brother at your side

Annual Report
for the year ended March 31, 2014

2014

At your side.

Brother Earth

Working with you for a better environment

www.brotherearth.com

At your side.

Always placing its customers first everywhere, every time,
the Brother Group wishes to provide them with superior value
by quickly creating and delivering high-quality products and services.
“At your side.” represents the wishes of the Brother Group.
The Brother Group always takes up challenges to
provide unique and original products and services,
and helps global customers achieve new lifestyles and work styles.

Brother Earth

Working with you for a better environment

Contents

Forward-Looking Statements

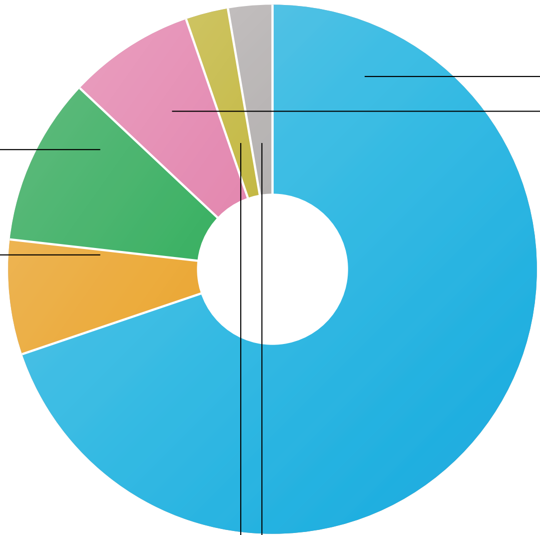
Any statements regarding our future business performances, plans and strategies in this annual report that are not historical facts are forward-looking statements based on information available to management at the time or on management’s beliefs. Such forward-looking statements are not guarantees of 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

From its beginnings as a sewing machine repair business in 1908, the Brother Group for more than a century has provided distinctive products and services tailored to the changing times. Centered today on printers and All-in-Ones in the Printing & Solutions (P&S) Business, Group operations now include the Personal & Home (P&H) Business, encompassing home sewing machines, embroidery machines, and other sewing-related products and services; the Machinery & Solution (M&S) Business, handling industrial sewing machines and machine tools; and the Network & Contents (N&C) Business, covering online karaoke and related content.
On January 30, 2013, the Group expanded once more, gaining a new business segment—Industrial Part—with the consolidation of Nissei Corporation.
Backed by these five businesses, the Brother Group will seek out new opportunities in Japan and the global market.

Net sales by business segment (FY2013)



M&S 10.2%
Machinery & Solution

P8,11 See P8 for strategy and see P11 for review of operations.

69.8% P&S
Printing & Solutions

Printers
All-in-Ones
FAX machines
Electronic stationeries
Scanner

P7,10 See P7 for strategy and see P10 for review of operations.

P&H 7.0%
Personal & Home

P8,10 See P8 for strategy and see P10 for review of operations.

Others 2.6%

Industrial Part 2.6%

P9,11 See P9 for strategy and see P11 for review of operations.

7.7% N&C
Network & Contents

JOYSOUND × UGA

P9,11 See P9 for strategy and see P11 for review of operations.

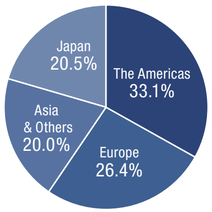
Global Network

Brother offers products and services that meet the needs of customers all over the world through our global network

Since the Brother Group established a sales company in the United States in 1954, we have positively expanded business operations on a global basis. We have established manufacturing facilities and sales facilities in 44 countries and regions. Overseas sales account for about 80% of the group's total sales.

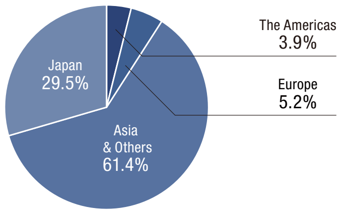
We operate business on a global basis and aim to enhance the global network through a globalized management infrastructure of manufacturing/developing and human resources, all of which are essential for our business growth.

Consolidated Net Sales 616.8 billion yen
(FY2013)



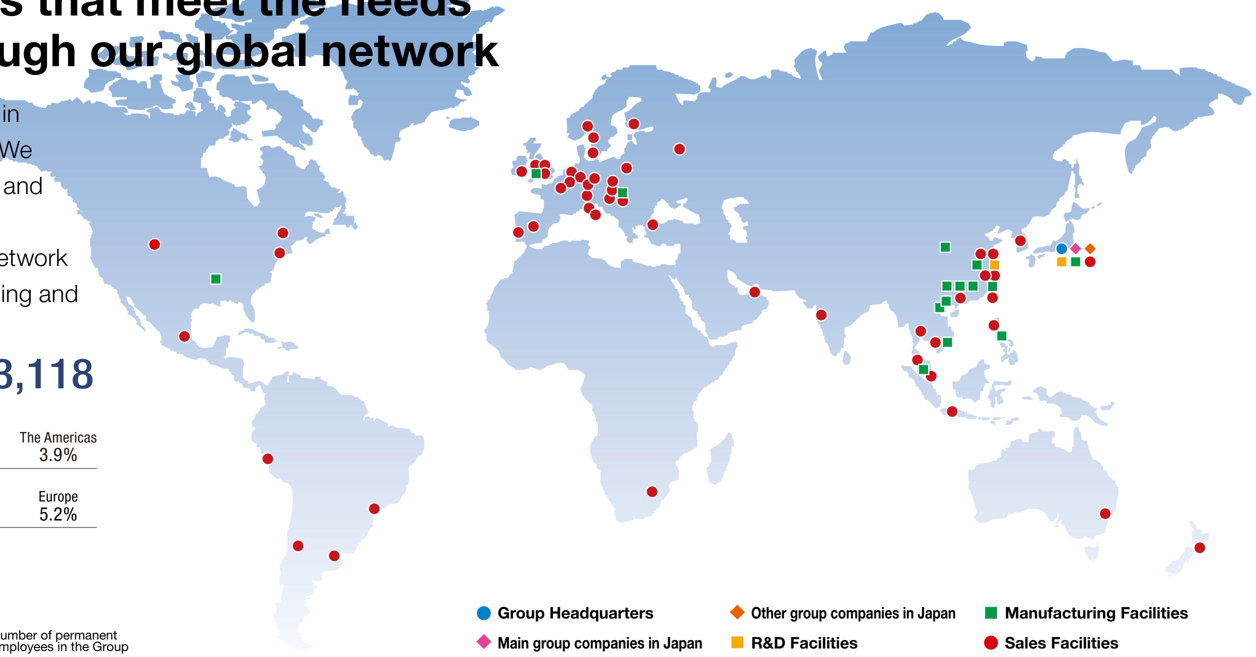
Percentage by Market

Number of Group Employees* 33,118
(As of March 2014)



Workforce Breakdown by Region

*Number of permanent employees in the Group



Japan

● **Group Headquarters**

Group Administration (R&D, manufacturing, and sales)

BROTHER INDUSTRIES, LTD.

◆ **Main group companies in Japan**

NISSEI CORPORATION
BROTHER INTERNATIONAL CORPORATION
MIE BROTHER PRECISION INDUSTRIES, LTD.
XING INC.
STANDARD CORP.
BROTHER SALES, LTD.
BMB INTERNATIONAL CORP.

◆ **Other group companies in Japan**

BROTHER LOGITEC LTD.
BROTHER REAL ESTATE. LTD.
BROTHER LIVING SERVICE CO., LTD.
BROTHER ENTERPRISE, LTD.
BETOP STAFF, LTD.
BROTHER FINANCE (JAPAN), LTD.

The Americas

■ **Manufacturing Facilities**

BROTHER INDUSTRIES (U.S.A.) INC.

● **Sales Facilities**

BROTHER INTERNATIONAL CORPORATION (U.S.A.)
BROTHER INTERNATIONAL CORPORATION (CANADA) LTD.
BROTHER INTERNATIONAL DE MEXICO, S.A. DE C.V.
BROTHER INTERNATIONAL CORPORATION DO BRASIL, LTDA.
BROTHER INTERNATIONAL DE CHILE, LTDA.
BROTHER INTERNATIONAL CORPORATION DE ARGENTINA S.R.L.
BROTHER MOBILE SOLUTIONS, INC.
BROTHER INTERNATIONAL DEL PERU S.A.C.

Europe

■ **Manufacturing Facilities**

BROTHER INDUSTRIES (U.K.) LTD.
BROTHER INDUSTRIES (SLOVAKIA) s.r.o.

● **Sales Facilities**

BBROTHER INTERNATIONAL EUROPE LTD.
BROTHER INTERNATIONAL GmbH
BROTHER INTERNATIONAL GmbH (Austrian Branch)
BROTHER FRANCE SAS
BROTHER U.K. LTD.
BROTHER INTERNATIONAL (NEDERLAND) B.V.
BROTHER NORDIC A/S
BROTHER NORWAY, branch of BROTHER NORDIC A/S
BROTHER SWEDEN, branch of BROTHER NORDIC A/S, Denmark
BROTHER FINLAND, BROTHER NORDIC A/S Denmark, branch in Finland
BROTHER CENTRAL AND EASTERN EUROPE GmbH
BROTHER INTERNATIONAL (BELGIUM) NV/SA
BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH
BROTHER INTERNATIONALE INDUSTRIEMASCHINEN GmbH (Italian Branch)
BROTHER (SCHWEIZ) AG
BROTHER INTERNATIONAL CORPORATION (IRELAND) LTD.
BROTHER ITALIA S.p.A.
BROTHER INTERNATIONAL CZ s.r.o.
BROTHER INTERNATIONAL HUNGARY KFT.
BROTHER IBERIA, S.L.U.
BROTHER IBERIA, S.L.U. (Lisbon Branch)
BROTHER LLC
BROTHER POLSKA Sp. z o.o.
BROTHER SEWING MACHINES EUROPE GmbH
BROTHER SEWING MACHINES EUROPE GmbH (U.K. Branch)

Others

BROTHER FINANCE (U.K.) PLC
BROTHER HOLDING (EUROPE) LTD.

Asia / Oceania / Middle East / Africa

■ **R&D Facilities**

BROTHER SYSTEM TECHNOLOGY DEVELOPMENT (HANGZHOU) LTD.

■ **Manufacturing Facilities**

TAIWAN BROTHER INDUSTRIES, LTD.
BROTHER INDUSTRIES TECHNOLOGY (M) SDN. BHD.
ZHUHAI BROTHER INDUSTRIES, CO., LTD.
BROTHER MACHINERY XIAN CO., LTD.
BROTHER INDUSTRIES (SHENZHEN), LTD.
BROTHER INDUSTRIES (VIETNAM) LTD.
BROTHER TECHNOLOGY (SHENZHEN) LTD.
BROTHER INDUSTRIES SAIGON, LTD.
BROTHER INDUSTRIES (PHILIPPINES), INC.
BROTHER MACHINERY VIETNAM CO., LTD.
NISSEI GEAR MOTOR MFG. (CHANGZHOU) CO., LTD.

● **Sales Facilities**

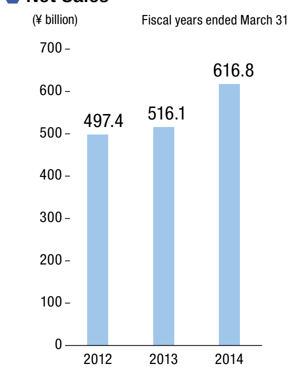
BROTHER INTERNATIONAL S.A. (PTY) LTD.
BROTHER INTERNATIONAL (AUST.) PTY. LTD.
BROTHER INTERNATIONAL SINGAPORE PTE. LTD.
BROTHER INTERNATIONAL (NZ) LTD.
BROTHER INTERNATIONAL (HK) LTD.
BROTHER INTERNATIONAL (GULF) FZE
BROTHER INTERNATIONAL (GULF) FZE (Turkey Branch)
BROTHER COMMERCIAL (THAILAND) LTD.
BROTHER MACHINERY ASIA LTD.
BROTHER INTERNATIONAL (MALAYSIA) SDN. BHD.
BROTHER INTERNATIONAL PHILIPPINES CORPORATION
BROTHER (CHINA) LTD.
BROTHER INTERNATIONAL (INDIA) PRIVATE LTD.
PT BROTHER INTERNATIONAL SALES INDONESIA
BROTHER INTERNATIONAL TAIWAN LTD.
BROTHER INTERNATIONAL (VIETNAM) CO., LTD.
BROTHER INTERNATIONAL KOREA CO., LTD.
BROTHER MACHINERY SHANGHAI LTD.
BMB (SHANGHAI) INTERNATIONAL CORP.
NISSEI TRADING (SHANGHAI) CO., LTD.

Financial Highlights

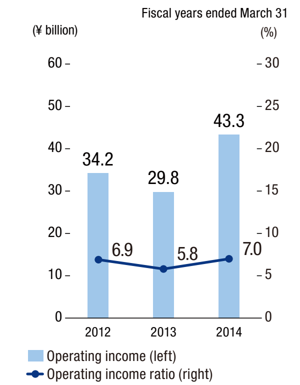
	2009	2010	2011	2012	2013	**2014**
			Millions of Yen Fiscal years ended March 31			
Results of Operations:						
Net sales	¥ 482,205	¥ 446,269	¥ 502,830	¥ 497,390	¥ 516,067	**¥ 616,835**
Operating income	19,901	26,637	36,092	34,183	29,776	**43,301**
Income before income taxes and minority interests	23,613	26,234	34,062	34,108	27,946	**33,527**
Net income	15,262	19,629	26,238	19,525	17,826	**19,221**
Depreciation	23,094	21,028	24,027	23,069	24,477	**27,614**
Capital expenditures	27,169	17,482	19,788	27,833	30,237	**34,859**
Research and development costs	36,859	34,779	36,253	39,232	37,514	**40,137**
Per Common Share (yen):						
Basic net income	¥ 56.79	¥ 73.34	¥ 98.03	¥ 72.95	¥ 66.65	**¥ 72.20**
Equity	735.26	792.95	822.43	863.01	985.85	**1,097.01**
Cash dividends	26.00*	18.00	24.00	24.00	24.00	**24.00**
Financial Position at Year-End:						
Total equity	¥ 199,371	¥ 213,532	¥ 220,469	¥ 231,425	¥ 278,771	**¥ 308,310**
Total assets	337,667	365,991	372,646	370,906	421,495	**469,973**

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

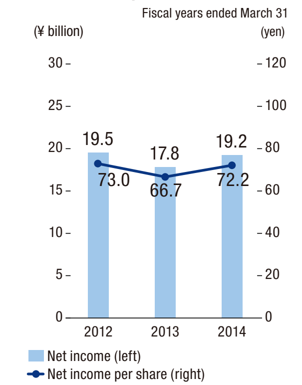
Net Sales



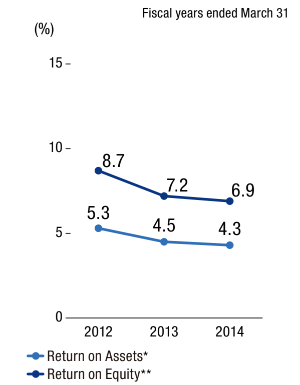
Operating Income / Operating Income Ratio



Net Income / Net Income per Share

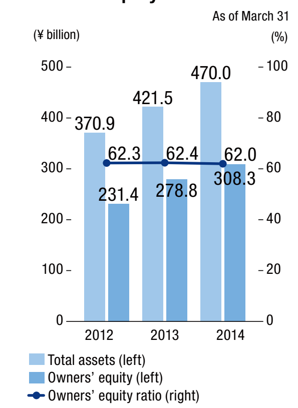


Return on Assets / Return on Equity

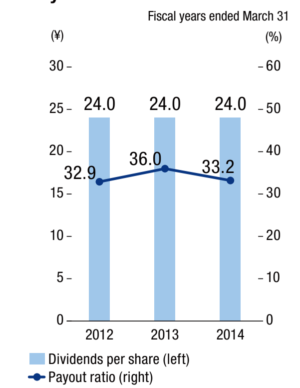


* Net income / Total assets (average of opening balance and ending balance)
**Net income / Owners' equity (average of opening balance and ending balance)

Total Assets & Owners' Equity / Owners' Equity Ratio



Dividends per Share / Payout Ratio



Message from the Management

During fiscal 2013, ended March 31, 2014, the Japanese economy remained on a recovery track, while the US economy continued to post modest growth and economic conditions improved slightly across Europe. This positive trend came despite lingering uncertainty in emerging nations.

In this climate, the Brother Group saw net sales increase year on year to a new record high. This growth reflected several factors from operations in the Americas, China and the rest of Asia, most notably strong performance from communications and printing equipment, a recovery in demand for industrial sewing machines, and effects from the consolidation of Nissei Corporation, as well as a favorable boost from exchange rates due to the yen's depreciation. Operating income also grew dramatically, surpassing ¥40 billion for the first time in six years as sales growth, exchange rates, and other positive factors overcame higher selling, general and administrative expenses and other expense items.

The entire Group stands ready in fiscal 2014 to push boldly forward to make it a year for accelerating growth ahead of completion of our mid-term business strategy "CS B2015". I kindly ask for the continued understanding and support of our shareholders and other stakeholders.

Representative Director & President
Toshikazu Koike

Mid-term Business Strategy "CS B2015" Enters Fourth Year

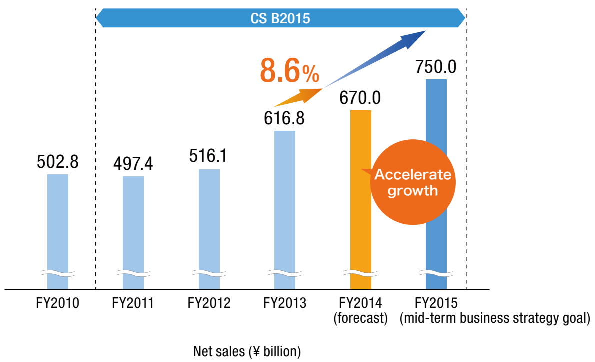
The Brother Group has formulated a mid- to long-term corporate vision — Global Vision 21 — in which we define three objectives for the Group.

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, and the mid-term business strategy "CS B2015" launched in April 2011 focuses on key growth strategies under the theme "Back to Growth."

The business environment has undergone a host of changes since the formulation of our mid-term business strategy. Nevertheless, as we stand here today, devising a growth strategy and having built a globally optimized production framework, we are set to take a number of assertive actions to promote sales expansion in each business and operational region, including capital investment, R&D investment, and M&A activity, to spur expansion in new and existing businesses alike. Consequently, we are targeting net sales of ¥670.0 billion for fiscal 2014, and net sales of ¥750.0 billion for fiscal 2015.



CS B2015 —— Mid-Term Business Strategy "Back to Growth"

The Brother Group formulated the Mid-Term Business Strategy "CS B2015" for the period from fiscal 2011 to fiscal 2015 as a road map for achieving Global Vision 21. We have been striving to implement growth strategies under the new theme of CS B2015, "Back to Growth."

Investment strategy

R&D investment	Capital expenditure	Strategic investment
Development of new products New businesses	Enhancement of production system New products and businesses	M&A Corporate alliances

Strategic priorities of management infrastructure

Development / Production / Sales & Marketing / Human resources / CSR & Branding strategy

Accelerate "True Globalization"

Objective of each business

P&S business (Printer / All-in-One / Electronic stationery)	Establish a strong position in SOHO*1/SMB*2 market by promoting a global growth strategy
P&H business (Home sewing machine)	Aim for steady growth and securing profitability
M&S business (Industrial sewing machine / Machine tool)	Establish growth and profit with products that are market leaders
N&C business (Online karaoke / Contents service)	Establish Online karaoke business as a core and expand new business in the Network and Contents business
New businesses	Launch and expand businesses in new fields that will underpin the next generation, in the business categories that offer services and solutions, etc.

*1 SOHO: Small Office, Home Office
*2 SMB: Small and Medium Business. Refers to small offices, small and medium-sized companies, and company offices that have operations at different locations.

Priorities to achieve CS B2015

P&S Printing & Solutions

Make aggressive investments for sales growth in all regions and expand sales

Communications and printing equipment

Regarding printers and All-in-Ones, we will grow sales through aggressive sales investment in all operational regions.

Developed nations

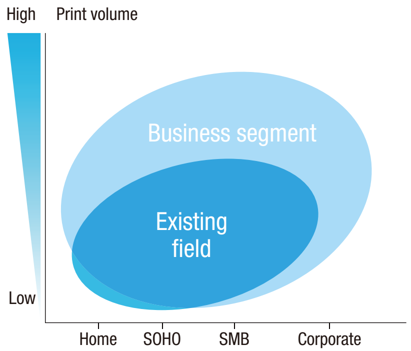
Along with maintaining a presence in existing sales channels, we will strengthen sales investment targeting small and medium business (SMB), the customer base that typically has great printing volume.

Emerging nations

To encourage sale expansion of black-and-white laser models tailored to these nations, we will support promotion activities and augment our sales force, among other measures, to reinforce sales channels.

Japan

In order to increase our share of inkjet products, we will continue to take measures that include an aggressive mass media strategy and highlighting the added-value appeal of our New Year's card application.



Electronic stationery

In electronic stationery, our focus is on achieving stable growth in the office sector, accelerating growth in the solutions sector, expansion in emerging markets, and the rollout of new category products.

MFC-9340CDW
Color laser All-in-One

HL-1110
Black-and-white laser printer

DCP-J4215N
Inkjet printer

TD-2130NSA
Label printer

PT-2730
Labeling system

PJ-673
Mobile printer

Priorities to achieve CS B2015

Personal & Home

Strengthen development in emerging markets and craft business

In home sewing machines, along with sales expansion in middle class and high class models, we will increase sales in emerging markets.
Where commercial embroidery machines are concerned, our emphasis will be on winning new customers through sales force enhancement, proposing ways for using the products, and other actions.
For cutting machines, a product first launched for sale last year, we plan to promote sales expansion in the crafts market mainly through sales channel development, and continuously providing customers with information on new capabilities and ways to enjoy our products.

Priorities to achieve CS B2015

Machinery & Solution

Industrial sewing machines

Expand market share by competitive products

In industrial sewing machines, our aim is to grow market share by launching lock-stitch sewing machines with high-rated usability. We will also establish a new company in Hong Kong, coupled with reorganizing and fortifying our sales bases in Asia, in a bid to boost sales by increasing points of contact with customers. Additionally, we will strengthen our hand in bonding machines, garment printers, and our lineup of other high-value-added products to improve customer satisfaction.

Machine tools

Strengthen sales force to expand sales to clients in the automobile & motorcycle industries

In industrial machinery and equipment, we will build up our sales capabilities in machine tools for automobile and motorcycle manufacturers. Specifically, in addition to the launch of new products, we will beef up our technical centers in China and Southeast Asia, conduct regular customer support, and offer better technology support.

Priorities to achieve CS B2015

N&C Network & Contents

In online karaoke machines for business use, we will reinforce our products and marketing capabilities to boost market share. We will also expand our direct management of karaoke shops, both to stabilize earnings and achieve steady growth. Other goals are to develop karaoke contents overseas, as well as to foster and expand new businesses by utilizing contents like Primotone (music box), and JOYBEAT

Karaoke shop


Primotone

Priorities to achieve CS B2015

Industrial Part

As part of efforts to rapidly realize synergies from the consolidation of Nissei Corporation in fiscal 2012, in tandem with bolstering our reducer business in North America, we will focus in the gear business on increasing our sales to the robotics industry. We are also putting a factory environment in place that will enable another dramatic leap forward.


Reducers


Gears

New Businesses

Regarding scanners, in step with building up product competitiveness to grow our SOHO market share, we intend to have a full menu of software services on hand to enhance added value.
In web conferencing systems, along with conducting proactive marketing activities targeting small and medium business (SMB), we will promote solution proposals through a dedicated marketing team.


Document scanner
ADS-2500W


Portable scanner
ADS-1500W


Mobile scanner
MDS-700D


Web conferencing systems
OmniJoin

Printing & Solutions (P&S) Business

Business outline

The Printing & Solutions (P&S) business proposes innovative work styles through the pursuit of laser and inkjet printer technologies. Brother's leading products include compact printers, All-in-Ones that combine printer, fax machine, copier and scanner into one unit, user-friendly labeling systems, and scanners. With these communications and printing technologies, Brother meets a wide range of customer needs from SOHO (Small Office Home Office) to business offices.

Main products and services

- Laser Printer/All-in-One
- Inkjet Printer/All-in-One
- Fax Machine
- Electronic Stationery
- Typewriter

Net sales : ¥430,826 million

Communications and printing equipment

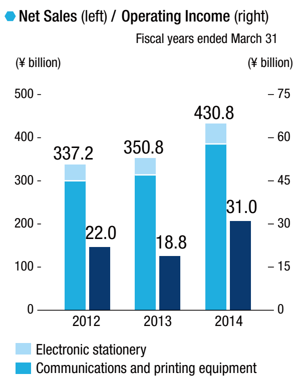
In the Americas and Asia, including China, strong demand for both equipment and consumables, coupled with exchange rate benefits, lifted net sales 22.5% year on year to ¥384,137 million.

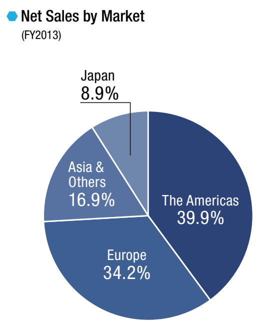
Electronic stationery

In addition to strong sales primarily in Japan and the Asia region, net sales rose by 25.0% year on year to ¥46,688 million, assisted by beneficial effects from exchange rates.

Operating income : ¥30,958 million

Operating income increased 64.4% year on year to ¥30,958 million, as exchange rate benefits overcame the negative effects of higher selling, general and administrative expenses.





Personal & Home (P&H) Business

Business outline

The Personal & Home (P&H) business encompasses sewing products and services including home sewing machines and embroidery machines. Its mission is to offer customers 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.

Main products and services

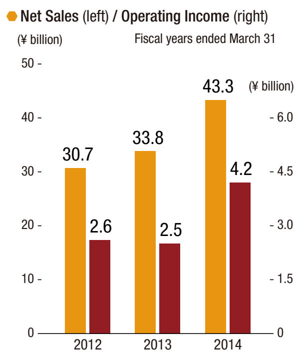
- Sewing Machine
- Sewing and Embroidery Machine
- Commercial Embroidery Machine

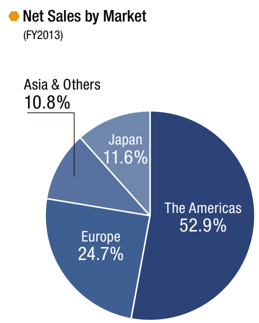
Net sales : ¥43,276 million

Strong sales mainly in Europe and the United States joined with positive exchange rate effects to push net sales up 28.0% year on year to ¥43,276 million.

Operating income : ¥4,216 million

Operating income rose by 69.4% year on year to ¥4,216 million, primarily due to beneficial exchange rates.





Machinery & Solution (M&S) Business

Business outline

The Machinery & Solution (M&S) business offers customers energy-saving industrial sewing machines that provide ease of use and high-quality sewing capabilities, as well as machine tools which are effectively used for cutting small parts for automobiles, hard disk drives, and mobile phones. Along with their customer-oriented support, M&S helps customers improve productivity and create products with added value.

Main products and services

• Industrial Sewing Machine • Machine Tool • Garment Printer

Net sales : ¥63,098 million

Industrial sewing machines

Net sales increased 41.6% year on year to ¥26,781 million, reflecting a recovery in capital investment demand in the garment manufacturing industry in China and the Asia region.

Machine tools

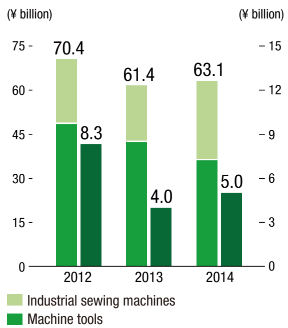
Net sales declined 14.6% year on year to ¥36,316 million, as the current round of large-scale orders for the IT industry drew to a close.

Operating income : ¥4,991 million

In tandem with higher sales from industrial sewing machines, beneficial exchange rate effects lifted operating income 24.6% year on year to ¥4,991 million.

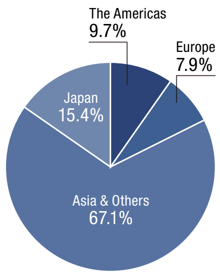
● Net Sales (left) / Operating Income (right)

Fiscal years ended March 31



● Net Sales by Market

(FY2013)



Network & Contents (N&C) Business

Business outline

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

Main products and services

• Online Karaoke System • Fitness Lesson System for Fitness Studio
• Applications for Smartphones / Tablets

Net sales : ¥47,582 million

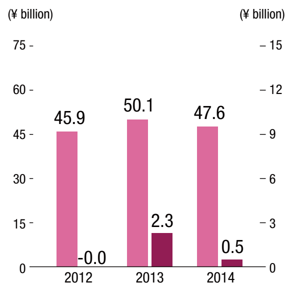
Net sales declined 5.0% year on year to ¥47,582 million, as effects from the release last year of new online karaoke machines ended.

Operating income : ¥452 million

Operating income declined 80.5% year on year to ¥452 million, the result of lower sales and negative effects from higher expenses, including investments to bolster competitiveness in the karaoke shop business.

● Net Sales (left) / Operating Income (Loss) (right)

Fiscal years ended March 31



*The bulk of net sales in the Network & Contents Business occur in Japan. Accordingly, the breakdown of net sales by region has been omitted.

Industrial Part

Business outline

In the reducer business, which includes small-sized gear motors, a broad range of products are offered and custom-made products are delivered. Production capabilities of various small-sized gears and an integrated production system are what reinforce the strength of the gear business. Notably, a large market share is maintained in Japan.

Main products and services

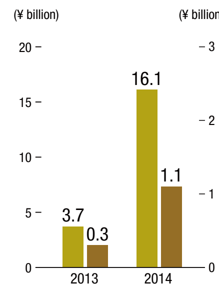
• Reducer • Gear

Net sales : ¥16,099 million

Operating income: ¥1,106 million

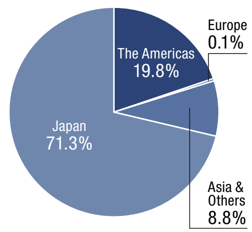
● Net Sales (left) / Operating Income (right)

Fiscal years ended March 31



● Net Sales by Market

(FY2013)



*Fourth-quarter results only (post-consolidation) for fiscal 2012.

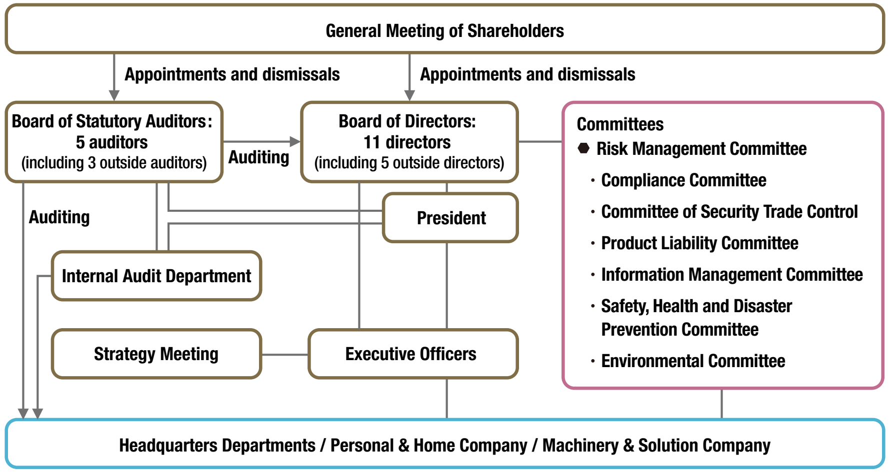
Basic Approach to Corporate Governance

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 responsibilities for the Brother Group.

Corporate Mechanism and Internal Control System

Brother Industries, Ltd., has a system of statutory auditors who oversee the executive operations of the Directors. In addition to the Board of Directors, the Board of Statutory Auditors and accounting auditors, the Company holds 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 24, 2014)



* For details, please see Board of Directors, Statutory Auditors and Executive Officers on page 15.

As an important aspect of corporate governance, we value functions for the objective and neutral oversight of management by outside individuals. In addition to oversight of management by auditors working in a manner which does not defer to majority rule, we also consider the presence of a number of independent directors to be important in strengthening management oversight. Currently, nearly half of director positions are held by outside directors.

The Board of Directors comprises eleven members (including five outside directors) and meets regularly each month and in special situations as necessary to determine important management issues and to oversee 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 strives 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 Brother Group as a whole.

Auditor Inspection and Internal Auditing

The Board of Statutory Auditors has five 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 three 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 and Auditors

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

The Company has appointed three outside auditors. These auditors operate from a position of independence from management, with no personal, financial, business or other ties, and are judged to have no risk of conflict of interest with the general shareholders.

Guidelines and policies governing the independence of outside directors and auditors and their appointment are not clearly defined. Rather, a nominee's professional history and relationship with Brother are reviewed on a case-by-case basis before appointment so as to ensure the necessary independence from management required for the execution of his or her duties.

Coordination with Auditing and Relationship with Internal Controls Division

Outside directors oversee management from a neutral and independent position. When necessary for the execution of these duties, a system exists for mutual coordination with auditors, the Internal Audit Division, and accounting auditors. Additionally, outside directors also receive regular consolidated financial reports from the internal controls division via the Board of Directors, and can request other financial reports at any time necessary.

As outside auditors operate from a position of independence, when necessary for the execution of their duties, systems exist in the Company and Board of Statutory Auditors for mutual coordination with auditors, the Internal Audit Division, and accounting auditors. Additionally, outside auditors also receive regular consolidated financial reports from the internal controls division via the Board of Directors, and can request other financial reports at any time necessary.

Officer Compensation, etc.

Breakdown of Compensation (April 1, 2013 - March 31, 2014)

	No. of personnel	Allowance (millions of yen)	Totals by category		
			Basic compensation (millions of yen)	Performance-based (millions of yen)	Stock options (millions of yen)
Directors (inc. outside directors)	7 (4)	205 (36)	134 (36)	35 (–)	36 (–)
Auditors (inc. outside auditors)	5 (3)	66 (23)	66 (23)	– (–)	– (–)
Total (inc. outside officers)	12 (7)	272 (59)	201 (59)	35 (–)	36 (–)

Notes:
1. Allowance for director compensation does not include the employee salary of employee-directors.
2. The limit on director compensation as passed by the general meeting of shareholders is ¥400 million/year in basic compensation and ¥130 million/year in stock options, for a total of ¥530 million (by resolution of the 114th annual general meeting of shareholders held on June 23, 2006).
3. The limit on auditor compensation as passed by the general meeting of shareholders is ¥140 million/year (by resolution of the 114th annual general meeting of shareholders held on June 23, 2006).
4. Allowance includes the following:
   · Stock option compensation
   3 directors (exc. outside directors), ¥36 million

Policies and Methods for Determining Officer Compensation

Our policy is to employ an objective and transparent system for compensation based on the clear administrative duties of directors and auditors. Reasonable levels are decided in consideration of industry-standard compensation and fair employee treatment.
Director compensation is determined by the representative director and president in accordance with rules determined by the Company.

Director compensation comprises “basic compensation,” which is awarded to all directors, “performance-based compensation,” which is awarded to directors other than outside directors in recognition of contributions to yearly fiscal results, and “stock options,” which align initiatives for long-term growth of corporate value with the vector of our stock price.

While basic compensation is calculated by multiplying from a fixed amount by a coefficient applied according to position, “performance-based compensation” is adjusted to reflect results from the previous fiscal year according to methods determined by the applicable rules.

Auditor compensation is determined by the Board of Statutory Auditors in accordance with rules determined by the Company for the calculation of “basic compensation.”

Annual limits on “basic compensation” for directors and auditors and “stock options” for directors, and pay-out of “performance-based compensation” for directors are approved by the general meeting of shareholders.

Board of Directors, Statutory Auditors and Executive Officers (As of June 24, 2014)

Board of Directors

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

Toshikazu Koike*
Representative Director
& President

Shigeki Ishikawa*
Representative Director
& Senior Managing Executive Officer
[Responsibilities in the Company]
Head of Printing Business Dept.
Responsible for:
Quality Management Dept.,
Customer Satisfaction Dept.,
Development Management Dept.,
Intellectual Property Dept.

Tomoyuki Hasegawa*
Representative Director
& Managing Executive Officer
[Responsibilities in the Company]
Head of Industrial Part Business
Responsible for: MIS Dept.
<Concurrent office>
Outside Director of Nissei Corporation

Jun Kamiya
Director & Managing Executive Officer
Head of N&C Business Dept.
Responsible for: Network System Development Dept.,
N&C Business Dept.
Representative Director & Chairman of XING Inc.

Ichiro Sasaki
Director & Managing Executive Officer
Head of Service & Solutions Business
Responsible for: Software Development Dept. 1,
Software Development Dept. 2,
Software Application Development Dept.

Tadashi Ishiguro
Director & Group Managing Executive Officer
Director & Chairman of Brother International Corporation (U.S.A)

Yukihisa Hirano
Outside Director
[Concurrent office]
Chief Executive Advisor of Central Japan International Airport Co., Ltd.
Outside Auditor of KDDI Corporation

Atsushi Nishijo
Outside Director
[Concurrent office]
Chairman of Japan Cable and Telecommunications Association
Advisor of Sumitomo Corporation
Outside Director of Skylark Co., Ltd.

Shigehiko Hattori
Outside Director
[Concurrent office]
Chairman of the Board of Shimadzu Corporation
Outside Director of Mitsubishi Tanabe Pharma Corporation
Outside Director of Sapporo Holdings Limited
Outside Director of Meiji Yasuda Life Insurance Company

Koichi Fukaya
Outside Director
[Concurrent office]
Advisor of DENSO Corporation
Corporate Auditor (Outside Auditor) of JTEKT Corporation

Soichi Matsuno
Outside Director
[Concurrent office]
Advisor of Eisai Co.,Ltd.

Statutory Auditors

Masato Narita
Standing Corporate Auditor

Masaki Takatsugi
Standing Corporate Auditor

Kunihiro Matsuo
Corporate Auditor (Outside Auditor)
<Concurrent office>
Attorney at law
Outside Auditor of Toyota Motor Corporation
Outside Auditor of Mitsui & Co., Ltd.
Outside Corporate Auditor of Komatsu Ltd.
Outside Director of Japan Exchange Group, Inc.
Outside Auditor of Seven Bank, Ltd.
Outside Auditor of TV TOKYO Holdings Corporation

Takao Umino
Corporate Auditor (Outside Auditor)
<Concurrent office>
Director & Senior Executive Vice President of T. Hasegawa Co., Ltd.

Hiroaki Maruyama
Corporate Auditor (Outside Auditor)
<Concurrent office>
Certified Public Accountant
Tax Accountant
Representative of Attax Co., Ltd.
Representative of Attax Tax Accountant Corporation
Corporate Auditor (Outside Auditor) of Toyota Auto Body Co., Ltd.
Corporate Auditor (Outside Auditor) of Fuji Baking Co., Ltd.

Executive Officers

■Managing Executive Officers

Yoshitsugu Asai
Responsible for: Global CSR Promotion Dept.,
Corporate Communication Dept.,
Legal & General Affairs Dept.

Yumio Matsumoto
Head of E and I Business
Responsible for: Development Planning Dept.,
Electronic System Development Dept.,
Mechanical System Development Dept.1,
Mechanical System Development Dept.2,
LE Development Dept.,
ES Development Dept.

Takafumi Kamenouchi
Responsible for: Sales & Marketing Dept.1.
Sales & Marketing Dept.2.
Global Marketing Dept.
Printing Business Development Dept.
E and I Business Development Dept.
Service & Solutions Business Dept.

Tasuku Kawanabe
President of Machinery & Solution Company

■Executive Officers

Munetaka Fujii
Responsible for: Finance & Accounting Dept.

Masahiko Suzuki
Responsible for: IE Development Dept.,
IE Technology Dept.,
Design Dept.

Yuji Miwa
Responsible for: Production Planning Dept.,
Production Dept.,
Purchasing Dept.,
Environmental Management Dept.

Chikamasa Hattori
Responsible for: Production Technology Dept.,
Parts Engineering Dept.,
Electronic Technology Dept.,
Prototype Engineering Dept.

Hiroyuki Wakahara
Responsible for: Personnel Dept.

Mitsuyasu Kyuno
President of Personal & Home Company

■Group Managing Executive Officers

Shunsuke Katayama
Representative Director & President of Brother Sales, Ltd.

Hiroshi Ishikawa
Chairman & CEO of Brother Technology (Shenzhen) Ltd.
Chairman & CEO of Brother Industries (Shenzhen), Ltd.

■Group Executive Officer

Yuichi Tada
Managing Director of Brother Holding (Europe) Ltd.
Chairman & Managing Director of Brother International Europe Ltd.

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
15,158

Subsidiaries and Affiliated Companies
67

Number of Group Employees
33,118 *Number of permanent employees in the Group

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, 2014)

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/

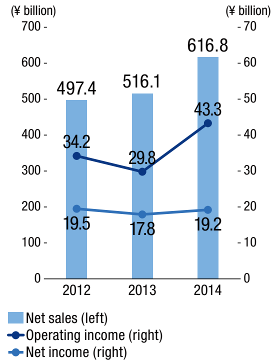
Brother's CSR top page
http://www.brother.com/en/csr/

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

Brother Earth
Working with you for a better environment

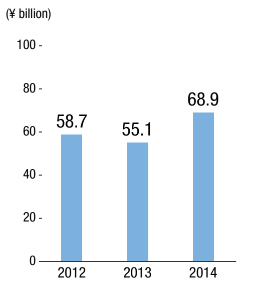
Operating Results

Fiscal years ended March 31



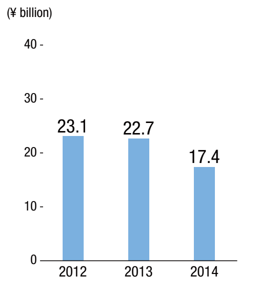
Cash and Cash Equivalents, End of Year

As of March 31



Interest-bearing Debt

As of March 31



Business Overview

In fiscal 2013, net sales for the Brother Group rose by 19.5% year on year to ¥616,835 million. In addition to positive exchange rate effects from the yen's depreciation, net sales were lifted by several operational factors in the Americas and Asia, including China, notably robust performance from communications and printing equipment, a recovery in industrial sewing machine demand, and beneficial effects from the consolidation of Nissei Corporation. Operating income increased by 45.4% year on year to ¥43,301 million, as positive exchange rate effects overcame lower earnings from the Network & Contents business. Net income increased by 7.8% year on year to ¥19,221 million reflecting the impact of tax effect accounting.

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 and operated a cash management system to optimize the group-wide use of cash held by individual companies. We also maintain open commitment 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, 2014, cash and cash equivalents totaled ¥68,935 million.

We maintain open commitment lines of credit with several financial institutions for a combined amount of ¥20,000 million. The amount in open commitment lines of credit that was unused as of March 31, 2014 was ¥88,934 million. 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 short-term borrowings 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, fixed-rate long-term debt and corporate bonds. As of March 31, 2014, short-term borrowings stood at ¥1,467 million, primarily denominated in yen. The balance of unsecured loans from a bank was ¥12,900 million, all procured in fixed-rate debt procured in yen.

We have obtained credit ratings from Rating and Investment Information, Inc. (R&I). As of March 31, 2014, 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

Net cash provided by operating activities amounted to ¥55,019 million, an increase of ¥22,285 million from ¥32,734 million in the previous year. In addition to an increase in income before income taxes and others from the previous year, this growth primarily reflected an increase in trade notes and accounts payable.

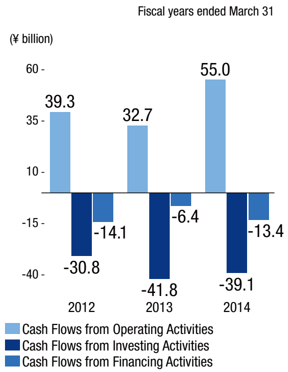
Cash flows from investing activities

Net cash used in investing activities amounted to ¥39,100 million, ¥2,672 million less than ¥41,772 million used in the previous year. The decline in net cash used reflected a decrease in disbursement for purchases of affiliates' shares accompanying changes in the scope of consolidation, and offset an increase in disbursement for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities totaled ¥13,433 million, ¥7,019 million more than ¥6,413 million used in the previous year. Interest-bearing debt totaled an expenditure of ¥6,736 million, compared to income of ¥32 million a year earlier. Cash dividends paid was ¥6,687 million, on a par with the previous year.

Cash Flows



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, 2014, amounted to ¥68,935 million, an increase of ¥13,875 million from the previous fiscal year-end.

Outlook for Fiscal 2014

Despite lingering concerns of an economic slowdown in China and other emerging nations, expectations are building that the economies of Japan and other developed nations will undergo modest growth in fiscal 2014.

In this climate, we are projecting year on year growth in net sales. Along with continued brisk demand anticipated for Brother products, especially in the Printing & Solutions business, we will aggressively enact a range of sales expansion measures in each business and operational region.

Operating income is projected to grow for the year, with positive exchange rate effects likely to trump factors putting downward pressure on earnings, such as increased investment in sales and development for future growth, and higher depreciation expenses. Similarly, we are projecting significant growth in net income for the year, mainly from the posting of extraordinary income due to the sale of fixed asset, and a lower tax burden, reflecting the impact of tax effect accounting.

Business and Other Risk

The following items may impact the Group businesses, operating performance and financial conditions. Forward-looking statements reflect the Group's judgment as of March 31, 2014.

(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's performance.

(2) Acquisition of Human Resources

The Brother Group works to secure needed human resources for each function related to global expansion in projects, development, design, manufacturing, sales and services. 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 invest sufficient resources in research and development, which could lead to lowered competitiveness and stable supply of products caused by a workforce shortage. These factors could in turn affect Group performance adversely.

(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. Similarly, the Group applies the same quality control standards to products from outsourced manufacturers, verifying that these products exhibit appropriate levels of quality. 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. Furthermore, unexpected changes in regulatory and tax regimes, particularly in emerging nations, including but not limited to regulations regarding imports and exports, investment and overseas remittances, and transfer price taxation could potentially impact Group business performance.

(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 nevertheless leaked, 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 and support information. It makes an effort to maintain an adequate level of security on these websites, 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 businesses, the Brother Group engages in research and development and strategic investment, including M&As.

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

Also, M&As 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) Environmental Regulations
The Brother Group is subject to a variety of environmental regulations regarding wastes and atmospheric emissions generated during the course of its business activities. Actions by the Group to protect the environment include the development of products with reduced environmental impact, reduction of energy consumed by manufacturing and product usage processes, and the collection and recycling of post-consumer products. Nevertheless, Group business management could be affected by expenses required for regulatory conformance and environmental remediation related to future environmental problems.

(12) 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 Vietnam and the Philippines, and the Group continues to establish sales facilities 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 Nankai Trough earthquakes. However, there is a possibility that the damage resulting from an earthquake may exceed the anticipated severity.

Consolidated Balance Sheet

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 68,935**	¥ 55,060	**$ 669,272**
Time deposits	**2,423**	1,948	**23,524**
Marketable securities (Notes 4 and 16)	**3,018**	5,318	**29,301**
Receivables (Note 16):			
Trade notes and accounts	**88,652**	78,285	**860,699**
Unconsolidated subsidiaries and associated companies	**1,838**	2,134	**17,845**
Allowance for doubtful accounts	**(1,994)**	(1,555)	**(19,359)**
Total receivables	**88,496**	78,864	**859,185**
Inventories (Note 5)	**103,407**	87,679	**1,003,951**
Deferred tax assets (Note 13)	**10,795**	8,548	**104,806**
Other current assets	**13,178**	11,138	**127,942**
Total current assets	**290,252**	248,555	**2,817,981**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6 and 7)	**14,330**	14,079	**139,126**
Buildings and structures (Notes 6 and 7)	**100,481**	87,452	**975,544**
Machinery and vehicles (Note 6)	**48,917**	44,732	**474,922**
Furniture and fixtures (Note 6)	**100,729**	94,373	**977,951**
Lease assets (Note 6)	**5,081**	4,890	**49,330**
Construction in progress (Note 6)	**157**	3,372	**1,525**
Total property, plant and equipment	**269,695**	248,898	**2,618,398**
Accumulated depreciation	**(169,273)**	(160,309)	**(1,643,427)**
Net property, plant and equipment	**100,422**	88,589	**974,971**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	**32,070**	23,732	**311,359**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 16)	**10,840**	17,767	**105,243**
Goodwill (Note 6)	**4,322**	5,253	**41,961**
Deferred tax assets (Note 13)	**3,032**	1,880	**29,437**
Asset for retirement benefits (Notes 2 (15) and 9)	**4,323**	10,850	**41,971**
Other investments and assets (Note 6)	**26,111**	33,554	**253,505**
Allowance for doubtful accounts	**(1,399)**	(8,685)	**(13,583)**
Total investments and other assets	**79,299**	84,351	**769,893**
TOTAL	**¥ 469,973**	¥ 421,495	**$ 4,562,845**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	**¥ 1,467**	¥ 6,525	**$ 14,243**
Current portion of long-term debt (Notes 8 and 16)	**1,043**	909	**10,126**
Payables (Note 16):			
Trade notes and accounts	**41,381**	30,957	**401,757**
Unconsolidated subsidiaries and associated companies	**2,113**	1,691	**20,515**
Other	**15,227**	12,391	**147,835**
Total payables	**58,721**	45,039	**570,107**
Income taxes payable (Note 16)	**2,641**	2,998	**25,641**
Accrued expenses	**43,516**	38,557	**422,485**
Deferred tax liabilities (Note 13)	**57**	616	**553**
Other current liabilities (Note 10)	**9,353**	12,410	**90,806**
Total current liabilities	**116,798**	107,054	**1,133,961**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**14,877**	15,241	**144,437**
Liability for retirement benefits (Notes 2 (15) and 9)	**13,781**	9,079	**133,796**
Deferred tax liabilities (Note 13)	**8,956**	4,289	**86,951**
Other long-term liabilities (Note 10)	**7,251**	7,061	**70,399**
Total long-term liabilities	**44,865**	35,670	**435,583**
EQUITY (Note 11):			
Common stock, no par value:			
Authorized: 600,000,000 shares			
Issued: 277,535,866 shares in 2014 and 2013	**19,210**	19,210	**186,505**
Capital surplus	**16,683**	16,464	**161,971**
Stock acquisition rights (Note 12)	**533**	459	**5,175**
Retained earnings	**268,156**	255,639	**2,603,456**
Treasury stock, at cost			
2014 - 12,118,231 shares			
2013 - 10,925,903 shares	**(14,075)**	(12,971)	**(136,650)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**4,209**	2,345	**40,864**
Deferred loss under hedge accounting	**(1,534)**	(443)	**(14,893)**
Foreign currency translation adjustments	**4,494**	(17,405)	**43,631**
Defined retirement benefit plans (Notes 2 (15) and 9)	**(5,979)**	—	**(58,049)**
Subtotal	**291,697**	263,298	**2,832,010**
Minority interests	**16,613**	15,473	**161,291**
Total equity	**308,310**	278,771	**2,993,301**
TOTAL	**¥ 469,973**	¥ 421,495	**$ 4,562,845**

See notes to consolidated financial statements.

Consolidated Statement of Income

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET SALES	**¥ 616,835**	¥ 516,067	**$ 5,988,689**
COST OF SALES (Note 14)	**349,015**	300,007	**3,388,495**
Gross profit	**267,820**	216,060	**2,600,194**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**224,519**	186,284	**2,179,796**
Operating income	**43,301**	29,776	**420,398**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,516**	1,452	**14,718**
Interest expense	**(277)**	(451)	**(2,689)**
Sales discount	**(2,628)**	(2,086)	**(25,515)**
Loss on sales and disposals of property, plant and equipment, net	**(459)**	(170)	**(4,456)**
Foreign exchange loss	**(11,612)**	(1,614)	**(112,738)**
Loss on impairment of long-lived assets (Notes 2 (10) and 6)	**(2,122)**	(269)	**(20,602)**
Gain (loss) on valuation of derivatives	**4,461**	(4,625)	**43,311**
Gain on sales of investment securities (Note 4)	**468**	1,724	**4,544**
Gain on negative goodwill (Note 21)	**—**	7,194	**—**
Loss on step acquisitions	**—**	(3,843)	**—**
Other - net	**879**	858	**8,534**
Other expenses, net	**(9,774)**	(1,830)	**(94,893)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**33,527**	27,946	**325,505**
INCOME TAXES (Note 13):			
Current	**9,562**	8,763	**92,835**
Deferred	**4,089**	1,326	**39,699**
Total income taxes	**13,651**	10,089	**132,534**
NET INCOME BEFORE MINORITY INTERESTS	**19,876**	17,857	**192,971**
MINORITY INTERESTS IN NET INCOME	**655**	31	**6,359**
NET INCOME	**¥ 19,221**	¥ 17,826	**$ 186,612**
PER SHARE OF COMMON STOCK (Note 19):	Yen		U.S. Dollars
Basic net income	**¥ 72.20**	¥ 66.65	**$ 0.70**
Diluted net income	**72.06**	66.54	**0.70**
Cash dividends applicable to the year	**24.00**	24.00	**0.23**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 19,876**	¥ 17,857	**$ 192,971**
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	**1,520**	168	**14,757**
Deferred loss on derivatives under hedge accounting	**(1,091)**	(259)	**(10,592)**
Foreign currency translation adjustments	**21,248**	20,862	**206,291**
Share of other comprehensive income in associates	**—**	40	**—**
Total other comprehensive income	**21,677**	20,811	**210,456**
COMPREHENSIVE INCOME (Note 18)	**¥ 41,553**	¥ 38,668	**$ 403,427**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 41,243**	¥ 38,597	**$ 400,417**
Minority interests	**310**	71	**3,010**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss Under Hedge Accounting	Foreign Currency Translation Adjustments	Deferred Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	267,669	¥ 19,210	¥ 16,151	¥ 420	¥ 243,725	¥ (11,673)	¥ 2,177	¥ (185)	¥ (38,404)	—	¥ 231,421	¥ 4	¥ 231,425
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	539	—	—	—	—	—	539	—	539
Net income	—	—	—	—	17,826	—	—	—	—	—	17,826	—	17,826
Cash dividends, ¥24 per share	—	—	—	—	(6,451)	—	—	—	—	—	(6,451)	—	(6,451)
Acquisition of treasury stock	(1,159)	—	—	—	—	(1,704)	—	—	—	—	(1,704)	—	(1,704)
Sale of treasury stock	100	—	313	—	—	406	—	—	—	—	719	—	719
Net change in the year	—	—	—	39	—	—	168	(258)	20,999	—	20,948	15,469	36,417
BALANCE, MARCH 31, 2013	266,610	19,210	16,464	459	255,639	(12,971)	2,345	(443)	(17,405)	—	263,298	15,473	278,771
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	—	(326)	—	—	—	—	—	(326)	—	(326)
Net income	—	—	—	—	19,221	—	—	—	—	—	19,221	—	19,221
Cash dividends, ¥24 per share	—	—	—	—	(6,378)	—	—	—	—	—	(6,378)	—	(6,378)
Acquisition of treasury stock	(1,230)	—	216	—	—	(1,131)	—	—	—	—	(915)	1,122	207
Sale of treasury stock	38	—	3	—	—	27	—	—	—	—	30	—	30
Net change in the year	—	—	—	74	—	—	1,864	(1,091)	21,899	¥ (5,979)	16,767	18	16,785
BALANCE, MARCH 31, 2014	265,418	¥ 19,210	¥ 16,683	¥ 533	¥ 268,156	¥ (14,075)	¥ 4,209	¥ (1,534)	¥ 4,494	¥ (5,979)	¥ 291,697	¥ 16,613	¥ 308,310

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss Under Hedge Accounting	Foreign Currency Translation Adjustments	Deferred Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 186,505	$ 159,845	$ 4,457	$ 2,481,932	$ (125,932)	$ 22,767	$ (4,301)	$ (168,981)	—	$ 2,556,292	$ 150,223	$ 2,706,515
Adjustment of retained earnings due to change in scope of consolidation	—	—	—	(3,166)	—	—	—	—	—	(3,166)	—	(3,166)
Net income	—	—	—	186,612	—	—	—	—	—	186,612	—	186,612
Cash dividends, $0.23 per share	—	—	—	(61,922)	—	—	—	—	—	(61,922)	—	(61,922)
Acquisition of treasury stock	—	2,097	—	—	(10,980)	—	—	—	—	(8,883)	10,893	2,010
Sale of treasury stock	—	29	—	—	262	—	—	—	—	291	—	291
Net change in the year	—	—	718	—	—	18,097	(10,592)	212,612	$ (58,049)	162,786	175	162,961
BALANCE, MARCH 31, 2014	$ 186,505	$ 161,971	$ 5,175	$ 2,603,456	$ (136,650)	$ 40,864	$ (14,893)	$ 43,631	$ (58,049)	$ 2,832,010	$ 161,291	$ 2,993,301

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 33,527**	¥ 27,946	**$ 325,505**
Adjustments for:			
Income taxes - paid	**(9,755)**	(8,816)	**(94,709)**
Depreciation and amortization	**27,614**	24,477	**268,097**
Loss on impairment of long-lived assets	**2,122**	269	**20,602**
Amortization of goodwill	**1,538**	1,419	**14,932**
Loss on sales and disposals of property, plant and equipment, net	**459**	170	**4,456**
Foreign exchange loss (gain)	**2,092**	(2,421)	**20,311**
(Gain) loss on valuation of derivatives	**(4,461)**	4,625	**(43,311)**
Gain on sales of investment securities	**(465)**	(1,724)	**(4,515)**
Gain on negative goodwill	**—**	(7,194)	**—**
Loss on step acquisitions	**—**	3,843	**—**
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	**(5,423)**	(4,501)	**(52,650)**
(Increase) decrease in inventories	**(5,994)**	2,333	**(58,194)**
Increase (decrease) in trade notes and accounts payable	**6,973**	(6,673)	**67,699**
Increase (decrease) in accrued expenses	**808**	(1,729)	**7,845**
Increase in liability for retirement benefits	**1,752**	430	**17,010**
Increase in allowance for doubtful accounts	**884**	1,443	**8,583**
Increase in liability for warranty reserve	**899**	178	**8,728**
Other - net	**2,449**	(1,341)	**23,776**
Total adjustments	**21,492**	4,788	**208,660**
Net cash provided by operating activities	**55,019**	32,734	**534,165**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**1,361**	1,080	**13,214**
Proceeds from sales and redemption of marketable securities	**5,103**	1,301	**49,544**
Proceeds from sales and redemption of investment securities	**2,761**	2,660	**26,806**
Disbursement for purchases of property, plant and equipment	**(27,634)**	(24,942)	**(268,291)**
Disbursement for purchases of intangible assets	**(6,635)**	(5,723)	**(64,417)**
Disbursement for purchases of investment securities	**(11,152)**	(2,170)	**(108,272)**
Disbursement for purchases of affiliates' shares	**(1,059)**	(6,617)	**(10,282)**
Disbursement for purchases of investment in affiliates	**(2,188)**	—	**(21,243)**
Acquisition of a newly consolidated subsidiary, net of cash acquired	**—**	(7,011)	**—**
Other - net	**343**	(350)	**3,329**
Net cash used in investing activities	**(39,100)**	(41,772)	**(379,612)**
FORWARD	**¥ 15,919**	¥ (9,038)	**$ 154,553**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
FORWARD	**¥ 15,919**	¥ (9,038)	**$ 154,553**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings, net	**(5,684)**	4,533	**(55,184)**
Proceeds from long-term debt	**200**	12,200	**1,942**
Repayment of bonds	**—**	(15,000)	**—**
Repayments of lease obligations	**(1,252)**	(1,701)	**(12,156)**
Cash dividends paid	**(6,687)**	(6,451)	**(64,922)**
(Increase) decrease in treasury stock, net	**(10)**	6	**(97)**
Net cash used in financing activities	**(13,433)**	(6,413)	**(130,417)**
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,878**	10,569	**66,777**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,364**	(4,882)	**90,913**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	**4,301**	1,210	**41,757**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER WITH UNCONSOLIDATED SUBSIDIARIES	**210**	—	**2,039**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**55,060**	58,732	**534,563**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 68,935**	¥ 55,060	**$ 669,272**

See notes to consolidated financial statements.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

1. Basis of Presentation of 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 accordance 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.

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. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥103 to $1, the approximate rate of exchange at March 31, 2014. 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 83 (89 in 2013) subsidiaries at March 31, 2014. The accompanying consolidated financial statements as of March 31, 2014, include the accounts of the Company and its significant 62 (60 in 2013) subsidiaries (together, the "Group"). The remaining 21 (29 in 2013) 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.

Details of significant consolidated subsidiaries at March 31, 2014, are listed as follows:

	Equity ownership percentage at March 31, 2014		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.	—	99.9 %	¥ 90,000
Brother Sales, Ltd.	100.0	—	¥ 3,500,000
Nissei Corporation	60.2	—	¥ 3,475,000
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$ 125,926
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	EURO 9,000
Brother France SAS	—	100.0	EURO 12,000
Brother International GmbH (Germany)	—	100.0	EURO 25,000
Brother Italia S.p.A.	—	100.0	EURO 3,700
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
Brother Industries (Slovakia) s.r.o.	—	100.0	EURO 5,817
Taiwan Brother Industries, Ltd.	100.0	—	NT$ 242,000
Zhuhai Brother Industries, Co., Ltd.	100.0	—	US$ 7,000
Brother International (HK) Ltd.	100.0	—	US$ 11,630
Brother Industries Technology (Malaysia) Sdn. Bhd.	100.0	—	MR 21,000
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$ 43,000
Brother Industries (Shenzhen), Ltd.	—	100.0	US$ 27,000
Brother (China) Ltd.	100.0	—	US$ 20,500
Brother Industries (Vietnam) Ltd.	100.0	—	US$ 80,000
Brother Technology (Shenzhen) Ltd.	—	100.0	US$ 15,000
Brother Machinery Shanghai Ltd.	—	100.0	CNY 50,000
Brother Industries Saigon, Ltd.	100.0	—	US$ 28,000
Brother Industries (Philippines), Inc.	100.0	—	US$ 134,000

Under the control and influence concepts, 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 estimated useful life reflecting the pattern of the future economic benefits, 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.

The fiscal year end of certain foreign consolidated subsidiaries is December 31. These subsidiaries are consolidated using their financial statements as of the parent fiscal year end, which are prepared solely for consolidation purposes.

(2) Investments in Unconsolidated Subsidiaries and Associated Companies
Investments in five associated companies (five in 2013) 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 intercompany 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
In May 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." PITF No. 18 prescribes that 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. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(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." 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 such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

(5) Business Combinations

In October 2003, the Business Accounting Council 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 allowed 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 required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs (IPR&D) acquired in the business combination are 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 price allocation. This revised standard was applicable to business combinations undertaken on or after 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. The company and consolidated manufacturing subsidiaries determine cost by the average method or the first-in, first-out method. The consolidated sales subsidiaries determine cost by using the moving average method (see Note 5).

(8) Marketable and Investment Securities

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

i) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and ii) available-for-sale securities, 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 in a separate component of equity.

For the fiscal year ended March 31, 2014, the Group reclassified certain trading debt securities, government and corporate bonds with a fair value of ¥3,811 million ($37,000 thousand) to available-for-sale securities because the Group sold the partly trading debt securities.

Nonmarketable 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 is principally from three to 60 years for buildings and structures, from four to 12 years for machinery and vehicles and from two 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 its 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 is 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) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(13) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board Members are accrued at the end of the year to which such bonuses are attributable.

(14) Warranty Reserve

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

The warranty reserve was included in accrued expenses and amounted to ¥4,801 million ($46,612 thousand) and ¥3,902 million at March 31, 2014 and 2013, respectively.

(15) Retirement and Pension Plans

(i) **Employees' Retirement Benefits**

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

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the consolidated 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 consolidated balance sheet date.

The Company contributed certain available-for-sale securities to the employee retirement benefit trust for the Company's contributory pension plans. The securities held in this trust are qualified as plan assets. However, because it was expected that the fund status would remain in surplus, the Company cancelled a certain portion of the asset and transferred it in February 2006.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 18).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits decreased by ¥5,647 million ($54,825 thousand), liability for retirement benefits increased by ¥2,978 million ($28,913 thousand), accumulated other comprehensive income decreased by ¥5,979 million ($58,049 thousand) and minority interests increased by ¥16 million ($155 thousand) for the year ended March 31, 2014. In addition, net asset per share for the year ended March 31, 2014, decreased by ¥22.53 ($0.22).

(ii) **Retirement Benefits for Directors and Audit & Supervisory Board members**

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

(16) Asset Retirement Obligations

In March 2008, the ASBJ issued 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 the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(17) Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense 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, the 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.

(18) R&D Costs
R&D costs are charged to income as incurred.

(19) Leases
IIn March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

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.

(20) Income Taxes
The provision for current income taxes is computed based on the pretax income included in the consolidated statement 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 income tax rates 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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement 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" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

(23) Derivative and Hedging Activities
The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rate. Foreign exchange forward contracts, interest rate swap 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 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 statement of income; and b) for derivatives used for hedging purposes, if such 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 forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income. Foreign currency forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which 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 is recognized and included in interest expense.

(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 statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(25) Accounting Changes and Error Corrections

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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—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.

(26) Consolidated Corporate Tax System

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(27) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for the above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company and domestic subsidiaries expect to apply the revised accounting standard for the above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Changes in Presentation Method

(Consolidated statement of cash flows)
Prior to April 1, 2013, "Proceeds from sales and redemption of marketable securities" was included in "Other - net" among "INVESTING ACTIVITIES" section of the consolidated statement of cash flows. Since the amount increased significantly during this fiscal year ended March 31, 2014, such amount is disclosed separately in "INVESTING ACTIVITIES" section of the consolidated statement of cash flows for the year ended March 31, 2014. The amount included in "Other - net" for the year ended March 31, 2013, was ¥1,301 million (cash inflow).

For the year ended March 31, 2013, "Proceeds from collection of loans" of ¥13 million was separately presented among "INVESTING ACTIVITIES" section of the consolidated statement of cash flows. Since the amount decreased significantly and the account was considered immaterial for the year ended March 31, 2014, the amount for the year ended March 31, 2013, was reclassified to "Other – net."

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current:			
Government and corporate bonds	**¥ 3,018**	¥ 5,318	**$ 29,301**
Total	**¥ 3,018**	¥ 5,318	**$ 29,301**
Non-current:			
Marketable equity securities	**¥ 15,734**	¥ 12,575	**$ 152,757**
Government and corporate bonds	**15,967**	9,918	**155,019**
Other	**369**	1,239	**3,583**
Total	**¥ 32,070**	¥ 23,732	**$ 311,359**

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013 were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 9,920**	**¥ 4,791**	**¥ (121)**	**¥ 14,590**
Government and corporate bonds	**18,751**	**144**	**(15)**	**18,880**
Other	**18**	**—**	**—**	**18**
Held-to-maturity	**105**	**0**	**—**	**105**

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,361	¥ 3,453	¥ (1,161)	¥ 11,653
Government and corporate bonds	10,005	89	(17)	10,077
Other	760	166	—	926
Held-to-maturity	5,159	131	(5)	5,285

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 96,311**	**$ 46,515**	**$ (1,175)**	**$ 141,651**
Government and corporate bonds	**182,049**	**1,398**	**(146)**	**183,301**
Other	**175**	**—**	**—**	**175**
Held-to-maturity	**1,019**	**0**	**—**	**1,019**

The information of investment securities which were sold during the years ended March 31, 2014 and 2013 was as follows:

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥ 146**	**¥ 50**	**¥ (0)**
Government and corporate bonds	**400**	**8**	**—**
Other	**1,096**	**351**	**—**
Held-to-maturity	**819**	**59**	**(3)**

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 2,660	¥ 1,724	¥ (0)

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$ 1,417**	**$ 485**	**$ (0)**
Government and corporate bonds	**3,883**	**78**	**—**
Other	**10,641**	**3,408**	**—**
Held-to-maturity	**7,951**	**573**	**(29)**

As discussed in Note 2 (8), the Group reclassified certain trading debt securities, "government and corporate bonds" with a fair value of ¥3,811 million ($37,000 thousand) to available-for-sale securities. As a result, for the year ended March 31, 2014, investment securities and unrealized gain on available-for-sale securities increased by ¥59 million ($573 thousand) and ¥38 million ($369 thousand) in the consolidated balance sheet, respectively.

5. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise and finished products	**¥ 70,205**	¥ 57,482	**$ 681,602**
Work in process	**10,287**	10,117	**99,873**
Raw materials and supplies	**22,915**	20,080	**222,476**
Total	**¥ 103,407**	¥ 87,679	**$ 1,003,951**

6. Long-lived Assets

The Group reviewed its long-lived assets for impairment. For the years ended March 31, 2014 and 2013, the Company and consolidated subsidiaries recorded impairment loss of ¥2,122 million ($20,602 thousand) and ¥269 million, respectively, as other expense, for business 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 or the net selling price at disposition, while idle assets and rental assets were measured at the net selling price at disposition. The discount rates used for computation of the present value of future cash flows were 10.7% and 12.6% for the years ended March 31, 2014 and 2013, respectively.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

7. Investment Property

In November 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."

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 ¥1,093 million ($10,612 thousand) and ¥1,153 million for the years ended March 31, 2014 and 2013, 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, 2013	Decrease	March 31, 2014	March 31, 2014
¥ 9,371	¥ (173)	**¥ 9,198**	**¥ 18,970**

Millions of Yen			
Carrying amount			Fair value
April 1, 2012	Increase	March 31, 2013	March 31, 2013
¥ 7,862	¥ 1,509	¥ 9,371	¥ 18,376

Thousands of U.S. Dollars			
Carrying amount			Fair value
April 1, 2013	Decrease	March 31, 2014	March 31, 2014
$ 90,981	$ (1,680)	**$ 89,301**	**$ 184,175**

Notes: 1) The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) The fair value of properties as of March 31, 2014 is mainly measured by the Group in accordance with its Real-Estate Appraisal Standard.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

8. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Loans principally from banks with weighted-average interest rate of 0.97% (0.74% in 2013)	**¥ 1,467**	¥ 6,525	**$ 14,243**

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unsecured loans from a bank, due 2020 with interest rates ranging from 0.39 to 1.73% (from 0.39 to 1.73 % in 2013)	**¥ 12,900**	¥ 12,700	**$ 125,243**
Lease obligations	**3,020**	3,450	**29,320**
Total	**15,920**	16,150	**154,563**
Less current portion	**(1,043)**	(909)	**(10,126)**
Long-term debt, less current portion	**¥ 14,877**	¥ 15,241	**$ 144,437**

Annual maturities of long-term debt at March 31, 2014 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	**¥ 1,043**	**$ 10,126**
2016	**12,965**	**125,874**
2017	**598**	**5,806**
2018	**585**	**5,679**
2019 and thereafter	**729**	**7,078**
Total	**¥ 15,920**	**$ 154,563**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

9. Retirement and Pension Plans

Retirement Allowances for Directors and Audit & Supervisory Board members

Retirement allowances for directors and Audit & Supervisory Board members are paid subject to approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

Certain domestic consolidated subsidiaries recorded liabilities for their unfunded retirement allowance plan covering all of their directors and Audit & Supervisory Board members.

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 liability for retirement benefits in the accompanying consolidated balance sheet consisted of retirement allowances for directors and Audit & Supervisory Board members of ¥379 million ($3,679 thousand) and ¥407 million at March 31, 2014 and 2013, respectively, and employees' retirement benefits of ¥13,402 million ($130,117 thousand) and ¥8,672 million at March 31, 2014 and 2013, respectively.

Year Ended March 31, 2014

1. Defined Benefit Pension Plans

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥ 61,717**	**$ 599,194**
Current service cost	**2,119**	**20,573**
Interest cost	**1,615**	**15,680**
Actuarial losses	**414**	**4,019**
Benefits paid	**(2,644)**	**(25,670)**
Past service cost	**53**	**515**
Foreign currency translation adjustments	**4,215**	**40,922**
Others	**88**	**855**
Balance at end of year	**¥ 67,577**	**$ 656,088**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 52,062	$ 505,456
Expected return on plan assets	1,754	17,029
Actuarial gains	1,842	17,883
Contributions from the employer	2,542	24,680
Benefits paid	(2,300)	(22,330)
Foreign currency translation adjustments	2,507	24,340
Others	91	884
Balance at end of year	¥ 58,498	$ 567,942

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 62,904	$ 610,719
Plan assets	(58,498)	(567,942)
	4,406	42,777
Unfunded defined benefit obligation	4,673	45,369
Net liability arising from defined benefit obligation	¥ 9,079	$ 88,146

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 13,402	$ 130,117
Asset for retirement benefits	(4,323)	(41,971)
Net liability arising from defined benefit obligation	¥ 9,079	$ 88,146

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 2,119	$ 20,573
Interest cost	1,615	15,680
Expected return on plan assets	(1,754)	(17,029)
Recognized actuarial losses	2,353	22,844
Amortization of prior service cost	(28)	(272)
Others	9	87
Net periodic benefit costs	¥ 4,314	$ 41,883

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	**¥ (1,798)**	**$ (17,456)**
Unrecognized actuarial losses	**10,451**	**101,466**
Total	**¥ 8,653**	**$ 84,010**

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	**29%**
Equity investments	**28**
Cash and cash equivalents	**5**
General insurance funds	**25**
Others	**13**
Total	**100%**

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	**Principally from 1.0% to 4.5%**
Expected rate of return on plan assets	**Principally from 1.0% to 6.2%**

2. Defined Contribution Pension Plans

Total contribution for defined contribution pension plans was ¥2,080 million ($20,194 thousand) for the year ended March 31, 2104.

Year Ended March 31, 2013

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥ (61,717)
Fair value of plan assets	52,062
Unrecognized prior service cost	(38)
Unrecognized actuarial loss	11,871
Net asset	2,178
Asset for retirement benefits	10,850
Liability for employees' retirement benefits	¥ (8,672)

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
	2013
Service cost	¥ 1,813
Interest cost	1,470
Expected return on plan assets	(1,517)
Recognized actuarial loss	1,814
Amortization of prior service cost	(258)
Additional retirement payments and others	177
Contribution to defined contribution pension plans	1,725
Net periodic retirement benefits cost	¥ 5,224

Assumptions used for the year ended March 31, 2013, were as follows:

	2013
Periodic recognition of projecte benefit obligation	Straight-line method
Discount rate	Principally from 1.5% to 2.0%
Expected rate of return on plan assets	Principally 3.0%
Recognition period of actuarial gain / loss	Principally from seven years to 17 years
Amortization period of prior service cost	Principally from seven 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 LCD monitor in karaoke machines upon the termination of the lease of karaoke houses.

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

The estimated periods until the asset retirement obligations are settled are two to 30 years from the acquisition. The discounted rates used for computation of the asset retirement obligations are 0.09% to 3.48%.

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Balance at beginning of year	**¥ 1,039**	¥ 973	**$ 10,087**
Additional provisions associated with purchases of property, plant and equipment	**87**	127	**845**
Reconciliation associated with passage of time	**13**	14	**126**
Reduction associated with settlement of asset retirement obligations	**(109)**	(81)	**(1,058)**
Other	**18**	6	**175**
Balance at end of year	**¥ 1,048**	¥ 1,039	**$ 10,175**

Asset retirement obligations above were included in both of the "Other current liabilities" among the "CURRENT LIABILITIES" section and the "Other long-term liabilities" among the "LONG-TERM LIABILITIES" section in the accompanying consolidated balance sheet.

11. Equity

Japanese companies are subject to 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 including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, 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 (noncash 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 net assets 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 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 reversed 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 are 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, 2014, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	Six directors	46,000 shares	March 19, 2007	¥ 1 ($0.01)	30 years starting on the day following the stock option grant date
2008 Stock Option	Six directors	65,100 shares	March 24, 2008	¥ 1 ($0.01)	Same as above
2009 Stock Option	Five directors	114,500 shares	March 23, 2009	¥ 1 ($0.01)	Same as above
2010 Stock Option	Four directors 14 executive officers	51,900 shares 49,600 shares	March 23, 2010	¥ 1 ($0.01)	Same as above
2011 Stock Option	Four directors 13 executive officers	43,200 shares 40,300 shares	March 23, 2011	¥ 1 ($0.01)	Same as above
2012 Stock Option	Three directors 16 executive officers	44,600 shares 61,800 shares	March 23, 2012	¥ 1 ($0.01)	Same as above
2013 Stock Option	Two directors 16 executive officers	36,600 shares 69,500 shares	March 21, 2013	¥ 1 ($0.01)	Same as above
2014 Stock Option	Three directors 16 executive officers	30,800 shares 49,600 shares	March 27, 2014	¥ 1 ($0.01)	Same as above

The stock option activity was as follows:

	2014 Stock Option (shares)	2013 Stock Option (shares)	2012 Stock Option (shares)	2011 Stock Option (shares)	2010 Stock Option (shares)	2009 Stock Option (shares)	2008 Stock Option (shares)	2007 Stock Option (shares)
For the year ended March 31, 2013								
Non-vested								
April 1, 2012 – Outstanding	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—
Canceled	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—
March 31, 2013 – Outstanding	—	—	—	—	—	—	—	—
Vested								
April 1, 2012 - Outstanding	—	—	106,400	83,500	98,300	88,700	51,600	30,000
Vested	—	106,100	—	—	—	—	—	—
Exercised	—	—	—	4,000	4,800	2,400	17,600	18,000
Canceled	—	—	—	—	—	—	—	—
March 31, 2013 – Outstanding	—	106,100	106,400	79,500	93,500	86,300	34,000	12,000
For the year ended March 31, 2014								
Non-vested								
April 1, 2013 – Outstanding	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—
Canceled	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—
March 31, 2014 – Outstanding	—	—	—	—	—	—	—	—
Vested								
April 1, 2013 - Outstanding	—	106,100	106,400	79,500	93,500	86,300	34,000	12,000
Vested	80,400	—	—	—	—	—	—	—
Exercised	—	—	3,300	—	—	19,100	7,600	—
Canceled	—	—	—	—	—	—	—	—
March 31, 2014 – Outstanding	80,400	106,100	103,100	79,500	93,500	67,200	26,400	12,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise	—	—	¥ 991	—	—	¥ 1,460	¥ 1,198	—
	(—)	(—)	($ 9.62)	(—)	(—)	($ 14.17)	($ 11.63)	(—)
Fair value price at grant date	¥ 1,169	¥ 850	¥ 929	¥ 1,018	¥ 899	¥ 642	¥ 915	¥ 1,350
(directors)	($11.35)	($ 8.25)	($ 9.02)	($ 9.88)	($8.73)	($ 6.23)	($ 8.88)	($ 13.11)
Fair value price at grant date	¥ 1,157	¥ 880	¥ 957	¥ 1,034	¥ 912	—	—	—
(executive officers)	($ 11.23)	($ 8,54)	($ 9.29)	($ 10.04)	($ 8.85)	(—)	(—)	(—)

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

The assumptions used to measure fair value of 2014 Stock Option (directors)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.98%
Estimated remaining outstanding period:	9 years
Estimated dividend rate:	1.89%
Risk free interest rate:	0.55%

The assumptions used to measure fair value of 2014 Stock Option (executive officers)	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	39.76%
Estimated remaining outstanding period:	10 years
Estimated dividend rate:	1.81%
Risk free interest rate:	0.62%

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

13. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred Tax Assets:			
Inventories	**¥ 11,404**	¥ 9,563	**$ 110,718**
Liability for retirement benefits	**4,620**	—	**44,854**
Employees' retirement benefits	**—**	1,235	**—**
Depreciation	**4,052**	3,150	**39,340**
Write-down of investment securities	**3,982**	4,171	**38,660**
Accrued bonuses	**2,444**	2,227	**23,728**
Accrued expenses	**1,890**	1,880	**18,350**
Warranty reserve	**1,144**	807	**11,107**
Allowance for doubtful accounts	**912**	6,516	**8,854**
Tax loss carryforwards	**12,728**	13,161	**123,573**
Other	**5,663**	4,766	**54,981**
Less valuation allowance	**(27,592)**	(26,350)	**(267,883)**
Total deferred tax assets	**¥ 21,247**	¥ 21,126	**$ 206,282**
Deferred Tax Liabilities:			
Undistributed earnings of foreign subsidiaries	**¥ (5,584)**	¥ (4,308)	**$ (54,214)**
Asset for retirement benefits	**(3,604)**	—	**(34,990)**
Prepaid pension cost	**—**	(3,852)	**—**
Securities withdrawn from retirement benefit trust	**(2,845)**	(2,845)	**(27,621)**
Differences between book and tax bases of property, plant and equipment	**(1,614)**	(1,750)	**(15,670)**
Unrealized gain on available-for-sale securities	**(1,397)**	(1,517)	**(13,563)**
Other	**(1,389)**	(1,331)	**(13,485)**
Total deferred tax liabilities	**¥ (16,433)**	¥ (15,603)	**$ (159,543)**
Net deferred tax assets	**¥ 4,814**	¥ 5,523	**$ 46,739**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2014 was as follows:

	2014
Normal effective statutory tax rate	37.70%
Lower income tax rates applicable to income in certain foreign countries	(9.38)
Expenses not deductible for income tax purposes	4.60
Net change in valuation allowance	3.95
Undistributed earnings of foreign subsidiaries	3.81
Income taxes for previous years	1.93
Revenues not recognized for income tax purposes	(1.30)
Effect of a change in statutory tax rate	1.02
Tax credit for R&D expenses	(1.00)
Tax sparing credit	(0.46)
Other – net	(0.15)
Actual effective tax rate	40.72%

Since the difference between the normal effective statutory tax rate and the actual effective tax rate was not significant, a reconciliation was not presented for the year ended March 31, 2013.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥399 million ($3,874 thousand) and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥343 million ($3,330 thousand).

14. R&D Costs

R&D costs charged to income were ¥40,137 million ($389,680 thousand) and ¥37,514 million for the years ended March 31, 2014 and 2013, respectively.

15. Leases

(As lessee)
The minimum rental commitments under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Operating leases:			
Due within one year	**¥ 2,128**	¥ 1,597	**$ 20,660**
Due after one year	**8,696**	8,453	**84,427**
Total	**¥ 10,824**	¥ 10,050	**$ 105,087**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

16. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt including bank loans, 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 the Group's 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 held-to-maturity securities and 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. The long-term portion of bank loans is borrowed with fixed interest rates.

Derivatives mainly include forward foreign currency contracts and currency option contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, respectively. Please see Note 17 for further details 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 at an early stage. With respect to held-to-maturity financial investments, the Group manages its exposure to credit risk by limiting investment to high credit rated bonds in accordance with its internal guidelines.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2014.

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 of trade receivables is hedged principally by forward foreign currency contracts and currency option contracts. In addition, when foreign currency trade receivables and payables are expected to arise from forecasted transactions, forward foreign currency contracts and currency option contracts may be used to hedge foreign exchange risk resulting from forecasted transactions expected to occur within one year.

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 their maturity dates. The Group manages its liquidity risk with adequate financial planning by each company.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

(4) Fair values of financial instruments

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

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	**¥ 68,935**	**¥ 68,935**	**—**
Marketable securities	**3,018**	**3,018**	**¥ 0**
Receivables	**88,496**	**88,496**	**—**
Investment securities	**30,575**	**30,575**	**—**
Total	**¥ 191,024**	**¥ 191,024**	**¥ 0**
Short-term borrowings	**¥ 1,467**	**¥ 1,467**	**—**
Current portion of long-term debt	**1,043**	**1,043**	**—**
Payables	**58,721**	**58,721**	**—**
Income taxes payable	**2,641**	**2,641**	**—**
Long-term debt	**14,877**	**14,875**	**¥ (2)**
Total	**¥ 78,749**	**¥ 78,747**	**¥ (2)**

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 55,060	¥ 55,060	—
Marketable securities	5,318	5,319	¥ 1
Receivables	78,864	78,864	—
Investment securities	22,497	22,621	124
Total	¥ 161,739	¥ 161,864	¥ 125
Short-term borrowings	¥ 6,525	¥ 6,525	—
Current portion of long-term debt	909	909	—
Payables	45,039	45,039	—
Income taxes payable	2,998	2,998	—
Long-term debt	15,241	15,253	¥ (12)
Total	¥ 70,712	¥ 70,724	¥ (12)

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	**$ 669,272**	**$ 669,272**	**—**
Marketable securities	**29,301**	**29,301**	**$ 0**
Receivables	**859,185**	**859,185**	**—**
Investment securities	**296,845**	**296,845**	**—**
Total	**$ 1,854,603**	**$ 1,854,603**	**$ 0**
Short-term borrowings	**$ 14,243**	**$ 14,243**	**—**
Current portion of long-term debt	**10,126**	**10,126**	**—**
Payables	**570,107**	**570,107**	**—**
Income taxes payable	**25,641**	**25,641**	**—**
Long-term debt	**144,437**	**144,417**	**$ (20)**
Total	**$ 764,554**	**$ 764,534**	**$ (20)**

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 carrying values of investment trusts approximate fair value because of their short maturities.

The fair value information for the marketable and investment securities by classification is included in Note 4.

Receivables and payables

The carrying values of receivables and payables approximate 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 values of long-term bank loans are determined by discounting the total balance of principal and interest at a rate which reflects the remaining term of the loan and the Group's credit risk.

Carrying amounts of lease obligations approximate fair value because neither the risk free rate nor the Group's credit profile 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
Information related to the fair value of 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
	2014	2013	**2014**
Equity securities that do not have a quoted market price in an active market	**¥ 1,144**	¥ 922	**$ 11,107**
Investments in limited liability partnerships that do not have a quoted market price in an active market	**351**	313	**3,407**
Investments in and advances to unconsolidated subsidiaries and associated companies	**10,840**	17,767	**105,243**
Total	**¥ 12,335**	¥ 19,002	**$ 119,757**

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

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 68,935**	**—**	**—**	**—**
Marketable securities	**3,018**	**—**	**—**	**—**
Receivables	**88,496**	**—**	**—**	**—**
Investment securities:				
Available-for-securities with contractual maturities	**—**	**¥ 12,156**	**¥ 3,296**	**¥ 515**
Total	**¥ 160,449**	**¥ 12,156**	**¥ 3,296**	**¥ 515**

	Millions of Yen			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 55,060	—	—	—
Marketable securities	5,318	—	—	—
Receivables	78,864	—	—	—
Investment securities:				
Held-to-maturity securities	—	¥ 105	—	—
Available-for-securities with contractual maturities	—	5,009	¥ 3,589	¥ 1,215
Total	¥ 139,242	¥ 5,114	¥ 3,589	¥ 1,215

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Thousands of U.S. Dollars			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 669,272**	—	—	—
Marketable securities	**29,301**	—	—	—
Receivables	**859,185**	—	—	—
Investment securities:				
Available-for-securities with contractual maturities	—	**$ 118,019**	**$ 32,000**	**$ 5,000**
Total	**$ 1,557,758**	**$ 118,019**	**$ 32,000**	**$ 5,000**

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 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.

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.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

Derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 11,494	—	¥ 14	¥ 14
Euro	3,076	—	(464)	(464)
Pound Sterling	443	—	(83)	(83)
Yen	31,502	—	243	243
Mexican Peso	754	—	(4)	(4)
Korean Won	295	—	(3)	(3)
Indonesia Rupiah	64	—	(2)	(2)
Taiwan Dollar	207	—	1	1
India Rupee	288	—	(18)	(18)
Philippine Peso	14	—	0	0
Buying:				
U.S. Dollar	¥ 3,635	—	¥ (19)	¥ (19)
Euro	256	—	(0)	(0)
Yen	1,764	—	(36)	(36)
Swiss Franc	1,706	—	32	32
Currency option contracts:				
Selling:				
Call				
Euro	¥ 5,099	—	¥ 491	¥ (302)
(Option fee)	(189)	—		
Pound Sterling	149	—	16	(11)
(Option fee)	(5)	—		
Swiss Franc	588	—	0	(0)
(Option fee)	(—)	—		
Canadian Dollar	2,676	—	17	(17)
(Option fee)	(—)	—		
Buying:				
Call				
U.S. Dollar	¥ 1,338	—	¥ 21	¥ 21
(Option fee)	(—)	—		
Euro	319	—	(2)	(2)
(Option fee)	(—)	—		
Yen	2,624	—	2	(103)
(Option fee)	(105)	—		
Interest rate swaps: (fixed rate payment, floating rate receipt)	¥ 250	—	¥ (1)	¥ (1)

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	¥ 1,770	—	¥ (2)	¥ (2)
Euro	9,263	—	(258)	(258)
Pound Sterling	311	—	(17)	(17)
Thailand Baht	348	—	(5)	(5)
Yen	36,398	—	(622)	(622)
Mexican Peso	319	—	(16)	(16)
Korean Won	231	—	(4)	(4)
Indonesia Rupiah	205	—	(0)	(0)
Taiwan Dollar	146	—	(1)	(1)
India Rupee	282	—	(1)	(1)
Philippine Peso	407	—	(1)	(1)
Buying:				
U.S. Dollar	¥ 1,912	—	¥ 2	¥ 2
Euro	85	—	(0)	(0)
Currency option contracts:				
Selling:				
Call				
Euro	¥ 53,616	—	¥ 4,883	¥ (4,058)
(Option fee)	(825)	—		
Pound Sterling	6,648	—	415	(290)
(Option fee)	(124)	—		
Swiss Franc	628	—	(1)	1
(Option fee)	(—)	—		
Buying:				
Call				
Euro	¥ 454	—	¥ (2)	¥ (2)
(Option fee)	(—)	—		
Yen	40,045	—	335	(527)
(Option fee)	(862)	—		
Interest rate swaps: (fixed rate payment, floating rate receipt)	¥ 250	¥ 250	¥ (5)	¥ (5)

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

	Thousands of U.S. Dollars			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	$ 111,592	—	$ 136	$ 136
Euro	29,864	—	(4,505)	(4,505)
Pound Sterling	4,301	—	(806)	(806)
Yen	305,845	—	2,359	2,359
Mexican Peso	7,320	—	(39)	(39)
Korean Won	2,864	—	(29)	(29)
Indonesia Rupiah	621	—	(19)	(19)
Taiwan Dollar	2,010	—	10	10
India Rupee	2,796	—	(175)	(175)
Philippine Peso	136	—	0	0
Buying:				
U.S. Dollar	$ 35,291	—	$ (184)	$ (184)
Euro	2,485	—	(0)	(0)
Yen	17,126	—	(350)	(350)
Swiss Franc	16,563	—	311	311
Currency option contracts:				
Selling:				
Call				
Euro	$ 49,505	—	$ 4,767	$ (2,932)
(Option fee)	(1,835)	—		
Pound Sterling	1,447	—	155	(107)
(Option fee)	(49)	—		
Swiss Franc	5,709	—	0	(0)
(Option fee)	(—)	—		
Canadian Dollar	25,981	—	165	(165)
(Option fee)	(—)	—		
Buying:				
Call				
U.S. Dollar	$ 12,990	—	$ 204	$ 204
(Option fee)	(—)	—		
Euro	3,097	—	(19)	(19)
(Option fee)	(—)	—		
Yen	25,476	—	19	(1,000)
(Option fee)	(1,019)	—		
Interest rate swaps: (fixed rate payment, floating rate receipt)	$ 2,427	—	$ (10)	$ (10)

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

Derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013

		Millions of Yen		
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	Receivables	**¥ 104**	**—**	**¥ (0)**
Euro	Receivables	**43,218**	**—**	**(2,031)**
Pound Sterling	Receivables	**5,027**	**—**	**(323)**
Korean Won	Receivables	**97**	**—**	**0**
Indonesia Rupiah	Receivables	**79**	**—**	**(3)**
Taiwan Dollar	Receivables	**70**	**—**	**3**
India Rupee	Receivables	**95**	**—**	**(9)**
Philippine Peso	Receivables	**248**	**—**	**7**

		Millions of Yen		
At March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	¥ 9,232	—	¥ (695)
Pound Sterling	Receivables	1,037	—	(23)
Yen	Receivables	364	—	(2)
Korean Won	Receivables	78	—	(2)
Indonesia Rupiah	Receivables	126	—	5
Taiwan Dollars	Receivables	49	—	(1)
India Rupee	Receivables	28	—	0
Philippine Peso	Receivables	133	—	1

		Thousands of U.S. Dollars		
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S. Dollar	Receivables	**$ 1,010**	**—**	**$ (0)**
Euro	Receivables	**419,592**	**—**	**(19,718)**
Pound Sterling	Receivables	**48,806**	**—**	**(3,136)**
Korean Won	Receivables	**942**	**—**	**0**
Indonesia Rupiah	Receivables	**767**	**—**	**(29)**
Taiwan Dollar	Receivables	**680**	**—**	**29**
India Rupee	Receivables	**922**	**—**	**(87)**
Philippine Peso	Receivables	**2,408**	**—**	**68**

The fair value of derivative transaction is measured at the quoted price obtained from the financial institution.

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

18. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 2,152**	¥ 2,750	**$ 20,893**
Reclassification adjustments to profit or loss	**(787)**	(1,851)	**(7,641)**
Amount before income tax effect	**1,365**	899	**13,252**
Income tax effect	**155**	(731)	**1,505**
Total	**¥ 1,520**	¥ 168	**$ 14,757**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	**¥ (15,035)**	¥ (2,903)	**$ (145,971)**
Reclassification adjustment to profit or loss	**13,374**	2,488	**129,845**
Amount before income tax effect	**(1,661)**	(415)	**(16,126)**
Income tax effect	**570**	156	**5,534**
Total	**¥ (1,091)**	¥ (259)	**$ (10,592)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 21,248**	¥ 21,090	**$ 206,291**
Reclassification adjustments to profit or loss	**—**	(228)	**—**
Total	**¥ 21,248**	¥ 20,862	**$ 206,291**
Share of other comprehensive income in associates:			
Gains arising during the year	**—**	¥ 40	**—**
Total	**—**	¥ 40	**—**
Total other comprehensive income	**¥ 21,677**	¥ 20,811	**$ 210,456**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

19. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, 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, 2014:				
Basic EPS				
Net income available to common shareholders	**¥ 19,221**	**266,214**	**¥ 72.20**	**$ 0.70**
Effect of dilutive securities				
Stock acquisition rights		**506**		
Diluted EPS				
Net income for computation	**¥ 19,221**	**266,720**	**¥ 72.06**	**$ 0.70**
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥ 17,826	267,473	¥ 66.65	
Effect of dilutive securities				
Stock acquisition rights		435		
Diluted EPS				
Net income for computation	¥ 17,826	267,908	¥ 66.54	

20. Subsequent Events

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's Board of Directors' meeting held on May 16, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends of ¥12 ($0.12) per share	**¥ 3,189**	**$ 30,961**

(2) Sale of Property

At the Board of Directors' meeting held on May 8, 2014, the Company resolved to sell partly investment property to pursue asset efficiency due to the tenant leaving and executed the sale on May 29, 2014 based on the resolution.

1) Purchaser: not disclosed based on the settlement with purchaser to which the company is an unrelated third party.
2) Types of assets sold: Land and Building
3) Schedule on the sale transaction:
   (a) Date of conclusion of sales contract: May 8, 2014
   (b) Date of title transfer: May 29, 2014

4) Sale price: ¥17,000 million ($165,049 thousand)
5) Other significant matters: Not applicable

(3) Acquisition of Treasury Stock

At the Board of Directors' meeting held on May 8, 2014, the Company resolved to acquire its own shares to pursue capital efficiency by executing a flexible capital structure policy, pursuant to Article 156 applied by the reading of terms under Article 165-3 of the Companies Act, and executed it partly based on the resolution.

1) Details of acquisition of the resolution

(a) Type of share:	Common stock
(b) Number of shares:	Up to 720 million shares (2.71% of currently issued common stock excluding treasury stock)
(c) Period of acquisition:	From May 9, 2014 to September 5, 2014
(d) Total purchase price:	Up to ¥10,000 million ($97,087 thousand)
(e) Method of acquisition:	Shares are acquired on the Securities Exchange.

2) Own share acquisition (executed at the end of May, 2014)

(a) Type of share:	Common stock
(b) Number of shares:	1,892,000 shares
(c) Total purchase price:	¥2,908 million ($28,233 thousand)

21. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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.

1. Description of Reportable Segments

The Group's reportable segments are those for which separate 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 five segments, "Printing & Solutions," "Personal & Home," "Machinery & Solution," "Network & Contents" and "Industrial Part," 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 All-in-Ones, and of sales and production of electronic stationary products. "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 systems, and of content distribution services. "Industrial Part" consists of sales and production of reducers and gears.

Effective April 1, 2014, the Group changed its operating segments from four segments, "Printing & Solutions," "Personal & Home," "Machinery & Solution" and "Network & Contents," to five segments, "Printing & Solutions," "Personal & Home," "Machinery & Solution," "Network & Contents" and "Industrial Part" because the Group reconsidered its segmentation through the acquisition of additional shares of Nissei Corporation in January 2013.

The segment information for the year ended March 31, 2013, is also disclosed using the new operating segments.

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

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

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

3. Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen								
	2014								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	**¥430,826**	**¥ 43,276**	**¥ 63,098**	**¥ 47,582**	**¥ 16,099**	**¥ 15,954**	**¥616,835**	**—**	**¥616,835**
Intersegment sales or transfers	**—**	**—**	**—**	**—**	**—**	**10,379**	**10,379**	**¥ (10,379)**	**—**
Total	**¥430,826**	**¥ 43,276**	**¥ 63,098**	**¥ 47,582**	**¥ 16,099**	**¥ 26,333**	**¥627,214**	**¥ (10,379)**	**¥616,835**
Segment profit	**¥ 30,958**	**¥ 4,216**	**¥ 4,991**	**¥ 452**	**¥ 1,106**	**¥ 1,674**	**¥ 43,397**	**¥ (96)**	**¥ 43,301**
Segment assets	**294,346**	**30,496**	**55,569**	**34,311**	**48,136**	**82,788**	**545,646**	**(75,673)**	**469,973**
Other:									
Depreciation	**¥ 18,714**	**¥ 1,018**	**¥ 1,492**	**¥ 4,317**	**¥ 1,109**	**¥ 964**	**¥ 27,614**	**—**	**¥ 27,614**
Amortization of goodwill	**290**	**—**	**20**	**1,228**	**—**	**—**	**1,538**	**—**	**1,538**
Investments in associated companies	**35**	**—**	**425**	**—**	**—**	**720**	**1,180**	**—**	**1,180**
Increase in property, plant and equipment and intangible assets	**18,592**	**895**	**2,215**	**5,404**	**2,252**	**474**	**29,832**	**¥ 5,027**	**34,859**

	Millions of Yen								
	2013								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	¥ 350,836	¥ 33,805	¥ 61,416	¥ 50,083	¥ 3,680	¥ 16,247	¥ 516,067	—	¥ 516,067
Intersegment sales or transfers	—	—	—	—	—	10,966	10,966	¥ (10,966)	—
Total	¥ 350,836	¥ 33,805	¥ 61,416	¥ 50,083	¥ 3,680	¥ 27,213	¥ 527,033	¥ (10,966)	¥ 516,067
Segment profit	¥ 18,826	¥ 2,488	¥ 4,006	¥ 2,314	¥ 308	¥ 1,944	¥ 29,886	¥ (110)	¥ 29,776
Segment assets	248,464	25,048	46,914	33,682	41,962	73,705	469,775	(48,280)	421,495
Other:									
Depreciation	¥ 16,725	¥ 982	¥ 1,350	¥ 4,106	¥ 285	¥ 1,029	¥ 24,477	—	¥ 24,477
Amortization of goodwill	84	—	20	1,315	—	—	1,419	—	1,419
Investments in associated companies	32	—	477	—	—	479	988	—	988
Increase in property, plant and equipment and intangible assets	15,132	1,106	2,822	5,770	424	694	25,948	¥ 4,290	30,238

	Thousands of U.S. Dollars 2014								
	Reportable segment								
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total	Reconciliations	Consolidated
Sales									
Sales to external customers	$4,182,777	$420,155	$612,602	$461,961	$156,301	$ 154,893	$5,988,689	—	$5,988,689
Intersegment sales or transfers	—	—	—	—	—	100,767	100,767	$(100,767)	—
Total	$4,182,777	$420,155	$612,602	$461,961	$156,301	$ 255,660	$6,089,456	$(100,767)	$5,988,689
Segment profit	$ 300,563	$ 40,932	$ 48,456	$ 4,388	$ 10,738	$ 16,253	$ 421,330	$ (932)	$ 420,398
Segment assets	2,857,728	296,078	539,505	333,117	467,340	803,766	5,297,534	(734,689)	4,562,845
Other:									
Depreciation	$ 181,689	$ 9,883	$ 14,485	$ 41,913	$ 10,767	$ 9,360	$ 268,097	—	$ 268,097
Amortization of goodwill	2,816	—	194	11,922	—	—	14,932	—	14,932
Investments in associated companies	340	—	4,126	—	—	6,990	11,456	—	11,456
Increase in property, plant and equipment and intangible assets	180,505	8,689	21,505	52,466	21,864	4,602	289,631	$ 48,806	338,437

Notes:
(1) "Others" consists of real estate and other areas of business.
(2) Reconciliation amounts are as follows:
1) Reconciliation amounts of ¥10,379 million ($100,767 thousand) and ¥10,966 million for intersegment sales or transfers as of March 31, 2014 and 2013, respectively, are for the elimination of intercompany transactions.
2) Reconciliation amounts of ¥96 million ($932 thousand) and ¥110 million for segment profit as of March 31, 2014 and 2013, respectively, are for the elimination of intercompany transactions.
3) Reconciliation amounts of ¥75,673 million ($734,689 thousand) and ¥48,280 million for segment assets as of March 31, 2014 and 2013, respectively, include elimination of intercompany balances of ¥94,973 million ($922,068 thousand) and ¥87,479 million, respectively, and corporate assets of ¥19,300 million ($187,379 thousand) and ¥39,199 million, respectively, which are not allocated to reportable segments.
4) Reconciliation amounts of ¥5,027 million ($48,806 thousand) and ¥4,290 million for increase in property, plant and equipment and intangible assets for the years ended March 31, 2014 and 2013, respectively, are for corporate assets, which are not allocated to reportable segments.

4. Information about Geographical Areas

(a) Sales

Millions of Yen 2014						
Europe	U.S.A.	Japan	China	Asia and others	Americas and others	Total
¥ 163,052	¥ 157,119	¥ 126,423	¥ 62,748	¥ 60,381	¥ 47,112	¥ 616,835

Millions of Yen 2013						
Europe	U.S.A.	Japan	China	Asia and others	Americas and others	Total
¥ 133,296	¥ 125,212	¥ 118,926	¥ 54,427	¥ 48,292	¥ 35,914	¥ 516,067

Thousands of U.S. Dollars 2014						
Europe	U.S.A.	Japan	China	Asia and others	Americas and others	Total
$ 1,583,029	$ 1,525,427	$ 1,227,408	$ 609,204	$ 586,223	$ 457,398	$ 5,988,689

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

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

(b) Property, plant and equipment

Millions of Yen 2014						
Japan	China	Asia and others	Vietnam	Americas	Europe	Total
¥ 55,195	**¥ 12,331**	**¥ 11,503**	**¥ 10,092**	**¥ 6,432**	**¥ 4,869**	**¥ 100,422**

Millions of Yen 2013						
Japan	China	Vietnam	Americas	Europe	Asia and others	Total
¥ 55,368	¥ 11,983	¥ 9,243	¥ 6,075	¥ 3,901	¥ 2,019	¥ 88,589

Thousands of U.S. Dollars 2014						
Japan	China	Asia and others	Vietnam	Americas	Europe	Total
$ 535,874	**$ 119,718**	**$ 111,679**	**$ 97,981**	**$ 62,447**	**$ 47,272**	**$ 974,971**

5. Information about Impairment Losses of Assets by Reportable Segment

	Millions of Yen 2014						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Impairment losses of assets	**¥ 2,009**	**—**	**—**	**¥ 113**	**—**	**—**	**¥ 2,122**

	Millions of Yen 2013						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Impairment losses of assets	¥ 55	—	—	¥ 214	—	—	¥ 269

	Thousands of U.S. Dollars 2014						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Impairment losses of assets	**$ 19,505**	**—**	**—**	**$ 1,097**	**—**	**—**	**$ 20,602**

Brother Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014

6. Information about Amount of Goodwill by Reportable Segment

	Millions of Yen						
	2014						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Goodwill at March 31, 2014	**—**	**—**	**¥ 189**	**¥ 4,133**	**—**	**—**	**¥ 4,322**

	Millions of Yen						
	2013						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Goodwill at March 31, 2013	—	—	¥ 209	¥ 5,044	—	—	¥ 5,253

	Thousands of U.S. Dollars						
	2014						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Industrial Part	Others	Total
Goodwill at March 31, 2014	**—**	**—**	**$ 1,835**	**$ 40,126**	**—**	**—**	**$ 41,961**

7. Information about Gain on Negative Goodwill by Reportable Segment

For the year ended March 31, 2014

Not applicable.

For the year ended March 31, 2013

Gain on negative goodwill of ¥7,194 million was recognized in "Others" for the year ended March 31, 2013. This arose from the acquisition of the shares of Nissei Corporation through a tender offer.

22. Related Party Disclosures

For the year ended March 31, 2014

Not applicable.

For the year ended March 31, 2013

The transaction of the Company with an unconsolidated subsidiary, Brother Industries (Philippines), Inc. for the year ended March 31, 2013 was as follows:

	Millions of Yen
Subscription for new shares of Brother Industries (Philippines), Inc.	**¥ 6,441**

Deloitte.

Deloitte Touche Tohmatsu LLC
Nagoya Daiya Building 3-goukan
13-5, Meieki, 3-chome, Nakamura-ku
Nagoya, Aichi 450-8530
Japan

Tel:+81 (52) 565 5511
Fax:+81 (52) 569 1394
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of BROTHER INDUSTRIES, LTD. and consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As discussed in Note 20(2) to the consolidated financial statements, the Company resolved to sell investment property at the Board of Directors' meeting held on May 8, 2014, and executed the sale on May 29, 2014 based on the resolution. Our opinion is not qualified in respect of this matter.
2. As discussed in Note 20(3) to the consolidated financial statements, the Company resolved to acquire its own shares at the Board of Directors' meeting held on May 8, 2014. Our opinion is not qualified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Touche Tohmatsu LLC
Nagoya Daiya Building 3-goukan
13-5, Meieki, 3-chome, Nakamura-ku
Nagoya, Aichi 450-8530
Japan

Tel:+81 (52) 565 5511
Fax:+81 (52) 569 1394
www.deloitte.com/jp

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 24, 2014

Member of
Deloitte Touche Tohmatsu Limited