietary technology acquired through research and development can be protected, and the potential exists for third parties to infringe upon our intellectual property rights and manufacture and sell counterfeit products. Other companies may file lawsuits against the Group with regard to intellectual property rights, which could affect the Group's performance. The Group provides appropriate rewards to in-house inventors based on the Invention Incentive Scheme. Despite this, there is the possibility of litigation with inventors over compensation.

(4) Product Quality Control

To provide high-quality, attractive products, the Group has established a production management system with rigorous product quality control standards. However, not all products are free from defects, and there is no guarantee that no problems will arise as a result of product safety or quality issues. In the event that significant problems arise, substantial costs may be incurred, brand image and reputation may deteriorate, and customer willingness to purchase Group products may fall, adversely affecting Group's performance.

(5) Exchange and Interest Rates

The Brother Group conducts a high percentage of its manufacturing and sales overseas, and exchange rate fluctuations could affect foreign currency transactions. To reduce this risk and improve the link between foreign currency transaction receipts and payments, the Group utilizes forward exchange contracts and other instruments to reduce short-term risk. However, currency appreciation in China, Southeast Asia or other regions where the Group operates major manufacturing facilities could cause procurement and production costs to rise, and mid- to long-term exchange rate fluctuations could affect its financial condition.

To reduce interest rate fluctuation risk, the Group endeavors to raise funds at fixed interest rates, and employs interest rate swaps and other financial instruments. Nevertheless, higher market interest rates could raise fund procurement costs.

(6) Raw Materials Cost Increases

Higher prices on resins, steel plates and other raw materials push up the cost of manufacturing Group products. The Group may be unable to pass on such rises through higher product prices, or to fully absorb higher costs by reducing expenses or boosting efficiencies, all of which have the potential to impact future earnings.

(7) Statutory Regulations

The Group conducts its business according to the laws and regulations of each country in which it operates. In addition to strengthening the internal controls that ensure compliance throughout the Group, the Group has created a risk management system. If an event arises where the Group is unable to comply with regulations, Group business activities may be restricted, which may result in cost increases.

(8) Information Network

The Brother Group employs a network to manage information related to production and sales management, as well as financial matters. The Group expects its information storage and equipment maintenance systems to be fully effective. However, network disconnections and system stoppages may adversely affect business activities. Furthermore, although the Group takes ample precautions to prevent infections from computer viruses and hackers, in the event of infiltration or attacks from the outside, depending on the scale of the interruption, business activities may be adversely affected.

Reflecting its internal controls, while maintaining and enhancing the reliability of financial information, the Group is also involved in ongoing quality improvements in development, maintenance and operation from the perspective of overall IT controls. However, in the event that procedural guidelines are not followed, a situation may arise where the Group is unable to guarantee the reliability of its financial information.

(9) Information Security

The Brother Group, having established the Information Management Committee and defined regulations for the management of information, has created information security operation rules for ongoing information risk management activities. The Group makes a thorough effort to prevent the leakage of personal and confidential information through internal training based on these operational rules. It controls access to personal information and maintain an access log to avoid the mishandling of this information. However, if personal information is leaked nevertheless, the Group may lose the confidence of its customers and its brand image may suffer, which could adversely affect Group business activities and performance.

In addition, to provide comprehensive customer services, the Group established websites that provide customers with product information and support. It makes an effort to maintain an adequate level of security on this website, but in the event of an unforeseen attack from the outside, website content falsification or the addition of links to fraudulent websites may adversely affect its business activities.

(10) Future Business Developments and Forecasts

To expand its operations by growing existing businesses and developing new business, the Brother Group engages in research and development and strategic investment, including M&A.

The launch of new businesses may involve risk inherent to that particular business, which may adversely affect overall performance.

Also, M&A and other activity may entail unforeseen costs involved with the merging of operations that prevent the realization of initially forecasted returns on investment, which could adversely affect Group performance and financial conditions.

(11) Natural Disasters and Other Threats

The majority of the Brother Group's manufacturing and sales facilities is located overseas. Our main manufacturing facilities are in China, Malaysia and Vietnam, and the Group continues to establish sales bases in countries throughout the world. To mitigate damage from natural disasters at these facilities, the Group has formulated response procedures in the event of fire, earthquakes, typhoons and other disasters. However, unforeseen events (such as war, terrorism, outbreaks of infectious diseases, strikes or other labor disputes, and natural disasters of unforeseeable scale) may cause social unrest that can damage production and sales, including parts procurement systems, which could adversely affect the Group's operating performance. At the Group's headquarters in Japan, the Group has established a crisis management system in the event of a major earthquake in the Tokai region. However, there is a possibility that the damage resulting from an earthquake may exceed the anticipated severity.

Consolidated Balance Sheets

Brother Industries, Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 65,101**	¥ 49,031	**$ 784,349**
Time deposits	**2,366**	1,228	**28,506**
Marketable securities (Notes 4 and 16)	**300**	300	**3,614**
Receivables (Note 16):			
Trade notes and accounts	**62,142**	69,932	**748,699**
Unconsolidated subsidiaries and associated companies	**1,768**	1,723	**21,301**
Allowance for doubtful accounts	**(1,725)**	(2,727)	**(20,783)**
	62,185	68,928	**749,217**
Inventories (Note 5)	**72,256**	64,740	**870,554**
Deferred tax assets (Note 13)	**15,123**	9,221	**182,205**
Other current assets	**11,686**	16,630	**140,796**
Total current assets	**229,017**	210,078	**2,759,241**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6, 7 and 8)	**11,931**	12,895	**143,747**
Buildings and structures (Notes 6, 7 and 8)	**76,954**	78,230	**927,157**
Machinery and vehicles	**34,917**	33,735	**420,687**
Furniture and fixtures (Note 6)	**85,719**	82,581	**1,032,759**
Lease assets (Notes 6 and 15)	**4,017**	889	**48,398**
Construction in progress	**425**	213	**5,120**
Total	**213,963**	208,543	**2,577,868**
Accumulated depreciation	**(145,803)**	(135,994)	**(1,756,663)**
Net property, plant and equipment	**68,160**	72,549	**821,205**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	**13,507**	14,431	**162,735**
Investments in unconsolidated subsidiaries and associated companies (Note 16)	**16,406**	15,838	**197,663**
Goodwill	**8,059**	9,148	**97,096**
Deferred tax assets (Note 13)	**2,867**	2,907	**34,542**
Prepaid pension cost (Note 9)	**12,620**	13,406	**152,048**
Other investments and assets	**31,673**	41,713	**381,603**
Allowance for doubtful accounts	**(9,663)**	(14,079)	**(116,422)**
Total investments and other assets	**75,469**	83,364	**909,265**
TOTAL	**¥ 372,646**	¥ 365,991	**$ 4,489,711**

Consolidated Balance Sheets

Brother Industries, Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	**¥ 8,637**	¥ 6,337	**$ 104,060**
Current portion of long-term debt (Notes 8 and 16)	**3,422**	6,952	**41,229**
Payables (Note 16):			
Trade notes and accounts	**32,416**	32,116	**390,554**
Unconsolidated subsidiaries and associated companies	**1,632**	2,116	**19,663**
Other	**13,367**	13,671	**161,048**
	47,415	47,903	**571,265**
Income taxes payable (Note 16)	**7,346**	4,368	**88,506**
Accrued expenses	**39,921**	40,490	**480,976**
Deferred tax liabilities (Note 13)	**164**	37	**1,976**
Other current liabilities (Notes 8 and 10)	**6,016**	6,587	**72,482**
Total current liabilities	**112,921**	112,674	**1,360,494**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**18,306**	18,185	**220,554**
Liability for retirement benefits (Note 9)	**7,649**	7,188	**92,157**
Deferred tax liabilities (Note 13)	**5,908**	5,901	**71,181**
Other long-term liabilities (Notes 8 and 10)	**7,393**	8,511	**89,072**
Total long-term liabilities	**39,256**	39,785	**472,964**
CONTINGENT LIABILITIES (Note 18)			
EQUITY (Note 11):			
Common stock, no par value:			
Authorized: 600,000,000 shares			
Issued: 277,535,866 shares in 2011 and 2010	**19,210**	19,210	**231,446**
Capital surplus	**16,157**	16,149	**194,663**
Stock acquisition rights (Note 12)	**339**	287	**4,084**
Retained earnings (Note 20)	**230,352**	211,647	**2,775,325**
Treasury stock, at cost			
2011 - 9,887,643 shares			
2010 - 9,901,661 shares	**(11,689)**	(11,702)	**(140,831)**
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	**2,445**	3,098	**29,458**
Deferred (loss) gain under hedge accounting	**(91)**	1,101	**(1,096)**
Foreign currency translation adjustments	**(36,261)**	(27,280)	**(436,880)**
Total	**220,462**	212,510	**2,656,169**
Minority interests	**7**	1,022	**84**
Total equity	**220,469**	213,532	**2,656,253**
TOTAL	**¥ 372,646**	¥ 365,991	**$ 4,489,711**

See notes to consolidated financial statements.

Consolidated Statements of Income

Brother Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
NET SALES	**¥ 502,830**	¥ 446,269	**$ 6,058,193**
COST OF SALES (Note 14)	**286,796**	247,185	**3,455,373**
Gross profit	**216,034**	199,084	**2,602,820**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**179,942**	172,447	**2,167,976**
Operating income	**36,092**	26,637	**434,844**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,332**	1,122	**16,048**
Interest expense	**(854)**	(791)	**(10,289)**
Sales discount	**(2,005)**	(2,281)	**(24,157)**
(Loss) gain on sales and disposals of property, plant and equipment, net	**(661)**	654	**(7,964)**
Foreign exchange gain	**4,139**	3,981	**49,867**
Loss on impairment of long-lived assets (Notes 2(10) and 6)	**(1,473)**	(315)	**(17,747)**
Reversal of allowance for doubtful accounts	**—**	88	**—**
Loss on transfer to defined contribution pension plan (Note 2(14))	**—**	(2,985)	**—**
Other, net	**(2,508)**	124	**(30,216)**
Other expenses net	**(2,030)**	(403)	**(24,458)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**34,062**	26,234	**410,386**
INCOME TAXES (Note 13):			
Current	**13,087**	7,463	**157,675**
Deferred	**(4,689)**	(785)	**(56,494)**
Total income taxes	**8,398**	6,678	**101,181**
NET INCOME BEFORE MINORITY INTERESTS	**25,664**	0	**309,205**
MINORITY INTERESTS IN NET INCOME	**(574)**	(73)	**(6,915)**
NET INCOME	**¥ 26,238**	¥ 19,629	**$ 316,120**

PER SHARE OF COMMON STOCK (Note 20):	Yen		U.S. Dollars
Basic net income	**¥ 98.03**	¥ 73.34	**$ 1.18**
Diluted net income	**97.91**	73.28	**1.18**
Cash dividends applicable to the year	**24.00**	18.00	**0.29**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 25,664	$ 309,205
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):		
Unrealized loss on available-for-sale securities	(675)	(8,133)
Deferred loss on derivatives under hedge accounting	(1,192)	(14,361)
Foreign currency translation adjustments	(8,981)	(108,205)
Share of other comprehensive income in associates	23	277
Total other comprehensive loss	(10,825)	(130,422)
COMPREHENSIVE INCOME (Note 19)	¥ 14,839	$ 178,783
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO (Note 19):		
Owners of the parent	¥ 15,413	$ 185,699
Minority interests	(574)	(6,916)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Brother Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Thousands	Millions of Yen										
							Accumulated other comprehensive income (loss)					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) Under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	267,649	¥ 19,210	¥ 16,134	¥ 195	¥ 197,083	¥ (11,672)	¥ (30)	¥ 3,114	¥ (27,048)	¥ 196,986	¥ 2,385	¥ 199,371
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	310	—	—	—	—	310	—	310
Net income	—	—	—	—	19,629	—	—	—	—	19,629	—	19,629
Cash dividends, ¥ 20.00 per share	—	—	—	—	(5,375)	—	—	—	—	(5,375)	—	(5,375)
Acquisition of treasury stock	(39)	—	—	—	—	(40)	—	—	—	(40)	—	(40)
Sale of treasury stock	24	—	15	—	—	10	—	—	—	25	—	25
Net increase in stock acquisition rights	—	—	—	92	—	—	—	—	—	92	—	92
Net increase in unrealized gain on available-for-sale securities	—	—	—	—	—	—	3,128	—	—	3,128	—	3,128
Net decrease in deferred gain under hedge accounting	—	—	—	—	—	—	—	(2,013)	—	(2,013)	—	(2,013)
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	—	(232)	(232)	—	(232)
Net decrease in minority interests	—	—	—	—	—	—	—	—	—	—	(1,363)	(1,363)
BALANCE, MARCH 31, 2010	267,634	19,210	16,149	287	211,647	(11,702)	3,098	1,101	(27,280)	212,510	1,022	213,532
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	(1,246)	—	—	—	—	(1,246)	—	(1,246)
Decrease due to split-off type of corporate divestiture	—	—	—	—	(375)	—	—	—	—	(375)	—	(375)
Net income	—	—	—	—	26,238	—	—	—	—	26,238	—	26,238
Cash dividends, ¥ 22.00 per share	—	—	—	—	(5,912)	—	—	—	—	(5,912)	—	(5,912)
Acquisition of treasury stock	(20)	—	—	—	—	(17)	—	—	—	(17)	—	(17)
Sale of treasury stock	34	—	8	—	—	30	—	—	—	38	—	38
Net increase in stock acquisition rights	—	—	—	52	—	—	—	—	—	52	—	52
Net decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(653)	—	—	(653)	—	(653)
Net decrease in deferred gain under hedge accounting	—	—	—	—	—	—	—	(1,192)	—	(1,192)	—	(1,192)
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	—	(8,981)	(8,981)	—	(8,981)
Net decrease in minority interests	—	—	—	—	—	—	—	—	—	—	(1,015)	(1,015)
BALANCE, MARCH 31, 2011	267,648	¥ 19,210	¥ 16,157	¥ 339	¥ 230,352	¥ (11,689)	¥ 2,445	¥ (91)	¥ (36,261)	¥ 220,462	¥ 7	¥ 220,469

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income (loss)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) Under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 231,446	$ 194,567	$ 3,457	$ 2,549,964	$ (140,988)	$ 37,325	$ 13,265	$ (328,675)	$ 2,560,361	$ 12,313	$ 2,572,674
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	(15,012)	—	—	—	—	(15,012)	—	(15,012)
Decrease due to split-off type of corporate divestiture	—	—	—	(4,518)	—	—	—	—	(4,518)	—	(4,518)
Net income	—	—	—	316,120	—	—	—	—	316,120	—	316,120
Cash dividends, $ 0.27 per share	—	—	—	(71,229)	—	—	—	—	(71,229)	—	(71,229)
Acquisition of treasury stock	—	—	—	—	(205)	—	—	—	(205)	—	(205)
Sale of treasury stock	—	96	—	—	362	—	—	—	458	—	458
Net increase in stock acquisition rights	—	—	627	—	—	—	—	—	627	—	627
Net decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	(7,867)	—	—	(7,867)	—	(7,867)
Net decrease in deferred gain under hedge accounting	—	—	—	—	—	—	(14,361)	—	(14,361)	—	(14,361)
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	(108,205)	(108,205)	—	(108,205)
Net decrease in minority interests	—	—	—	—	—	—	—	—	—	(12,229)	(12,229)
BALANCE, MARCH 31, 2011	$ 231,446	$ 194,663	$ 4,084	$ 2,775,325	$ (140,831)	$ 29,458	$ (1,096)	$ (436,880)	$ 2,656,169	$ 84	$ 2,656,253

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Brother Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 34,062**	¥ 26,234	**$ 410,386**
Adjustments for:			
Income taxes - paid	**(9,077)**	(6,508)	**(109,361)**
Depreciation and amortization	**24,027**	21,028	**289,482**
Loss on impairment of long-lived assets	**1,473**	315	**17,747**
Amortization of goodwill	**2,569**	709	**30,952**
Loss (gain) on sales and disposals of property, plant and equipment, net	**661**	(654)	**7,964**
Foreign exchange loss	**1,157**	459	**13,940**
Loss on transfer to defined contribution pension plan	**—**	2,985	**—**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**1,094**	(450)	**13,181**
(Increase) decrease in inventories	**(11,800)**	9,092	**(142,169)**
Increase in trade notes and accounts payable	**977**	6,793	**11,771**
Decrease in accrued expenses	**(232)**	(11,006)	**(2,795)**
Increase in liability for retirement benefits	**629**	1,301	**7,578**
Increase in allowance for doubtful accounts	**776**	1,249	**9,349**
(Decrease) increase in liability for warranty reserve	**(334)**	3,278	**(4,024)**
Other - net	**3,507**	(4,477)	**42,252**
Total adjustments	**15,427**	24,114	**185,867**
Net cash provided by operating activities	**49,489**	50,348	**596,253**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**2,640**	2,664	**31,807**
Proceeds from sales of investment securities	**56**	0	**675**
Proceeds from collection of loans	**816**	—	**9,831**
Disbursement for purchases of property, plant and equipment	**(16,741)**	(12,805)	**(201,699)**
Disbursement for purchases of investment securities	**(700)**	(146)	**(8,434)**
Disbursement for purchases of intangible assets	**(4,162)**	(5,483)	**(50,144)**
Disbursement for purchases of affiliates' shares	**(1,281)**	(1,863)	**(15,434)**
Disbursement for purchases of investment in affiliates	**(344)**	(1,705)	**(4,144)**
Proceeds from acquisition of shares with the change in scope of consolidation	**—**	1,124	**—**
Other - net	**(327)**	153	**(3,940)**
Net cash used in investing activities	**(20,043)**	(18,061)	**(241,482)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings, net	**2,321**	(26,917)	**27,963**
Repayments of long-term debt	**(5,107)**	(48)	**(61,530)**
Repayments of lease obligations	**(2,493)**	—	**(30,036)**
Cash dividends paid	**(5,912)**	(5,375)	**(71,229)**
Increase in treasury stock, net	**(9)**	(34)	**(108)**
Other - net	**250**	201	**3,012**
Net cash used in financing activities	**(10,950)**	(32,173)	**(131,928)**
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,561)**	1,769	**(30,855)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,935**	1,883	**191,988**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	**135**	1,020	**1,626**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**49,031**	46,128	**590,735**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 65,101**	¥ 49,031	**$ 784,349**
Additional information			
Assets and liabilities increased due to acquisition of shares of newly consolidated subsidiaries			
Assets	**—**	¥ 30,882	**—**
Liabilities	**—**	(37,967)	**—**
Cash paid for the capital	**—**	158	**—**
Goodwill	**—**	7,243	**—**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Brother Industries, Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which BROTHER INDUSTRIES, LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Consolidation

The Company has 85 (89 in 2010) subsidiaries at March 31, 2011. The accompanying consolidated financial statements as of March 31, 2011 include the accounts of the Company and its significant 54 (56 in 2010) subsidiaries (together, the "Group"). The remaining 31 (2010 in 33) unconsolidated subsidiaries' combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group.

Notes to Consolidated Financial Statements

Brother Industries, Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011 and 2010

Details of significant consolidated subsidiaries at March 31, 2011 are listed as follows:

	Equity ownership percentage at March 31, 2011		Capital in thousands of local currency
	Directly	Indirectly	
Brother International Corporation (Japan)	100.0 %	—	¥630,000
Brother Real Estate, Ltd.	100.0	—	¥300,000
Xing Inc.	99.9	—	¥7,122,649
Standard Corp.	—	100.0 %	¥90,000
Brother Sales, Ltd.	100.0	—	¥3,500,000
Bellezza Club Japan Inc.	100.0	—	¥90,250
Brother International Corporation (U.S.A.)	100.0	—	US$7,034
Brother International Corporation (Canada) Ltd.	—	100.0	C$11,592
Brother International De Mexico, S.A. De C.V.	—	100.0	MEX$75,260
Brother Industries (U.S.A.) Inc.	—	100.0	US$14,000
Brother International Corporation Do Brazil, Ltda.	—	100.0	R$49,645
Brother International De Chile, Ltda.	—	100.0	CH$2,801,966
Brother International Europe Ltd.	—	100.0	Stg.£26,500
Brother Holding (Europe) Ltd.	100.0	—	Stg.£87,013
Brother U.K. Ltd.	—	100.0	Stg.£17,400
Brother Internationale Industriemachinen GmbH	—	100.0	EURO9,000
Brother France SAS.	—	100.0	EURO12,000
Brother International GmbH (Germany)	—	100.0	EURO25,000
Brother Italia S.p.A.	—	100.0	EURO3,700
Brother Nordic A/S	—	100.0	DKr.42,000
Brother Industries (U.K.) Ltd.	100.0	—	Stg.£9,700
Brother Finance (U.K.) Plc	100.0	—	Stg.£2,500
Taiwan Brother Industries, Ltd.	100.0	—	NT$242,000
Zhuhai Brother Industries, Co., Ltd.	100.0	—	US$7,000
Brother Corporation (Asia) Ltd.	100.0	—	US$11,630
Brother Industries Technology (Malaysia) Sdn. Bhd.	100.0	—	MR21,000
Brother International (Aust.) Pty. Ltd.	100.0	—	A$2,500
Brother International Singapore Pte. Ltd.	—	100.0	US$9,527
Brother Machinery Xian Co., Ltd.	100.0	—	US$31,000
Brother Industries (Shenzhen) Ltd.	—	100.0	US$27,000
Brother (China) Ltd.	100.0	—	US$20,500
Brother Industries (Vietnam) Ltd.	100.0	—	US$50,000
Brother Technology (Shenzhen) Ltd.	—	100.0	US$15,000

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over the recoverable period, unless deemed immaterial and charged to income.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(2) Investments in Unconsolidated Subsidiaries and Associated Companies

Investments in 2 unconsolidated subsidiaries (2 in 2010) and 6 associated companies (6 in 2010) are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If these companies had been consolidated or accounted for by the equity method, the effect on the consolidated financial statements would not have been material.

Accordingly, income from the unconsolidated subsidiaries and associated companies is recognized when the Group receives dividends. Unrealized inter-company profits, if any, have not been eliminated in the consolidated financial statements.

(3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

On May 17, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

(4) Unification of Accounting Policies Applied to Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments" and ASBJ Practical Issues Task Force (PITF) No.24, "Practical Solution on Unification of Accounting Policies Applied to Associated Companies for the Equity Method." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. The new task force prescribes financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. The Group applied these accounting standard and task force effective April 1, 2010. The effect of this change was immaterial.

(5) Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010. The Group applied this accounting standard effective April 1, 2010.

(6) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trust, all of which mature or become due within three months of the date of acquisition.

(7) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average method by the Company and consolidated manufacturing subsidiaries. The consolidated sales subsidiaries determine cost by using the average method or the first-in, first-out method.

(8) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings,
ii) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost, and
iii) available-for-sale securities with market values, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

(9) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining-balance method.

The range of useful lives was principally from 3 to 50 years for buildings and structures, from 4 to 12 years for machinery and vehicles and from 2 to 20 years for furniture and fixtures.

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

(10) Long-lived Assets

The Group reviews their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(11) Other investments and assets

Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method.

(12) Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(13) Warranty Reserve

The Group provided a warranty reserve for repair service to cover all repair expenses based on the past warranty experience.

The warranty reserve was included in accrued expenses and amounted to ¥6,023 million ($72,566 thousand) and ¥7,215 million at March 31, 2011 and 2010, respectively.

(14) Liability for Retirement Benefits

(i) **Employees' Retirement Benefits**

The Company has a contributory funded pension plan and a defined contribution pension plan covering substantially all of its employees. Certain consolidated subsidiaries have non-contributory funded pension plans or unfunded retirement benefit plans. Also, certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

As of October 1, 2009, the Company and certain consolidated subsidiaries switched part of their retirement benefit systems from a contributory funded pension plan to a defined contribution pension plan. In accordance with this conversion, the Company and certain subsidiaries have applied "Accounting for the Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1, January 31, 2002). As a result of applying this accounting standard, the Group recorded a ¥2,985 million loss on revision of benefit plan under other expenses for the year ended March 31, 2010.

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Certain small subsidiaries apply the simplified method to state the liability at the amount which would be paid if employees retired, less plan assets at the balance sheet date.

(ii) Retirement Benefits for Directors and Corporate Auditors

Certain domestic consolidated subsidiaries provide retirement allowances for directors and corporate auditors. Retirement allowances for directors and corporate auditors are recorded to state the liability which would be paid at the amount if they retired at each balance sheet date. The retirement benefits for directors and corporate auditors are paid upon the approval of the shareholders.

(15) Asset Retirement Obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥94 million ($1,133 thousand) and income before income taxes and minority interests by ¥627 million ($7,554 thousand).

(16) Stock Options

The ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied this accounting standard for stock options to those granted on and after May 1, 2006.

(17) Research and Development Costs

Research and development costs are charged to income as incurred.

(18) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(Lessee)

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

(Lessor)

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

(19) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No.15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts."

Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. The Group adopted the new accounting standard for construction for the year ended March 31, 2010. This standard is applicable to construction contracts and software development contracts, and effective for fiscal years beginning on or after April 1, 2009. Certain subsidiaries of the Company applied the new accounting standard effective April 1, 2009.

(20) Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(21) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

(22) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of the equity and included in minority interests.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the year.

(23) Derivative and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and currency option contracts are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency contracts and currency option contracts employed to hedge foreign exchange exposures are measured at fair value and unrealized gains (losses) are recognized in income. Foreign currency forward contracts and currency option contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains (losses) are deferred until the underlying hedged transactions are completed.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(24) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(25) New Accounting Pronouncements

Accounting Changes and Error Correction

In December 2009, the ASBJ issued ASBJ Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Business Combinations

Xing Inc., the wholly-owned consolidated subsidiary of the Company, absorbed and merged with BMB Corp., the wholly-owned consolidated subsidiary of the Company, as well, effective as of July 1, 2010.

The entities combined and detail of the business involved, date of the business combination, legal form of the business combination, name of the combined entity and outline of the transaction including objectives of the transaction

a. The entities combined
Xing Inc. and BMB Corp., both wholly-owned consolidated subsidiaries

b. Detail of the business involved
Xing Inc.: Sales of commercial karaoke machine, management of karaoke house and service of karaoke contents
BMB Corp.: Sales and development of commercial karaoke machine, and management of karaoke house

c. Date of the business combination
July 1, 2010

d. Legal form of the business combination
Absorption-type merger in which Xing Inc. was the successor company and BMB Corp. was the absorbed company

e. Name of the combined entity
Xing Inc.

f. Outline of the transaction including objectives of the transaction
The Group started telecommunication karaoke business in 1992 and has been engaged in promoting the new business area, "Network & Contents" business, using the music contents and the networks of Xing Inc. Xing Inc. acquired the whole shares of BMB Corp. on January 20, 2010, in order to reinforce the profit basis of the telecommunication karaoke business and to expand the customer basis in new business area. The Group determined the merger of Xing Inc. and BMB Corp. to accelerate the business combination.
The merger aimed at realizing the synergy effect of business combination, reinforcing the profit basis, and gaining superiority in the karaoke business, by advancing the reorganization of business and the integration of system, and increasing the efficiency of business management.

Furthermore, the group pursues the growth of the whole group by strengthening the ability of contents development and entering into a new business field, using the expanded customer basis.

Outline of the accounting procedures applied

This transaction is recorded as a transaction under common control, based on the ASBJ Statement No.21, "Accounting Standard for Business Combinations" (December 26, 2008) and the ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (December 26, 2008).

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Current:			
Government and corporate bonds	**¥ 300**	¥ 300	**$ 3,614**
Total	**¥ 300**	¥ 300	**$ 3,614**
Non-current:			
Marketable equity securities	**¥ 12,759**	¥ 13,669	**$ 153,723**
Government and corporate bonds	**525**	525	**6,325**
Other	**223**	237	**2,687**
Total	**¥ 13,507**	¥ 14,431	**$ 162,735**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 8,568**	**¥ 4,289**	**¥ (713)**	**¥ 12,144**
Other	**139**	**1**	**—**	**140**
Held-to-maturity	**825**	**5**	**—**	**830**

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,015	¥ 5,033	¥ (24)	¥ 13,024
Other	139	18	—	157
Held-to-maturity	825	6	—	831

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 103,229**	**$ 51,675**	**$ (8,591)**	**$ 146,313**
Other	**1,676**	**12**	**—**	**1,688**
Held-to-maturity	**9,939**	**60**	**—**	**9,999**

The information of the available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
March 31, 2011	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥ 56**	**¥ 1**	**¥ (3)**

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 0	—	¥ (1)

	Thousands of U.S. Dollars		
March 31, 2011	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$ 675**	**$ 12**	**$ 36**

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Merchandise and Finished products	**¥ 49,500**	¥ 46,327	**$ 596,385**
Work in process	**8,067**	6,224	**97,193**
Raw materials and supplies	**14,689**	12,189	**176,976**
Total	**¥ 72,256**	¥ 64,740	**$ 870,554**

6. Long-lived Assets

The Group reviewed their long-lived assets for impairment. For the years ended March 31, 2011 and 2010, the Company and domestic consolidated subsidiaries recorded impairment loss of ¥1,473 million ($17,747 thousand) and ¥315 million, respectively, as other expense, for business assets, idle assets and leased assets. The carrying amounts of these assets were written down to the recoverable amount. The recoverable amount of business assets was measured at the value in use and those of idle assets and leased assets were measured at the net selling price at disposition. The recoverable amount of business assets was measured at value in use and the discount rate used for computation of the present value of future cash flows were from 4.60% to 5.08% for the year ended March 31, 2011.

7. Investment Property

On November 28, 2008, the ASBJ issued ASBJ Statement No.20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No.23, "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and the guidance were applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

The Group owns certain rental properties such as office buildings and land in Nagoya and other areas. The net of rental income and operating expenses for those rental properties was ¥1,230 million ($14,819 thousand) and ¥1,234 million for the fiscal year ended March 31, 2011 and 2010, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying amount			Fair value
April 1, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
¥ 10,053	¥ (1,256)	**¥ 8,797**	**¥ 16,862**

Millions of Yen			
Carrying amount			Fair value
April 1, 2009	Increase/(Decrease)	March 31, 2010	March 31, 2010
¥ 9,706	¥ 347	¥ 10,053	¥ 19,028

Thousands of U.S. Dollars			
Carrying amount			Fair value
April 1, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
$ 121,120	$ (15,132)	**$ 105,988**	**$ 203,157**

Notes: 1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Fair value of properties as of March 31, 2011 is mainly measured by the Group in accordance with its Real-estate Appraisal Standard.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Loans principally from banks with weighted average interest rates of 0.56% (0.59% in 2010)	**¥ 8,637**	¥ 6,337	**$ 104,060**

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Fourth unsecured 1.68% domestic bonds, due 2012 *1	**¥ 15,000**	¥ 15,000	**$ 180,723**
Fifth unsecured 1.97% domestic bonds, due 2011 *2	**500**	500	**6,024**
Unsecured loans from a bank, due to 2017 with an interest rate of 1.73% (from 1.06% to 2.80% in 2010)	**250**	5,107	**3,012**
Lease obligations	**5,978**	4,530	**72,024**
Total	**21,728**	25,137	**261,783**
Less: current portion	**(3,422)**	(6,952)	**(41,229)**
Long-term debt, less current portion	**¥ 18,306**	¥ 18,185	**$ 220,554**

*1 : Issued by the Company
*2 : Issued by Brother Real Estate, Ltd.

Annual maturities of long-term debt at March 31, 2011 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 3,422	$ 41,229
2013	16,565	199,578
2014	684	8,241
2015	447	5,386
2016 and thereafter	610	7,349
Total	¥ 21,728	$ 261,783

The carrying amounts of assets pledged as collateral for other long-term liabilities of ¥157 million ($1,892 thousand) at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures, net of accumulated depreciation	¥ 228	$ 2,747
Land	123	1,482
Total	¥ 351	$ 4,229

9. Retirement and Pension Plans

The liability for retirement benefits in the accompanying consolidated balance sheets consisted of retirement allowances for directors and corporate auditors of ¥121 million ($1,458 thousand) and ¥156 million at March 31, 2011 and 2010, respectively, and employees' retirement benefits of ¥7,528 million ($90,699 thousand) and ¥7,032 million at March 31, 2011 and 2010, respectively.

Retirement Allowances for Directors and Corporate Auditors

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Companies Act of Japan.

Certain domestic consolidated subsidiaries recorded liabilities for their unfunded retirement allowance plan covering all of their directors and corporate auditors.

Employees' Retirement Benefits

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The Company and certain domestic subsidiaries had two types of pension plans for employees: a non-contributory and a contributory funded defined benefit pension plan. The Company and certain domestic subsidiaries applied accounting treatments specified in the guidance as described in Note 2(14). Certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ (50,134)**	¥ (52,374)	**$ (604,024)**
Fair value of plan assets	**42,447**	44,610	**511,410**
Unrecognized actuarial loss	**11,621**	14,395	**140,012**
Unrecognized prior service benefit	**1,158**	(257)	**13,951**
Net asset	**5,092**	6,374	**61,349**
Prepaid pension cost	**12,620**	13,406	**152,048**
Liability for employees' retirement benefits	**¥ (7,528)**	¥ (7,032)	**$ (90,699)**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥ 1,638**	¥ 1,993	**$ 19,735**
Interest cost	**1,434**	1,578	**17,277**
Expected return on plan assets	**(1,517)**	(1,448)	**(18,277)**
Recognized actuarial loss	**2,201**	1,941	**26,518**
Amortization of prior service benefit	**(274)**	43	**(3,301)**
Additional retirement payments and others	**147**	164	**1,771**
Loss on transfer to defined contribution pension plan	**—**	2,985	**—**
Benefit cost for past years	**—**	715	**—**
Contribution to defined contribution pension plans	**1,413**	1,022	**17,024**
Net periodic retirement benefits cost	**¥ 5,042**	¥ 8,993	**$ 60,747**

Assumptions used for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Periodic recognition of projected benefit obligation	**Straight-line method**	Straight-line method
Discount rate	**Principally from 1.5% to 2.0%**	Principally from 1.5% to 2.0%
Expected rate of return on plan assets	**Principally 3.0%**	Principally 3.0%
Recognition period of actuarial gain / loss	**Principally from 7 years to 17 years**	Principally from 7 years to 17 years
Amortization period of prior service benefit / cost	**Principally from 7 years to 16 years**	Principally from 7 years to 16 years

10. Asset Retirement Obligations

(a) Outline of asset retirement obligations

The Group's asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements, the restoration of premises to the original condition, and the removal of liquid crystal in the karaoke machines upon the termination of the lease of karaoke house.

(b) Method applied to computation of the asset retirement obligations

The estimated period until the asset retirement obligations are implemented are 1 to 34 years from the acquisition. The discounted rates used for computation of the asset retirement obligations are 0.16% to 3.48%.

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	2011	
	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥ 1,089**	**$ 13,120**
Reconciliation associated with passage of time	**14**	**169**
Reduction associated with settlement of asset retirement obligations	**(81)**	**(976)**
Balance at end of year	**¥ 1,022**	**$ 12,313**

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12 . Stock Options

The stock options outstanding as of March 31, 2011 were as follows:

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	6 directors	46,000 shares	Mar 19, 2007	¥ 1 ($0.01)	30 years starting on the following day of stock option grant date
2008 Stock Option	6 directors	65,100 shares	Mar 24, 2008	¥ 1 ($0.01)	Same as above
2009 Stock Option	5 directors	114,500 shares	Mar 23, 2009	¥ 1 ($0.01)	Same as above
2010 Stock Option	4 directors 14 executive officers	51,900 shares 49,600 shares	Mar 23, 2010	¥ 1 ($0.01)	Same as above
2011 Stock Option	4 directors 13 executive officers	43,200 shares 40,300 shares	Mar 23, 2011	¥ 1 ($0.01)	Same as above

The stock option activity was as follows:

	2011 Stock Option	2010 Stock Option	2009 Stock Option	2008 Stock Option	2007 Stock Option
	(shares)	(shares)	(shares)	(shares)	(shares)
For the year ended March 31, 2010					
Non-vested					
March 31, 2009 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2010 – Outstanding	—	—	—	—	—
Vested					
March 31, 2009 - Outstanding	—	—	114,500	65,100	46,000
Vested	—	101,500	—	—	—
Exercised	—	—	—	—	—
Canceled	—	—	—	—	—
March 31, 2010 – Outstanding	—	101,500	114,500	65,100	46,000
For the year ended March 31, 2011					
Non-vested					
March 31, 2010 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2011 – Outstanding	—	—	—	—	—
Vested					
March 31, 2010 - Outstanding	—	101,500	114,500	65,100	46,000
Vested	83,500	—	—	—	—
Exercised	—	3,200	—	13,500	14,000
Canceled	—	—	—	—	—
March 31, 2011 – Outstanding	83,500	98,300	114,500	51,600	32,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	—	¥ 1,053	—	¥ 921	¥ 1,057
	(—)	($ 12.69)	(—)	($ 11.10)	($ 12.74)
Fair value price at grant date	¥ 1,018	¥ 899	¥ 642	¥ 915	¥ 1,350
(directors)	($12.27)	($ 10.83)	($ 7.73)	($ 11.02)	($ 16.27)
Fair value price at grant date	¥ 1,034	¥ 912	—	—	—
(executive officers)	($ 12.46)	($ 10.99)	(—)	(—)	(—)

The assumptions used to measure fair value of 2011 Stock Option (directors)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	41.00%
Estimated remaining outstanding period:	10 years
Estimated dividend rate:	1.51%
Interest rate with risk free:	1.23%

The assumptions used to measure fair value of 2011 Stock Option (executive officers)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.06%
Estimated remaining outstanding period:	9 years
Estimated dividend rate:	1.50%
Interest rate with risk free:	1.12%

13. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Deferred Tax Assets:			
Inventory	**¥ 8,399**	¥ 7,645	**$ 101,193**
Accrued bonuses	**2,548**	2,397	**30,699**
Accrued expenses	**1,780**	2,206	**21,446**
Allowance for doubtful accounts	**8,105**	10,461	**97,651**
Warranty reserve	**1,597**	1,553	**19,241**
Employees' retirement benefits	**1,340**	1,276	**16,145**
Write-down of investment securities	**3,910**	4,444	**47,108**
Depreciation	**3,285**	6,169	**39,578**
Tax loss carryforwards	**16,065**	7,375	**193,554**
Other	**5,038**	6,312	**60,698**
Less valuation allowance	**(24,324)**	(26,074)	**(293,060)**
Total deferred tax assets	**¥ 27,743**	¥ 23,764	**$ 334,253**
Deferred Tax Liabilities:			
Securities withdrawn from retirement benefit trust	**¥ (3,262)**	¥ (3,262)	**$ (39,301)**
Prepaid pension cost	**(5,111)**	(5,446)	**(61,578)**
Differences between book and tax bases of property, plant and equipment	**(2,381)**	(3,131)	**(28,687)**
Undistributed earnings of foreign subsidiaries	**(3,458)**	(2,912)	**(41,663)**
Unrealized gain on available-for-sale securities	**(863)**	(1,374)	**(10,398)**
Deferred gain on derivatives under hedge accounting	**—**	(739)	**—**
Other	**(750)**	(710)	**(9,036)**
Total deferred tax liabilities	**¥ (15,825)**	¥ (17,574)	**$ (190,663)**
Net deferred tax assets	**¥ 11,918**	¥ 6,190	**$ 143,590**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Normal effective statutory tax rate	**40.10%**	40.50%
Expenses not deductible for income tax purposes	**6.40**	1.93
Revenues not recognized for income tax purposes	**(1.24)**	(0.84)
Lower income tax rates applicable to income in certain foreign countries	**(7.36)**	(10.30)
Tax credit for R&D expenses	**(4.10)**	(0.91)
Taxes on dividends from foreign subsidiaries	**(0.23)**	(0.15)
Net change in valuation allowance	**(10.32)**	(3.90)
Tax effect not recognized on retained earnings of foreign subsidiaries	**1.76**	—
Other – net	**(0.35)**	(0.87)
Actual effective tax rate	**24.66%**	25.46%

14. Research and Development Costs

Research and development costs charged to income were ¥36,253 million ($436,783 thousand) and ¥34,779 million for the years ended March 31, 2011 and 2010, respectively.

15. Leases

(As lessee)

The Group leases certain buildings and structures, furniture and fixtures, machinery and vehicles.

Total rental expense of finance leases, except for those cases in which the ownership of the leased assets is transferred to the lessee, amounted to ¥4,054 million ($48,843 thousand) and ¥1,416 million for the years ended March 31, 2011 and 2010, respectively. Sublease payments, in the amount of ¥2,248 million ($27,084 thousand) and ¥783 million, were included in the amounts for the years ended March 31, 2011 and 2010, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Group applied the ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	March 31, 2011			
	Millions of Yen			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	**¥ 170**	**¥ 2,653**	**¥ 16**	**¥ 2,839**
Accumulated depreciation	**111**	**1,271**	**14**	**1,396**
Accumulated impairment loss	**16**	**584**	**—**	**600**
Net leased property	**¥ 43**	**¥ 798**	**¥ 2**	**¥ 843**

	March 31, 2010			
	Millions of Yen			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	¥ 2,512	¥ 3,227	¥ 3	¥ 5,742
Accumulated depreciation	83	368	2	453
Accumulated impairment loss	396	487	—	883
Net leased property	¥ 2,033	¥ 2,372	¥ 1	¥ 4,406

	March 31, 2011			
	Thousands of U.S. Dollars			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	**$ 2,048**	**$ 31,963**	**$ 193**	**$ 34,204**
Accumulated depreciation	**1,337**	**15,313**	**169**	**16,819**
Accumulated impairment loss	**193**	**7,036**	**—**	**7,229**
Net leased property	**$ 518**	**$ 9,614**	**$ 24**	**$ 10,156**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Finance leases:			
Due within one year	**¥ 1,677**	¥ 4,816	**$ 20,205**
Due after one year	**438**	5,126	**5,277**
Total	**¥ 2,115**	¥ 9,942	**$ 25,482**

Allowance for impairment loss on leased property of ¥227 million ($2,735 thousand) and ¥590 million as of March 31, 2011 and 2010 is not included in the obligations under finance leases, respectively.

Sublease obligations included in the above table:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Finance leases:			
Due within one year	**¥ 795**	¥ 2,624	**$ 9,578**
Due after one year	**154**	2,105	**1,856**
Total	**¥ 949**	¥ 4,729	**$ 11,434**

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Depreciation expense	**¥ 1,297**	¥ 479	**$ 15,627**
Interest expense	**87**	61	**1,048**
Reversal of allowance for impairment loss on leased property	**329**	81	**3,964**
Impairment loss	**¥ 172**	¥ 7	**$ 2,072**

The minimum rental commitments under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Operating leases:			
Due within one year	**¥ 974**	¥ 1,454	**$ 11,735**
Due after one year	**3,024**	4,226	**36,434**
Total	**¥ 3,998**	¥ 5,680	**$ 48,169**

(As lessor)

As discussed in Note 2(18), the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Expected revenues from such finance leases that existed at the transition date and were accounted for as operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Finance leases:			
Due within one year	**¥ 795**	¥ 2,630	**$ 9,579**
Due after one year	**154**	2,105	**1,855**
Total	**¥ 949**	¥ 4,735	**$ 11,434**

All revenues in the above table at March 31, 2011 and 2010 arose from sublease transactions.

Expected revenues under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Operating leases:			
Due within one year	**¥ 201**	¥ 97	**$ 2,421**
Due after one year	**264**	180	**3,181**
Total	**¥ 465**	¥ 277	**$ 5,602**

16. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No.10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts and currency option contracts.

Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Bank loans are mainly used to fund ongoing operations. For the year ended March 31, 2011, the long-term portion of bank loans is borrowed with fixed interest rate. For the year ended March 31, 2010, the long-term portion of bank loans was borrowed with variable interest rates and was exposed to market risks from changes in variable interest rates, however, a part of those risks was mitigated by using derivatives of interest-rate swaps.

The maturities of bonds are a year after the balance sheet date at maximum and are mainly used to fund plant and equipment investment.

Derivatives mainly include forward foreign currency contracts, currency option contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, respectively. In addition, interest-rate swaps were also used to manage exposure to market risks from changes in interest rates of bank loans for the year ended March 31, 2010. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stage. With respect to held-to-maturity financial investments, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 17 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts and currency option contracts. In addition, when foreign currency trade receivables and payables are expected from a forecasted transaction, forward foreign currency contracts and currency option contracts may be used to hedge foreign exchange risk resulting from the forecasted transaction expected to occur within one year.

For the year ended March 31, 2010, interest-rate swaps were used to manage exposure to market risks from changes in interest rates of loan payables.

The executions and administration of derivatives have been approved by those who are granted authority based on the internal guidelines which prescribe the authority and the limit for each transaction.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk with adequate financial planning by each company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 17 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
March 31, 2011	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	**¥ 65,101**	**¥ 65,101**	**—**
Marketable securities	**300**	**300**	**—**
Receivables	**62,185**	**62,185**	**—**
Investment securities	**12,809**	**12,814**	**¥ 5**
Total	**¥ 140,395**	**¥ 140,400**	**¥ 5**
Short-term borrowings	**¥ 8,637**	**¥ 8,637**	**—**
Current portion of long-term debt	**3,422**	**3,431**	**¥ 9**
Payables	**47,415**	**47,415**	**—**
Income taxes payable	**7,346**	**7,346**	**—**
Long-term debt	**18,306**	**18,566**	**260**
Total	**¥ 85,126**	**¥ 85,395**	**¥ 269**

	Millions of yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 49,031	¥ 49,031	—
Marketable securities	300	300	—
Receivables	68,928	68,869	¥ (59)
Investment securities	13,705	13,710	5
Total	¥ 131,964	¥ 131,910	¥ (54)
Short-term borrowings	¥ 6,337	¥ 6,337	—
Current portion of long-term debt	6,952	6,952	—
Payables	47,903	47,903	—
Income taxes payable	4,368	4,368	—
Long-term debt	18,185	18,511	¥ 326
Total	¥ 83,745	¥ 84,071	¥ 326

	Thousands of U.S. Dollars		
March 31, 2011	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	$ 784,349	$ 784,349	—
Marketable securities	3,614	3,614	—
Receivables	749,217	749,217	—
Investment securities	154,326	154,386	$ 60
Total	$ 1,691,506	$ 1,691,566	$ 60
Short-term borrowings	$ 104,060	$ 104,060	—
Current portion of long-term debt	41,229	41,337	$ 108
Payables	571,265	571,265	—
Income taxes payable	88,506	88,506	—
Long-term debt	220,554	223,687	3,133
Total	$ 1,025,614	$ 1,028,855	$ 3,241

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 4.

Receivables and payables

For the year ended March 31, 2011, the carrying values of receivables approximate fair value because of their short maturities.

For the year ended March 31, 2010, the fair value of receivables was calculated as the total of the fair value of notes receivable and the fair value of accounts receivable.

The fair value of notes receivable was measured at the amount to be received at maturity, discounted at the Group's assumed corporate discount rate. On the other hand, the fair value of accounts receivable was the book value of accounts receivable minus allowance for doubtful accounts, since accounts receivable were settled in a short term period and doubtful accounts were estimated based on collectability. The carrying values of payables approximated fair value because of their short maturities.

Short-term borrowings and long- term debt

The carrying values of short-term borrowings approximate fair value because of their short maturities.

The fair value of Company's bonds is measured at the quoted market price of the bond market. The fair value of bonds of certain subsidiaries is determined by the cash flows related to the bond at their assumed corporate borrowing rate.

For the year ended March 31, 2011, the fair value of long-term debt is determined by the cash flows related to the debt at the Group's assumed borrowing rate.

For the year ended March 31, 2010, the carrying amounts of bank loans approximated the fair value because their interest rates were variable rates, which reflected the market rate within short term, and also the Group's credibility had not changed significantly since the borrowing date.

Carrying amounts of lease obligations approximate fair value, because neither the risk free rate nor the Group's credibility has changed significantly since the date of lease inception.

Income taxes payable

The carrying values of income taxes payable approximate fair value because of their short maturities.

Derivatives

The information of the fair value for derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Equity securities that do not have a quoted market price in an active market	**¥ 615**	¥ 645	**$ 7,410**
Investments in limited liability partnerships that do not have a quoted market price in an active market	**83**	80	**999**
Investments in unconsolidated subsidiaries and associated companies	**16,406**	15,838	**197,663**
Total	**¥ 17,104**	¥ 16,563	**$ 206,072**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥ 65,101**	**—**	**—**	**—**
Marketable securities	**300**	**—**	**—**	**—**
Receivables	**62,185**	**—**	**—**	**—**
Investment securities				
Held-to-maturity securities	**—**	**¥ 525**	**—**	**—**
Available-for-sale securities with contractual maturities	**15**	**—**	**—**	**—**
Total	**¥ 127,601**	**¥ 525**	**—**	**—**

	Millions of yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 49,031	—	—	—
Marketable securities	300	—	—	—
Receivables	68,543	¥ 385	—	—
Investment securities				
Held-to-maturity securities	—	525	—	—
Available-for-sale securities with contractual maturities	16	—	—	—
Total	¥ 117,890	¥ 910	—	—

	Thousands of U.S. Dollars			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$ 784,349**	**—**	**—**	**—**
Marketable securities	**3,614**	**—**	**—**	**—**
Receivables	**749,217**	**—**	**—**	**—**
Investment securities				
Held-to-maturity securities	**—**	**$ 6,325**	**—**	**—**
Available-for-sale securities with contractual maturities	**181**	**—**	**—**	**—**
Total	**$ 1,537,361**	**$ 6,325**	**—**	**—**

Please see Note 8 for annual maturities of long-term debt.

17. Derivatives

The Group enters into foreign currency forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business.

Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions with high credit ratings, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010

	(Millions of Yen)			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	¥ 711	—	¥ 5	¥ 5
Euro	3,240	—	(103)	(103)
Pound Sterling	401	—	2	2
Thailand Baht	50	—	(1)	(1)
Yen	7,813	—	193	193
Mexican Peso	572	—	(12)	(12)
Korean Won	157	—	4	4
Indonesia Rupiah	203	—	4	4
Taiwan Dollars	124	—	(1)	(1)
India Rupee	30	—	(0)	(0)
Philippine Peso	232	—	2	2
Buying:				
U.S. Dollars	¥ 3,404	—	¥ (69)	¥ (69)
Pound Sterling	67	—	(1)	(1)
Currency option contracts:				
Selling:				
Call				
Euro	¥ 52,113	¥ 1,764	¥ 1,440	¥ (274)
(Option fee)	(1,166)	(40)		
Pound Sterling	1,339	—	22	(3)
(Option fee)	(19)	—		
Swiss Franc	642	—	8	3
(Option fee)	(10)	—		
Buying:				
Call				
Euro	¥ 333	—	¥ 6	¥ (5)
(Option fee)	(10)	—		
Yen	47,567	¥ 1,764	1,013	(165)
(Option fee)	(1,178)	(40)		
Interest rate swaps:	¥ 1,250	¥ 1,250	¥ (29)	¥ (29)
(fixed rate payment, floating rate receipt)				

At March 31, 2010	(Millions of Yen) Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	¥ 658	—	¥ 29	¥ 29
Euro	1,426	—	23	23
Pound Sterling	668	—	8	8
Thailand Baht	170	—	(4)	(4)
Yen	23,080	—	475	475
Mexican Peso	508	—	1	1
Korean Won	31	—	(0)	(0)
Indonesia Rupiah	58	—	(2)	(2)
Taiwan Dollars	68	—	(0)	(0)
Buying:				
U.S. Dollars	¥ 2,142	—	¥ (14)	¥ (14)
Euro	1,456	—	(5)	(5)
Pound Sterling	1,107	—	7	7
Currency option contracts:				
Selling:				
Call				
Euro	¥ 14,553	¥ 625	¥ 140	¥ 244
(Option fee)	(384)	(15)		
Swiss Franc	1,499	—	51	(34)
(Option fee)	(17)	—		
Buying:				
Call				
Euro	¥ 993	—	¥ 3	¥ (14)
(Option fee)	(17)	—		
Yen	14,553	¥ 625	339	(45)
(Option fee)	(384)	(15)		
Interest rate swaps: (fixed rate payment, floating rate receipt)	¥ 7,444	¥ 1	¥ (395)	¥ (395)

Notes to Consolidated Financial Statements

Brother Industries, Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011 and 2010

	(Thousands of U.S. Dollars)			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	$ 8,566	—	$ 60	$ 60
Euro	39,036	—	(1,241)	(1,241)
Pound Sterling	4,831	—	24	24
Thailand Baht	602	—	(12)	(12)
Yen	94,133	—	2,325	2,325
Mexican Peso	6,892	—	(145)	(145)
Korean Won	1,892	—	48	48
Indonesia Rupiah	2,446	—	48	48
Taiwan Dollars	1,494	—	(12)	(12)
India Rupee	361	—	(0)	(0)
Philippine Peso	2,795	—	24	24
Buying:				
U.S. Dollars	$ 41,012	—	$ (831)	$ (831)
Pound Sterling	807	—	(12)	(12)
Currency option contracts:				
Selling:				
Call				
Euro	$ 627,867	$ 21,253	$ 17,349	$ (3,301)
(Option fee)	(14,048)	(482)		
Pound Sterling	16,133	—	265	(36)
(Option fee)	(229)	—		
Swiss Franc	7,735	—	96	36
(Option fee)	(120)	—		
Buying:				
Call				
Euro	$ 4,012	—	$ 72	$ (60)
(Option fee)	(120)	—		
Yen	573,096	$ 21,253	12,205	(1,988)
(Option fee)	(14,193)	(482)		
Interest rate swaps: (fixed rate payment, floating rate receipt)	$ 15,060	$ 15,060	$ (349)	$ (349)

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010

	(Millions of Yen)			
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	**¥ 6,347**	**—**	**¥ (147)**
Pound Sterling	Receivables	**470**	**—**	**3**
Korean Won	Receivables	**64**	**—**	**1**
Indonesia Rupiah	Receivables	**99**	**—**	**2**
Taiwan Dollars	Receivables	**44**	**—**	**1**

	(Millions of Yen)			
At March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	Receivables	¥ 234	—	¥ 1
Euro	Receivables	21,131	—	1,681
Pound Sterling	Receivables	2,411	—	161
Korean Won	Receivables	104	—	(2)
Indonesia Rupiah	Receivables	114	—	(2)
Taiwan Dollars	Receivables	114	—	(1)
Buying:				
Taiwan Dollars	Investment securities	¥ 88	—	¥ 0
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Current portion of long-term debt	¥ 5,000	—	—

	(Thousands of U.S. Dollars)			
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	**$ 76,470**	**—**	**$ (1,771)**
Pound Sterling	Receivables	**5,663**	**—**	**36**
Korean Won	Receivables	**771**	**—**	**12**
Indonesia Rupiah	Receivables	**1,193**	**—**	**24**
Taiwan Dollars	Receivables	**530**	**—**	**12**

18. Contingent Liabilities

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for debt of customers	**¥ 561**	**$ 6,759**

19. Comprehensive Income

For the year ended March 31, 2010

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
	2010
Other comprehensive income (loss):	
Unrealized gain on available-for-sale securities	¥ 3,019
Deferred loss on derivatives under hedge accounting	(2,014)
Foreign currency translation adjustments	(338)
Share of other comprehensive income in associates	109
Total other comprehensive income	¥ 776

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen
	2010
Total comprehensive income (loss) attributable to:	
Owners of the parent	¥ 20,511
Minority interests	(179)
Total comprehensive income	¥ 20,332

20. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	**¥ 26,238**	**267,645**	**¥ 98.03**	**$ 1.18**
Effect of dilutive securities				
Stock acquisition rights		**328**		
Diluted EPS				
Net income for computation	**¥ 26,238**	**267,973**	**¥ 97.91**	**$ 1.18**
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥ 19,629	267,652	¥ 73.34	
Effect of dilutive securities				
Stock acquisition rights		228		
Diluted EPS				
Net income for computation	¥ 19,629	267,880	¥ 73.28	

21. Subsequent Events

1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's board of directors' meeting held on May 13, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends of ¥12 ($0.15) per share	**¥ 3,225**	**$ 38,855**

2) The signing on the construction of new manufacturing facility in Xian, China

On April 28, 2011, Xian government and the Company signed the agreement on the construction of new manufacturing facility in Xian, China.

The Company is aggregating the Group's manufacturing facilities of the industrial sewing machines and machine tools which are currently located in the several areas in Xian, China into a new single factory by 2013 in order to reinforce the manufacturing operations and business efficiency, with aims to meet growing demand in the Chinese market.

The Group started the manufacturing of Industrial sewing machines in China as a joint venture in Xian, 1993. In 2001, the Company established a wholly owned subsidiary in Xian. In April of 2010, the Company merged these two companies and started operation as Brother Machinery Xian Co., Ltd. (hereinafter BMX). In addition to the industrial sewing machine, BMX started manufacturing machine tools at another factory in fall of 2010. Currently BMX is manufacturing both industrial sewing machines and machine tools at three factories.

The demand of Chinese market for both industrial sewing machines and machine tools are expected to grow. In order to respond to this growing demand and to increase the efficiency of business, the Company is aggregating all factories in Xian into a single factory so that it can increase production volume business and reinforce the manufacturing of both businesses.

Xian city officials and representatives of the Company participated at a contract signing ceremony for this project on April 28, 2011 in Xian city. There is no significant impact on profits and losses from this signing.

Outline of the New Factory

Location: Hi-tech industries Development Zone, Xian, Shaanxi, China
No. of Employees: Approximately twelve hundred employees (as of April, 2013)
Total Investment: Approximately 5.3 billion yen
Start date for construction: January 2012
Date of completion: January 2013
Date of start of production: April 2013
Property Space: 79,920m^2
Floor space: 51,100m^2
Structure / Scale: Steel construction - 3 stories

22. Segment Information

For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group consists of the four segments "Printing & Solutions," "Personal & Home," "Machinery & Solution" and "Network & Contents," in which the Group formulates and implements comprehensive strategies of products and services. "Printing & Solutions" consists of sales and production of communication printing device such as printers and multi-function printers, and of sales and production of electronic stationeries. "Personal & Home" consists of sales and production of home sewing machines. "Machinery & Solution" consists of sales and production of industrial sewing machines and machine tools. "Network & Contents" consists of sales and production of online karaoke machine, and of contents distribution services.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of Yen							
	2011							
	Reportable segment							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total	Reconciliation	Consolidated
Sales								
Sales to external customers	**¥340,194**	**¥ 29,433**	**¥ 66,412**	**¥ 52,805**	**¥ 13,986**	**¥502,830**	**—**	**¥502,830**
Intersegment sales or transfers	**—**	**—**	**—**	**—**	**5,876**	**5,876**	**¥ (5,876)**	**—**
Total	**¥340,194**	**¥ 29,433**	**¥ 66,412**	**¥ 52,805**	**¥ 19,862**	**¥508,706**	**¥ (5,876)**	**¥502,830**
Segment profit	**¥ 27,093**	**¥ 2,942**	**¥ 7,490**	**¥ (2,731)**	**¥ 1,298**	**¥ 36,092**	**—**	**¥ 36,092**
Segment assets	**206,559**	**17,398**	**54,104**	**38,427**	**63,380**	**379,868**	**¥ (7,222)**	**372,646**
Other:								
Depreciation	**¥ 15,400**	**¥ 626**	**¥ 1,371**	**¥ 5,735**	**¥ 895**	**¥ 24,027**	**—**	**¥ 24,027**
Amortization of goodwill	**213**	**—**	**20**	**2,336**	**—**	**2,569**	**—**	**2,569**
Investments in associated companies	**422**	**93**	**9,575**	**—**	**1,375**	**11,465**	**—**	**11,465**
Increase in property, plant and equipment and intangible assets	**11,078**	**678**	**951**	**3,922**	**390**	**17,019**	**¥ 2,769**	**19,788**

	Millions of Yen							
	2010							
	Reportable segment							
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total	Reconciliation	Consolidated
Sales								
Sales to external customers	¥ 341,470	¥ 27,948	¥ 31,791	¥ 32,739	¥ 12,321	¥ 446,269	—	¥ 446,269
Intersegment sales or transfers	—	—	—	—	7,909	7,909	¥ (7,909)	—
Total	¥ 341,470	¥ 27,948	¥ 31,791	¥ 32,739	¥ 20,230	¥ 454,178	¥ (7,909)	¥ 446,269
Segment profit	¥ 26,427	¥ 1,797	¥ (2,673)	¥ 573	¥ 513	¥ 26,637	—	¥ 26,637
Segment assets	212,095	17,578	47,358	51,636	82,178	410,845	¥ (44,854)	365,991
Other:								
Depreciation	¥ 15,763	¥ 680	¥ 1,293	¥ 2,560	¥ 732	¥ 21,028	—	¥ 21,028
Amortization of goodwill	213	—	10	486	—	709	—	709
Investments in associated companies	386	69	9,266	—	1,285	11,006	—	11,006
Increase in property, plant and equipment and intangible assets	8,793	531	532	3,180	278	13,314	¥ 4,168	17,482

	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total	Reconciliation	Consolidated
	Thousands of U.S. Dollars							
	2011							
	Reportable segment							
Sales								
Sales to external customers	$ 4,098,723	$ 354,614	$ 800,145	$ 636,205	$ 168,506	$ 6,058,193	—	$ 6,058,193
Intersegment sales or transfers	—	—	—	—	70,795	70,795	$ (70,795)	—
Total	$ 4,098,723	$ 354,614	$ 800,145	$ 636,205	$ 239,301	$ 6,128,988	$ (70,795)	$ 6,058,193
Segment profit	$ 326,422	$ 35,446	$ 90,241	$ (32,904)	$ 15,639	$ 434,844	—	$ 434,844
Segment assets	2,488,663	209,614	651,855	462,976	763,615	4,576,723	$ (87,012)	4,489,711
Other:								
Depreciation	$ 185,542	$ 7,542	$ 16,518	$ 69,096	$ 10,784	$ 289,482	—	$ 289,482
Amortization of goodwill	2,566	—	241	28,145	—	30,952	—	30,952
Investments in associated companies	5,084	1,120	115,362	—	16,567	138,133	—	138,133
Increase in property, plant and equipment and intangible assets	133,470	8,169	11,458	47,253	4,699	205,049	$ 33,361	238,410

Notes:
1) "Others" consists of real estate, leasing parts and other areas of business.
2) Reconciliation of intersegment sales or transfers consists of elimination of itself.
3) Reconciliation of segment assets consists of elimination of assets arising from intersegment transactions and corporate assets which are not attributed to any reportable segments. The amounts for the year ended March 31, 2011 and 2010 are ¥58,372 million ($703,277 thousand) and ¥51,150 million ($616,265 thousand), and ¥87,819 million and ¥42,965 million, respectively.
4) Reconciliation of increase in property, plant and equipment and intangible assets consists of principally corporate assets which are not attributed to any reportable segments.

4. Information about geographical areas

(a) Sales

Millions of Yen 2011						
Europe	Japan	U.S.A	China	Asia and others	Americas and others	Total
¥ 137,068	¥ 117,787	¥ 116,095	¥ 56,937	¥ 46,000	¥ 28,943	¥ 502,830

Millions of Yen 2010					
Europe	U.S.A	Japan	Asia and others	Americas and others	Total
¥ 144,792	¥ 117,944	¥ 88,294	¥ 70,043	¥ 25,196	¥ 446,269

Thousands of U.S. Dollars 2011						
Europe	Japan	U.S.A	China	Asia and others	Americas and others	Total
$ 1,651,422	$ 1,419,120	$ 1,398,735	$ 685,988	$ 554,217	$ 348,711	$ 6,058,193

Note: Sales are classified in countries or regions based on location of customers.

(b) Property, plant and equipment

Millions of Yen 2011					
Japan	China	Asia and others	Americas	Europe	Total
¥ 46,676	¥ 7,822	¥ 5,419	¥ 4,963	¥ 3,280	¥ 68,160

Millions of Yen					
2010					
Japan	China	Americas	Asia and others	Europe	Total
¥ 49,964	¥ 8,622	¥ 5,629	¥ 4,841	¥ 3,493	¥ 72,549

Thousands of U.S. Dollars					
2011					
Japan	China	Asia and others	Americas	Europe	Total
$ 562,361	**$ 94,241**	**$ 65,289**	**$ 59,795**	**$ 39,519**	**$ 821,205**

5. Information about impairment losses of assets

	Millions of Yen					
	2011					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	**—**	**—**	**—**	**¥ 1,473**	**—**	**¥ 1,473**

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	¥ 3	¥ 0	¥ 0	¥ 50	¥ 262	¥ 315

	Thousands of U.S. Dollars					
	2011					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	**—**	**—**	**—**	**$ 17,747**	**—**	**$ 17,747**

6. Information about amount of goodwill

	Millions of Yen					
	2011					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2011	**¥ 286**	**—**	**¥ 248**	**¥ 7,525**	**—**	**¥ 8,059**

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2010	¥ 537	—	¥ 268	¥ 8,343	—	¥ 9,148

	Thousands of U.S. Dollars					
	2011					
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2011	**$ 3,446**	**—**	**$ 2,988**	**$ 90,662**	**—**	**$ 97,096**

For the year ended March 31, 2010

The Group operates in the following industries:

"Printing & Solutions" consists of sales and production of printers, multi-function printers, fax machines, electronic stationeries and typewriters.

"Personal & Home" consists of sales and production of home sewing machines.

"Machinery & Solution" consists of sales and production of industrial sewing machines and machine tools.

"Others" consists of online karaoke, information distribution services for cellular phones, real estate, leasing parts and other areas of business.

Information about business segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010 is as follows:

(1) Business Segments

Information about business segments for the year ended March 31, 2010 is summarized as follows:

(a) Sales, operating expenses and operating income (loss) :

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 341,470	¥ 27,948	¥ 31,791	¥ 45,060	—	¥ 446,269
Intersegment sales	—	—	—	7,909	¥ (7,909)	—
Total sales	341,470	27,948	31,791	52,969	(7,909)	446,269
Operating expenses	315,042	26,151	34,464	51,884	(7,909)	419,632
Operating income (loss)	¥ 26,428	¥ 1,797	¥ (2,673)	¥ 1,085	—	¥ 26,637

(b) Total assets, depreciation, impairment loss and capital expenditures:

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Others	Eliminations /Corporate	Consolidated
Assets:	¥ 211,709	¥ 17,509	¥ 38,092	¥ 109,429	¥ (10,748)	¥ 365,991
Depreciation:	15,528	680	1,293	3,527	—	21,028
Impairment:	3	0	0	312	—	315
Capital expenditures:	8,641	532	534	3,299	4,476	17,482

(Additional information)

Change in business segment classification for the depreciation of assets

As a result of the integration of Printing & Solutions and the headquarter function, the Group changed the business segment classification for the depreciation of assets for the year ended March 31, 2010. The depreciation of Printing & Solutions and Others for the year ended March 31, 2010 would be ¥11,656 million and ¥7,399 million, respectively,

(2) Geographical Segments

Information about geographical segments for the year ended March 31, 2010 is summarized as follows:

(a) Sales, operating expenses and operating income:

	Millions of Yen					
	2010					
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 103,462	¥ 143,267	¥ 143,295	¥ 56,245	—	¥ 446,269
Intersegment sales	217,308	1,564	2,575	150,688	¥ (372,135)	—
Total sales	320,770	144,831	145,870	206,933	(372,135)	446,269
Operating expenses	316,561	142,214	134,327	200,102	(373,572)	419,632
Operating income	¥ 4,209	¥ 2,617	¥ 11,543	¥ 6,831	¥ 1,437	¥ 26,637

(b) Assets:

	Millions of Yen					
	2010					
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate	Consolidated
Assets:	¥ 152,170	¥ 56,665	¥ 84,107	¥ 81,370	¥ (8,321)	¥ 365,991

(3) Sales to Foreign Customers

The Group's sales to foreign customers consisted of export sales by the Company and its domestic consolidated subsidiaries and sales by overseas consolidated subsidiaries. After offsetting intercompany transactions, total sales to foreign customers amounted to ¥357,975 million for the year ended March 31, 2010.

The following is a breakdown of sales to foreign customers by region for the year ended March 31, 2010:

	Millions of Yen
	2010
Americas	¥ 143,140
Europe	144,792
Asia and Others	70,043
Total	¥ 357,975

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of BROTHER INDUSTRIES, LTD.:

We have audited the accompanying consolidated balance sheets of BROTHER INDUSTRIES, LTD. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BROTHER INDUSTRIES, LTD. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2011

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

Brother Industries, Ltd.

Headquarters
15-1, Naeshiro-cho, Mizuho-ku, Nagoya 467-8561, Japan
Telephone : +81-52-824-2075
Facsimile : +81-52-811-6826
URL : http://www.brother.com

Foundation
1908

Date of Incorporation
January 15, 1934

Paid-in Capital
¥19,209 million

Number of Shares Outstanding
277,535,866 shares

Number of Shareholders
16,450

Subsidiaries and Affiliated Companies
62

Number of Group Employees
29,873

Stock Exchange Listings
Tokyo, Nagoya

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Independent Accountants
Deloitte Touche Tohmatsu

(As of March 31, 2011)

Board of Directors, Auditors and Executive Officers

Board of Directors

Representative Director & President
Toshikazu Koike*

Representative Directors &
Senior Managing Executive Officers
Yuji Furukawa*
Shigeki Ishikawa*

Directors (Outside directors)
Haruyuki Niimi
Yukihisa Hirano
Atsushi Nishijo

Those with * marks beside their names
also serve as executive officers.

Statutory Auditors

Standing Corporate Auditor
Masato Narita

Corporate Auditors (Outside auditors)
Masaaki Miyazaki
Kunihiro Matsuo
Takao Umino

Executive Officers

Managing Executive Officers
Tomoyuki Hasegawa
Yoshitsugu Asai
Yumio Matsumoto

Executive Officers
Masaki Takatsugi
Munetaka Fujii
Takafumi Kamenouchi
Tasuku Kawanabe
Masahiko Suzuki
Ichiro Sasaki
Yuji Miwa
Chikamasa Hattori

Group Managing Executive Officers
Shunsuke Katayama
Jun Kamiya
Hiroshi Ishikawa

Group Executive Officers
Yuji Ishiguro
Tadashi Ishiguro

(As of June 23, 2011)

Global Network

Main Subsidiaries

- Brother International Corporation (U.S.A.)
- Brother International Corporation (Canada) Ltd.
- Brother International Europe Ltd.
- Brother International GmbH
- Brother France SAS.
- Brother U.K. Ltd.
- Brother International Corporation
- Brother International (Aust.) Pty. Ltd.
- Brother International Singapore Pte. Ltd.
- Brother (China) Ltd.
- Brother Sales, Ltd.
- Xing Inc.
- Brother Industries (Shenzhen) Ltd.
- Brother Industries (Vietnam) Ltd.
- Brother Technology (Shenzhen) Ltd.
- Brother Industries Technology (Malaysia) Sdn. Bhd.
- Brother Industries (U.S.A.) Inc.
- Brother Industries (U.K.) Ltd.
- Brother Industries (Slovakia) s.r.o.
- Taiwan Brother Industries, Ltd.
- Zhuhai Brother Industries, Co., Ltd.
- Brother Machinery Xian Co., Ltd.

(As of June 30, 2011)

Further information can be viewed online.

Corporate information top page
http://www.brother.com/en/corporate/

Investor information top page
http://www.brother.com/en/investor/

Brother's CSR top page
http://www.brother.com/en/csr/

Special websites for Brother Earth
http://www.brotherearth.com/

Brother Earth

Working with you for a better environment

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