



Integrated Report
2021

Comments on Issuance of “Integrated Report 2021”



Ichiro Sasaki
Representative Director & President

The Brother Group has now issued its first integrated report, “Integrated Report 2021.” In this report, we reorganized our existing “Brother Communication Report” and “Brother Group Corporate Social Responsibility Report” and sought to disclose information that helps our stakeholders, including shareholders and investors, to deepen their understanding of the Group’s medium- to long-term value creation.

Since its foundation, the Brother Group has aimed to solve customers’ issues and contribute to their happiness. Based on this spirit of “At your side.” which can be considered to be our corporate culture, the “Integrated Report 2021” clearly presents the idea of value creation achieved through utilizing strengths unique to the Group and expanding social value over the long term. The report also provides an outline of “At your side 2030,” which is the Brother Group’s new Vision from April 2022, and explains the strategies of each business and the initiatives related to the environment (E), social (S), and governance (G) as the foundations that support our corporate value.

In creating the report, each department collaborated with each other while referring to the “International Integrated Reporting Framework” proposed by the Value Reporting Foundation (VRF; former IIRC) and the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” proposed by the Ministry of Economy, Trade and Industry (METI), and other materials. I hereby declare that the creation process and the content of the report are proper and fair.

The Brother Group will continue to utilize the “Integrated Report” as a tool for promoting constructive dialogue with all stakeholders, including shareholders and investors, and will endeavor to contribute to a sustainable society through business and improve our corporate value.

November 2021

Editorial Policy

The “Integrated Report 2021” is designed to explain Brother’s medium- to long-term value creation by integrating financial and non-financial information and to communicate a story of sustainable value creation unique to Brother to as many stakeholders as possible in an easy-to-understand manner.

In editing the report, we referred to the METI’s “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” and the VRF’s “International Integrated Reporting Framework.” For more detailed information, please see the Brother Corporate Information page of the Brother website.

 [Brother Corporate Information](https://global.brother/en/corporate/) <https://global.brother/en/corporate/>

Environment
Social
Governance



Period Covered by the Report

The report mainly covers FY2020 (from April 1, 2020 to March 31, 2021). It also includes some information for the period from April 2021.

Companies Covered by the Report

Brother Industries, Ltd. (BIL) and the Group companies.

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Brother's Mission

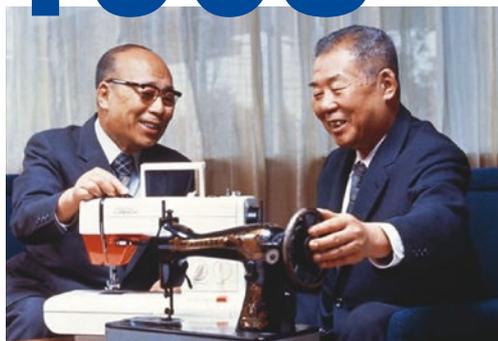
Our Mission Is to Place Our Customers First Everywhere, Every Time, and Provide Them with Superior Value, by Quickly Creating and Delivering High-quality Products and Services

“At your side.”—the company spirit that places our customers first everywhere, every time—is the Brother Group’s basic philosophy.

With always meeting our customers’ needs from their perspective as our starting point, we have continued to create value while adapting to changes in the times or environment without fear of reform.

That spirit will continue to be the starting point for the Brother Group’s value creation, and will resolve issues in society and contribute to the development of society by creating value for our customers.

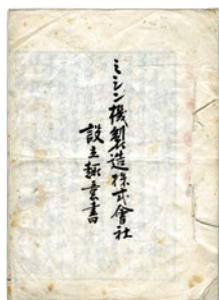
1908



The Starting Point for All Creation Is “At your side.”

In 1908, the Yasui brothers, the founders of Brother who started in sewing machine repairs, decided to use the product knowledge they gained through repairs and began to develop domestically-produced machines that wouldn’t break easily. As they had no capital to buy equipment for production, they used their originality and ingenuity to improve their own factory, and in 1928, they finally completed the chain-stitch sewing machine for making straw hats that they had been longing for. The sewing machine that they sold gained a reputation for being durable was popular with customers, and even contributed to the revitalization of the domestic industry.

The predecessor of Brother Industries, NIPPON SEWING MACHINE MANUFACTURING CO., was established in 1934. The Prospectus of Establishment demonstrates the brothers’ hope to produce the sewing machines domestically, and contains their passionate feelings towards solving issues in society through enterprise. Passing on the spirit of our foundation that seeks to contribute to society through business, today, the corporate culture of “At your side.” has penetrated to all employees around the world.



Prospectus of Establishment

Spirit of Foundation

- Create work for people wishing to work
- Create factories with a pleasant atmosphere
- Develop the import-based industry into the export-based industry

The Brother Group Global Charter

Based on the “At your side.” spirit, Brother aims to create social value through business activities. The foundation of this is the building of long-lasting, trustful relationships with our stakeholders that put the customers first. This is contained in the Brother Group Global Charter (hereafter the Global Charter). The Global Charter is the cornerstone of every Brother Group activity across the world, and consists of the “Basic Policies” and “Codes of Practice” on which each Group company and employee must base their decisions.

So that our employees working in more than 40 countries and regions across the globe can understand and always keep our Global Charter in mind, we have translated it into a total of 28 languages to represent the native languages spoken by our employees. We share it with our employees all over the world and conduct activities to help it permeate.

Based on the Basic Policies in the Global Charter, we are building trustful relationships with all of our stakeholders, by growing our business and fulfilling our social responsibility.



The Brother Group Global Charter



into the future

At your side.

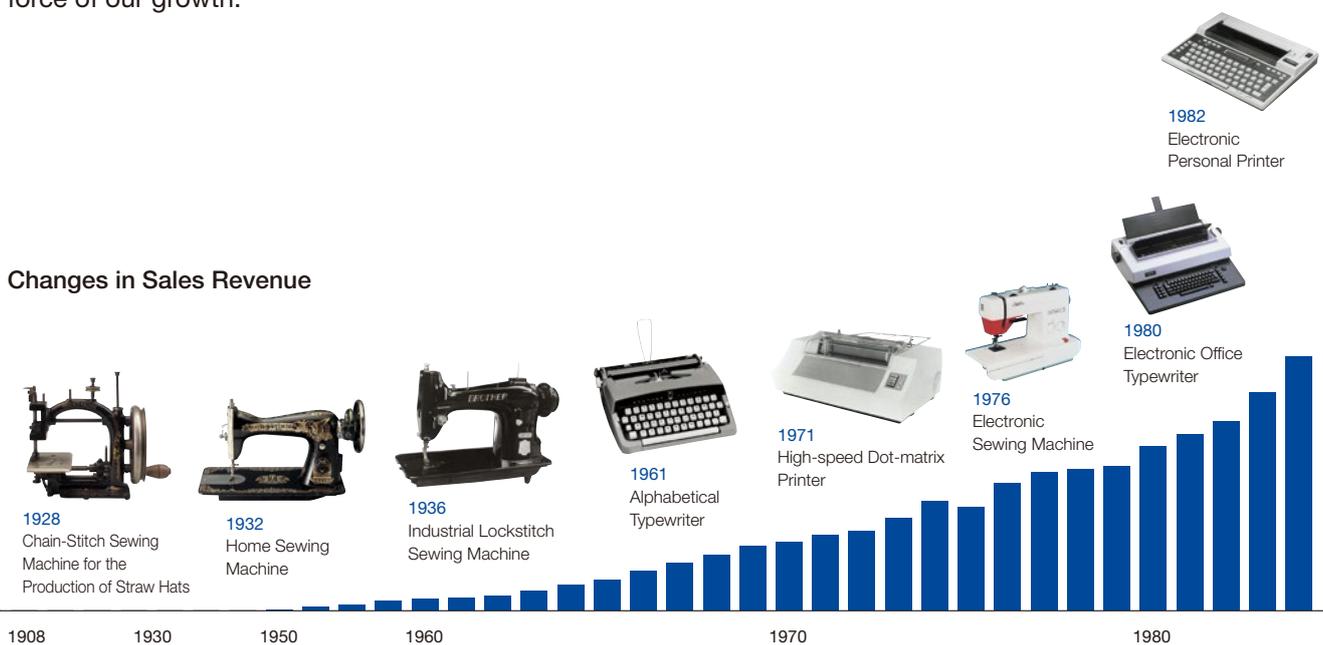


Brother's History

The Brother Group has Followed a Trajectory of Business Transformation and Growth while Responding to Customer and Social Needs

Brother has grown by focusing on the development of unique technologies and promoting the diversification of business that exploits its accumulated core technologies while comprehending changes and always creating new markets.

Unique manufacturing with originality that always places our customers first is the driving force of our growth.



Growth Turning Points and Cultivated Strengths against the Backdrop of Needs

From foundation

Diversifying through Domestic Production of Sewing Machines and Applying Core Technologies

Kanekichi Yasui, the father of the founding brothers, established a sewing machine repair business in 1908. At the time, Japan relied on imports for sewing machines, which were a precision industrial product. With no work due to the recession, the eldest son Masayoshi, who was helping in the family business, made the decision to create work for people wishing to work, begin domestic production of sewing machines, and develop the import-based industry into the export-based industry. Joining forces, the brothers developed a chain-stitch sewing machine for the production of straw hats in 1928. In 1932, they completed development of the long-awaited domestic home sewing machine. Then, in 1947, the first sewing machine exports began. In 1954, they expanded overseas with the establishment of a facility in the United States. Utilizing technologies cultivated through sewing machines, they started diversifying and developed consumer electronics such as knitting machines, washing machines and vacuum cleaners.

Cultivated strengths

- ▶ Spirit of foundation
- ▶ Press-molding technologies and precision processing technologies
- ▶ Brother's own overseas sales channels
- ▶ Utilization of core technologies

From 1960

Entering the Office Machine Field and Developing Machine Tools Refined through a Philosophy of Independence

In response to growing needs in the U.S. market, Brother began manufacturing portable typewriters in 1961. Receiving good reviews for price affordability and performance that was comparable to its competitors, they laid the foundations for Brother to become an office machine manufacturer. With the idea of making its own product-manufacturing machines, the Company launched an external sales business for the machine tools it had been developing itself since its foundation. With outstanding machining performance, its tapping machine became a long-selling product. In 1966, it developed a calculator as its first product utilizing electronics technologies, which strengthened its position in the office machine field. While developing its own facilities in Europe, it expanded its overseas business through such things as the acquisition of a major British sewing machine manufacturer in 1968.

Cultivated strengths

- ▶ Product development incorporating the needs of overseas customers
- ▶ Development capabilities and mass production systems for the office machine field
- ▶ Precision processing technologies for the machine tool field
- ▶ Expansion of overseas facilities and market development capabilities

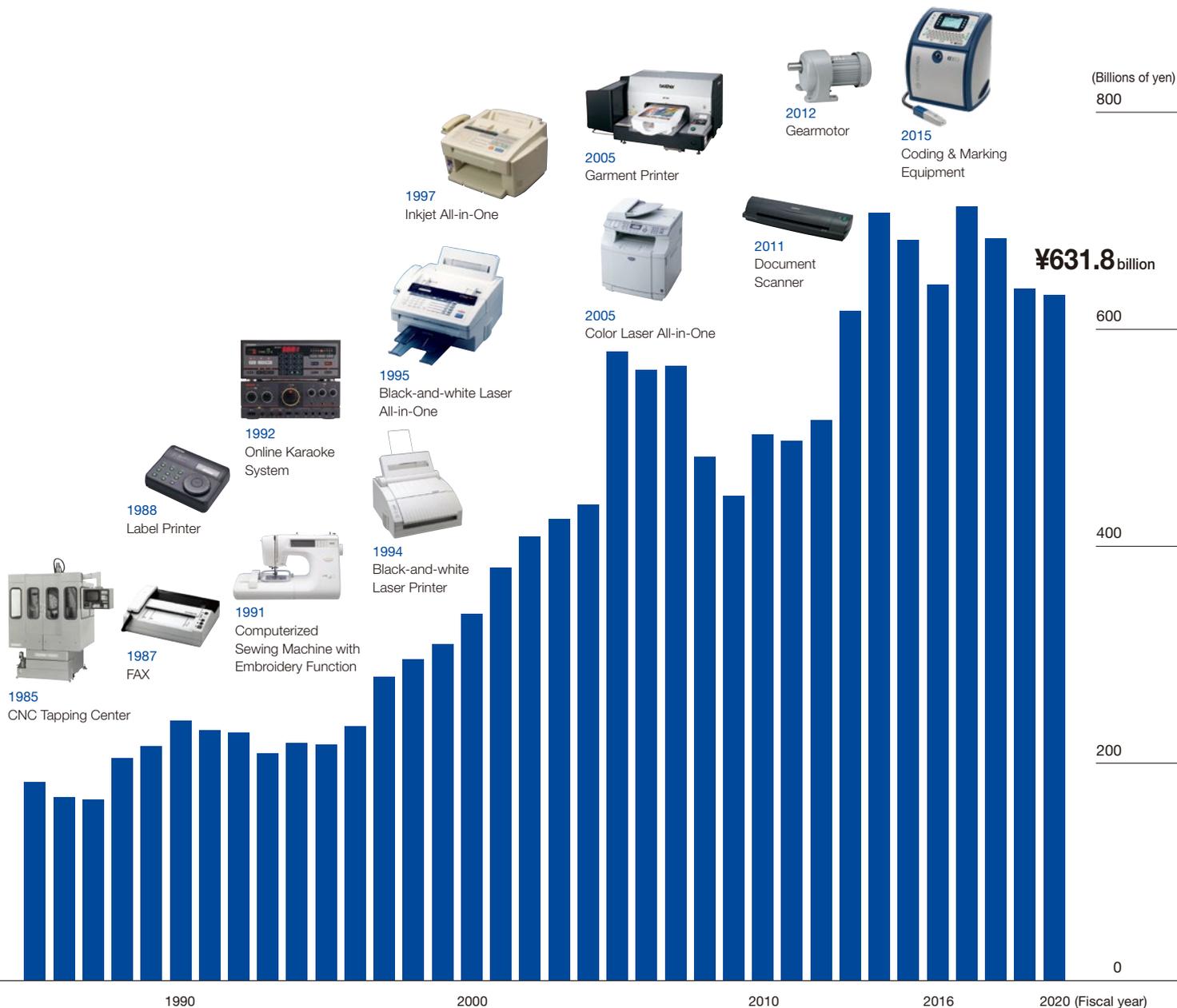
From 1970

Entering the Information Equipment Field and Promoting Mechatronics

With the spread of compact computers (minicomputers), Brother noticed the limited choices available for printers that support those minicomputers, so it collaborated with venture company Centronics Data Computer Corp. in the United States to co-develop a high-speed dot-matrix printer in 1971. Developing this new market triggered a subsequent expansion of the information equipment business. Electronizing products one after the other, it launched the industry's first computerized home sewing machine in 1979 and an electronic office typewriter in 1980. Furthermore, it launched a numerical control machine tool into the machine tool field and pivoted to the mechatronics field, which combines mechanical and electronic technologies.

Cultivated strengths

- ▶ New business development capabilities through joint development
- ▶ Dot impact printing technologies
- ▶ Mechatronics technologies through electronization
- ▶ Computer control technologies



*Sales results until FY2015 were based on generally accepted accounting principles in Japan (JGAAP), while sales revenue from FY2016 is based on the International Financial Reporting Standard (IFRS).

From 1980

Acquiring Printing Technologies and Transforming Business

In 1981, Brother rolled out a global brand strategy as an official supplier of the Los Angeles Olympics. Its unique products began to attract a lot of attention, including its launch of the world's smallest personal printer utilizing thermal printing technologies in 1982, and the industry's first popular Japanese word processor in 1984. It was then able to apply the thermal printing technologies and kana-kanji conversion technologies cultivated through this development process to launch labeling systems in 1988. It was able to develop a new market under the P-touch brand. In response to trade friction and an appreciating yen, it expanded its production overseas. Starting to focus on business concentration and selection, Brother withdrew from the consumer electronics and musical instruments business and strengthened its investment in the information and communications equipment field instead.

Cultivated strengths

- ▶ Global branding
- ▶ Thermal printing technologies
- ▶ Responsiveness to exchange rate fluctuations, and overseas production capabilities
- ▶ Information and communications technologies

From 1990

Developing Online Karaoke Systems and Expanding Information and Communications Equipment

Utilizing the content delivery technologies it cultivated through development of vending machines for computer software, Brother launched the industry's first online karaoke system in 1992. In the same year, it developed fax machines for the SOHO market that became a great hit for low prices and differentiated functions. In 1995, it launched small All-in-Ones with a fax machine, printer, copier and other functions integrated into one machine. Adding laser and inkjet technologies to its product lineup, Brother's business expanded rapidly as mass retail stores selling products to emerging business offices grew. Aiming to achieve optimal procurement and production globally, it began producing information and communications equipment in Asia as it went through a capital restructuring of its sales companies and integrated its manufacturing and sales functions.

Cultivated strengths

- ▶ Content distribution technologies
- ▶ Electrophotographic technologies and inkjet printing technologies
- ▶ Business partner collaborations
- ▶ Global procurement and production system

From 2000

Expanding Information and Communications Equipment and Strengthening the Business Portfolio

In addition to China, Brother started producing in Vietnam and the Philippines and established a consumables recycling facility in Europe as part of efforts to strengthen its global production base. It also expanded its sales facilities and developed its business foundation globally. It dramatically expanded its business scale as well with a focus on information and communications equipment. In 2002, the company established its Medium-to Long-Term Corporate Vision. Then in 2008, it revised the Brother Group Global Charter, a foundation for all its activities, and embodied Brother's motto, "At your side." throughout its corporate culture. Through mergers and acquisitions, Brother added mobile printers, reducers, and other technologies to its business portfolio. Then in 2015, it acquired all shares in British company Domino Printing Sciences PLC and made its entry into the industrial printing business. It is now driving business expansion in the industrial field.

Cultivated strengths

- ▶ Global business foundation
- ▶ "At your side." corporate culture
- ▶ Strengthened business portfolio through M&A
- ▶ Development and selling capabilities in the industrial printing field

Brother's Strengths

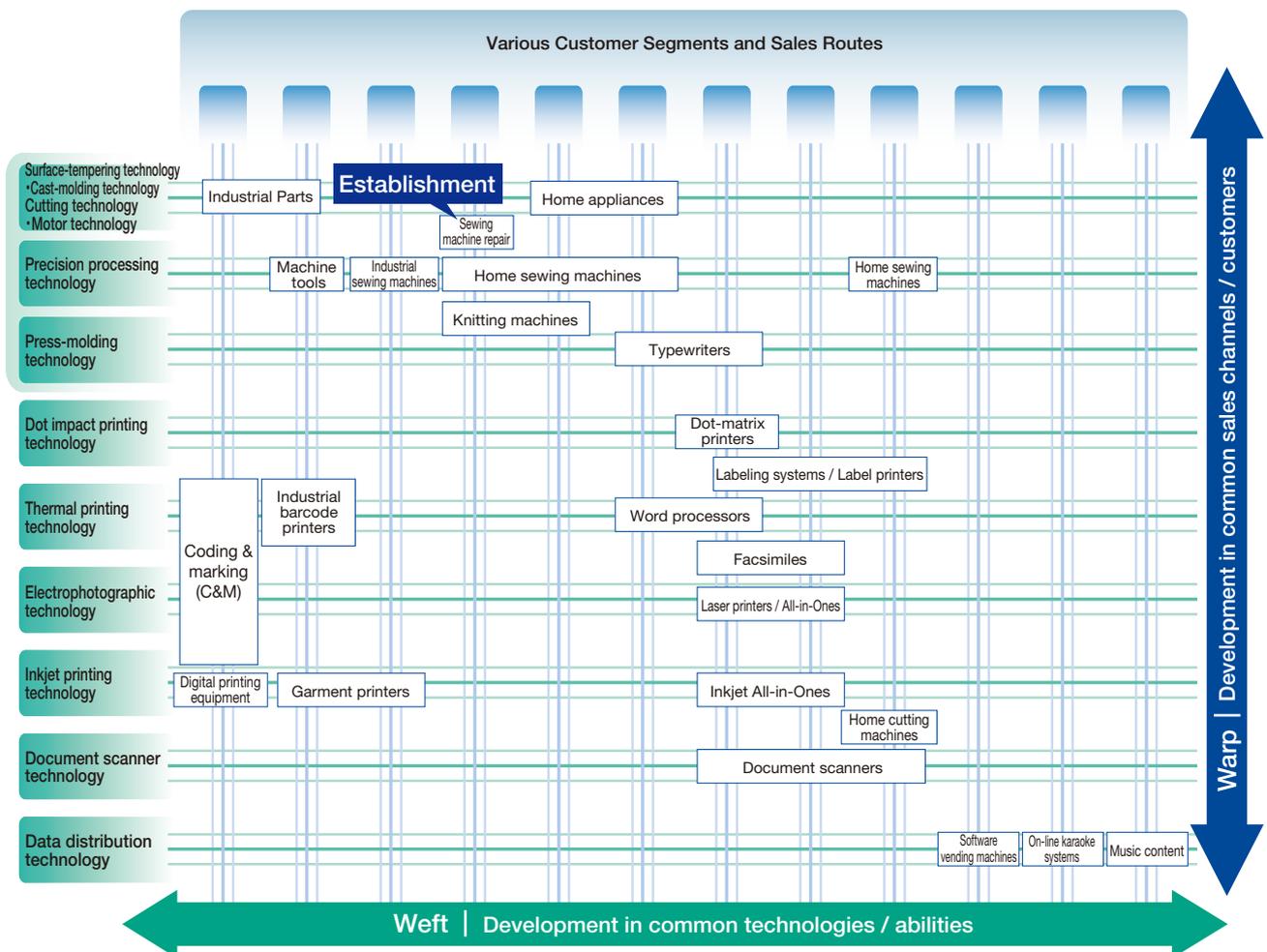
Making the Most of a Variety of Unique Technologies and Global Networks, We Will Stay Close to Customers and Help Them Improve Their Productivity and Unlock Their Creativity

Strength

1

A Variety of Unique Technologies That Generate New Value

Since its foundation, Brother has generated new businesses by utilizing commonalities between various customer segments and sales routes and technologies and capabilities in order to meet the changing needs of customers and markets. We have used this continuity as the warp and weft and broadened our business scope by weaving the threads. This breadth, along with a corporate culture enabling collaboration across business domains and new value creation through the combination of technologies, are the unique strengths of Brother.



Brother contributes to customers' ability to improve their productivity and unlock their creativity by making the most of a variety of unique technologies cultivated over its history of business evolution, as well as its global networks.

To support all those who wish to keep progressing, we will apply our strengths as a global company with multiple businesses, and while utilizing knowledge gained externally, we will create value, in addition to manufacturing products. In this way, we will help customers to realize their goals.

Strength

2

Global Networks That Enable Us to Meet Needs and Provide Value Promptly

To date, Brother has expanded its facilities for development, production, sales and services in more than 40 countries and regions. Utilizing these global networks, we have developed flexibility to meet customer needs, agility to provide products and services quickly, and cost competitiveness based on efficient networks. These are also part of our strengths. We will continue to leverage knowledge gained externally and collaboration with partners and provide outstanding value promptly through the collective efforts of the Brother Group companies in Japan and overseas.



Brother's Businesses

We Use the Strengths We Have Cultivated and Contribute to Improving Our Customers' Productivity and Unlocking Their Creativity through Our Businesses

In order to meet the needs of customers, the Brother Group uses the strengths it has cultivated throughout its history of innovation to grow its businesses through manufacturing.

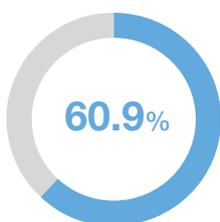
Today, through its five businesses—Printing and Solutions (P&S), Personal and Home (P&H), Machinery, Network and Contents (N&C), and Domino—it aims to expand customer value by contributing to improving their productivity and unlocking their creativity.

Consolidated Sales Revenue

¥631.8 billion (FY2020)

* Total of five core businesses and other businesses

Brother's Businesses

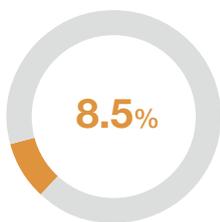


Printing and Solutions Business

P&S

See pages 20-21.

Our printers, All-in-Ones, labeling systems, scanners, etc. make up 60% of our sales, and they are an important factor for profitability. Using our technology cultivated as a pioneer in the SOHO market, the quality and performance of our products has an excellent reputation. In many categories, we are maintaining or increasing our global share.



Personal and Home Business

P&H

See pages 22-23.

This business is centered on home sewing machines and home cutting machines. Especially for home sewing machines, by using our strengths in electronic technology and providing an easy-to-use product with state-of-the-art technology, we have led the market. We have maintained our position as outright No.1 in total sales globally, from our high-end machines to our entry-level machines, and we provide our customers with new "enjoyment of creating things".

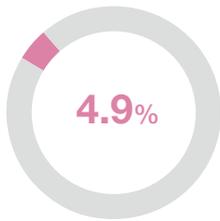


Machinery Business

Machinery

See pages 24-25.

We provide industrial sewing machines, garment printers, machine tools, reducers, gears, etc. Through our large, varied range of reducers and gears in addition to our industrial sewing machines that perform high-quality sewing, our garment printers that produce fine, detailed printing quality, and our machine tools perfect for the processing of parts used in automobiles and motorcycles, smartphones, etc., we contribute to the improvement of customer productivity and the creation of new value.



Network and Contents Business

N&C

See pages 26-27.

By continuing to provide services, products and content that use our broadcasting technology as a pioneer in online karaoke, such as the business-use online karaoke system JOYSOUND, etc., we pursue new customer value. We are also involved in the operation of karaoke clubs and aim to reform our business model and re-expand the business based on the new way of life created by COVID-19.



Domino Business

Domino

See pages 28-29.

By providing coding and marking equipment to print expiration dates or lot numbers on plastic bottles, cans or food packaging, and digital printing equipment to meet the demands of producing many types of product packaging in smaller lots and shorter delivery times, we are contributing to an improvement in productivity in factories. In the industrial printing field. We will strengthen the synergy between Brother and the UK-based group company Domino Printing Sciences, and turn it into a business that works as a pillar for the next generation.

The Value We Provide through Business

- By suggesting the best-suited products and best setups for offices, we help our customers improve productivity and actualize cost optimization.
- Reduction in energy consumption with our compact, power-saving printers
- Reduction in resource consumption with recyclable toner boxes
- Operational efficiency through using various awareness labels created with our label printers

- Providing the joy of crafts to many generations with our home sewing machines and home cutting machines
- Creating a colorful lifestyle through our high-function embroidery machines and services

- Industrial sewing machines: Facilitating provision of value to the customer through the proposal of high productivity and automation
- Garment printers: Expanding presence in the DTG* market through faster speed and high print quality
- Industrial equipment: Improving productivity and reducing energy usage through our compact machine tools
- Industrial-use parts: Contributing to the various needs for automation and labor saving through our high-rigidity reducers and high-precision gears

* Direct to Garment (printing directly on garments with inkjet printers)

- Providing the enjoyment of singing through our karaoke content
- Improving the quality of life for the elderly by creating music therapy contents and promoting their health and wellbeing

- Achieving sustainable and wasteless production for the producer
- Providing reassurance and safety to the consumer through adding information
- Providing a comfortable workplace through the promotion of digitalization

Improving Productivity

We support an improvement in office work efficiency and a pleasant business environment with our products and services that preemptively respond to the changes in workstyles. In the area of industry, we meet the increasing needs for reduction in energy and resource consumption, as well as the promotion of automation, traceability and customization.

Unlocking Creativity

We support a colorful, fulfilling lifestyle, broadening the possibilities for hobbies and entertainment by providing the joy of singing through our karaoke contents, as well as the fun of sewing, embroidery, crafts and other handiwork.

Expansion of Customer Value

Brother's Approach to Value Creation

We Seek to Contribute to Society, Help Protect the Earth, and Achieve Sustainable Growth by Expanding Customer Value Centered on the Spirit of “At your side.”

Strengths

Unique Technologies and Global Network

See pages 06-07.

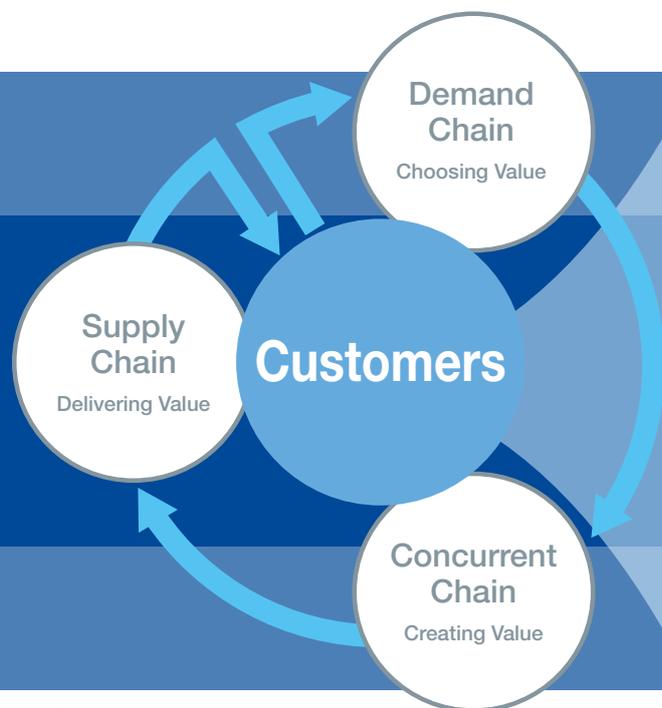
At your side.

The Brother Group Global Charter

Management Foundation

Human Resources, Research and Development, Intellectual Property, Production, Sales, and Services

See pages 30-33.



Brother Value Chain Management (BVCM)

See page 16.

The source of the Brother Group's value creation comes from the spirit of “At your side.” —the company spirit that places our customers first everywhere, every time. At the global level, based on the spirit of “At your side.” and the practice of Brother Value Chain Management (BVCM), which is Brother's unique management system centered on customers, the Brother Group is contributing toward improving productivity and unlocking creativity of our customers. Through this expansion of customer value, we strive to address various social issues, and at the same time, contribute to society, help protect the earth, and achieve sustainable growth as a company.

Enhancing Quality of Life

Realizing a Diverse and Active Society

Pursuing a Responsible Value Chain

Improving Productivity and Unlocking Creativity

Expansion of Customer Value

Reducing CO₂ Emissions

Circulating Resources

Conserving Biodiversity

Contribute to Society and Help
Protect the Earth



Ichiro Sasaki

Representative Director & President

Top Message

Even in Times of Vigorous Change, We Exemplify the “At your side.” Spirit and Seek to Achieve Further Growth

Overview of FY2020

The impact of the COVID-19 pandemic, which started at the end of FY2019, continued through FY2020, and the future of the global economy remained unclear.

Various supply chain-related risks surfaced, including worldwide supply shortages of semiconductors and disrupted ocean transportation; for companies that operate globally, the critical question was how rapidly they could respond to such drastic change.

While paying the greatest care to preventing infection and ensuring the safety of its employees, the Brother Group continued its business activities with the goal of fulfilling its supply responsibilities to its customers. However, due to wide-ranging reasons including urban lockdowns and parts shortages, we inconvenienced some of our customers through the delayed supply of products. Going forward, we intend to preempt various risks, review our business continuity planning, and further strengthen activities aimed at establishing resilient and sustainable supply chains.

Yet even in these difficult circumstances, we worked together with our business partners and innovated as a Group; as a result, our revenues for FY2020 were similar in scale to FY2019, and we achieved a record high in our Business Segment Profits. I would like to take this opportunity to thank everyone who helped us over the course of the year.

Let us now recap the market environments for each business in turn. In the Printing & Solutions Business, offices closed in many countries and there was a subsequent fall in demand for office printing; on the other hand, there was increased demand for small printers and All-in-One, for working and studying from home. In the Personal & Home Business, as people spent more time at home and engaged in handicrafts, demand grew for home sewing machines—and for our popular models in particular. In the Machinery Business, there were signs of recovering demand for industrial equipment particularly in China; with regard to industrial sewing machines, however, the trend toward limiting new investments continued, and demand stagnated. Our Network & Contents Business experienced a continuation of the recent difficult business environments, with the coronavirus pandemic leading to restricted use of and reduced opening hours at karaoke clubs. In the Domino Business, demand for coding & marking equipment remained strong; however, it was impacted by the continuing trend toward limiting new capital investments in large-scale digital printing equipment.

Toward Realizing Our Medium-term Strategy “CS B2021”

The theme of our “CS B2021” medium-term business strategy, which commenced in FY2019, is “Towards the Next Level,” and the entire Group has focused on priority management issues and carried out the relevant reforms.

The impact of COVID-19 is continuing through FY2021, the final year of the current medium-term business strategy; as such, the business environment is now vastly different to when we formulated the medium-term business strategy. However, we are continuing to engage and carry out reforms in our four management priorities: “Printing–win to survive,” “Machinery / FA–accelerate growth,” “Industrial Printing–develop a growth platform,” and the infrastructure to support these goals, “Form a solid foundation to gain a speed / cost advantage.”

Precisely because it is hard to see what lies ahead, it is vital that we do what we can now for the future. In FY2021, we are continuing to establish firm footholds for future growth and promoting reviews and optimizations of our work processes; we are leveraging the results of these improvement activities to create customer value, reduce costs, and accelerate our work processes, and so seeking to establish a more resilient organizational structure. We are also focusing on developing the personnel required for making such improvements; for example, in order to promote AI utilization, Brother Industries is aiming to train 150 employees—which accounts for more than 3% of its workforce—as AI specialists.

Responding to Global-scale Social Issues

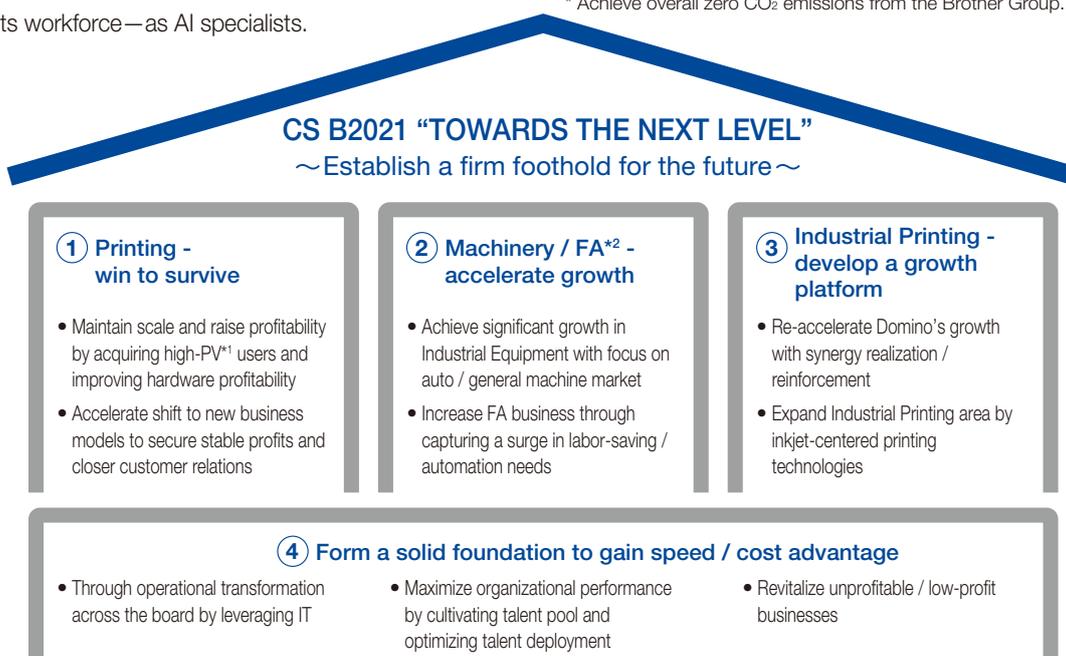
Since its foundation, the Brother Group has sought to use its business activities to resolve the issues faced both by its customers and by society as a whole. Based on this approach of contributing to society through business, we respond to social issues with the goal of establishing a society capable of sustainable growth. In particular, we must position climate change as our greatest priority issue. In addition to global moves toward the realization of carbon neutrality by 2050, natural disasters are occurring with increasing frequency around the world. In order to further promote responses to climate change, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD), carried out scenario analyses of the opportunities and risks climate change offers and the risks it poses to our business, and disclosed all relevant information. We have also revised our initial CO₂ reduction targets from our “Brother Group Environmental Vision 2050,” which we drew up in 2018. Our goal now is to achieve carbon neutrality* in our business operations and minimize CO₂ emissions across our entire value chain by FY2050.

 Please refer to pages 36-39.

 TCFD

<https://global.brother/en/sustainability/eco/cc>

* Achieve overall zero CO₂ emissions from the Brother Group.



*1 Print Volume : Printing volume.

*2 Factory Automation : Automation of various factory works and processes using machines and information systems.



We have established systems for resource circulation throughout our entire value chain, and we are making efforts to reduce the amount of new natural resources that are used in our core products. At Group production sites, we continue to promote efficient use of water resources and proper treatment of wastewater. In their efforts to decarbonize, numerous EU countries are promoting circular economy measures. Going forward, such trends can be expected to become more widespread across the world, and it follows that we must strengthen our responses to them.

The Brother Group will also endeavor to fulfill its social responsibilities with regard to its supply chain. Through conformity to the Responsible Business Alliance Code of Conduct and carrying out socially responsible procurement, we will work to ensure that the human rights of our employees are respected—including workers at Group factories—and to provide safe working environments.

It is our Group employees who embody the “At your side.” spirit. As customer needs continue to diversify, it is vital that we also respect the diversity and uniqueness of our employees, and engage in personnel development and establish working environments that emphasize individual growth. At the Brother Group, in addition to nurturing global personnel and digital personnel, we are also strengthening initiatives aimed at encouraging women’s participation in the workplace; in this way, our goal is to create workplaces in which diversity is respected, and in which every one of our employees has the opportunity to shine.

It is important, too, that we recognize how both social problems and customer needs are changing, and grasp this change as a business opportunity. Let us increase our sensitivity to various social issues, understand what demands must be met, and become a company that is capable of contributing to the resolution of these social issues and improving its corporate value at the same time.

Brother Group Strengths Cultivated through Our “At your side.” Spirit

(1) The “At your side.” spirit

The Brother Group was founded in 1908 as a sewing machine repair company, and we have continued to expand our business in the 110 years since. Underlying our activities throughout our history has been our “At your side.” spirit. Our U.S. sales facility began using the slogan “We are at your side.” in the 1980s; in 2002, we selected the final part of this phrase, “At your side.” to be used as the corporate message of the entire Brother Group. When we revised the Brother Group Global Charter in 2008, we announced a new policy: “The Brother Group places the customer first, everywhere, every time, demonstrating its motto: ‘At your side.’ by quickly and consistently providing superior value.” This policy has become part of our corporate culture, and has been adopted by Group worksites all over the world.

The Brother Group has carried out various business activities rooted in the “At your side.” spirit. Going forward, it is imperative that we continue to embody this spirit; yet, at the same time, we must ensure that it evolves in line with the times.

(2) The Strengths of the Brother Group

As society has changed, so the business environment surrounding the Brother Group has also altered; as a consequence, each of our businesses faces different issues going forward. However, looking back over our history, many of our businesses have continued to grow and maintain the support of their customers, even in similarly trying circumstances. This is because we have continually transformed ourselves according to the changing times and environments, and continued to provide value that caters to customer needs. To begin with, we must listen carefully to the voices of our customers, and ensure we survive in our core markets. At the same time, we must adopt an “At your side.” perspective and engage in new businesses that will become needed in the near future. New challenges are invariably accompanied by failures; however, since its establishment the Brother Group has embraced a culture of recognizing failures as positive experiences and learning from them. Using the technologies and sales networks we have cultivated through diverse businesses, we will continue to embark on various challenges, respond rapidly to customer needs, and achieve sustainable growth.

One of the strengths of the Brother Group is our Brother Value Chain Management (BVCM). This unique management system

positions customer feedback at the core of all business activities—including product planning, development, design, manufacturing, sales, and aftersales service—and seeks to respond swiftly to any feedback received. More specifically, BVCM is a process for delivering superior value to our customers through three chains: the Demand Chain, the Concurrent Chain, and the Supply Chain. After providing value, we learn from both customer and market feedback to develop even better products and services. By implementing this value chain swiftly and globally, we are able to deliver superior value to our customers at the earliest opportunity.

 Please refer to pages 06-07.

 The roles and features of our three chains

<https://global.brother/en/sustainability/csr/value>

Formulating Our New Vision: “At your side 2030”

(1) Background to the New Vision

In order to fulfill the expectations of our stakeholders and continue growing in a sustainable manner, it is imperative that we shape a long-term vision regarding what sort of value we intend to provide to our customers and to society, and to link this vision to our business strategies. To this end, we formulated a new vision which will begin in FY2022 and which outlines our raison d’être (Our Purpose) and how we intend to provide value to society (Our Approach). We will establish and execute our next medium-term business strategy, which is also set to begin in FY2022, by backcasting from this new vision.

Brother Value Chain Management (BVCM)

Customers

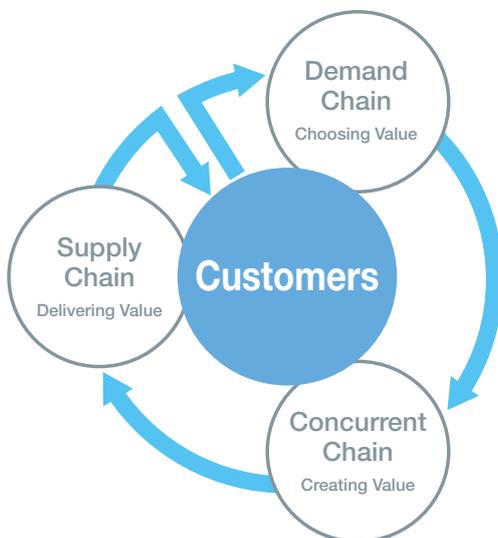
“Value” Chain Starting with Customers

The opinions of “existing” customers who have already purchased Brother products and “potential” customers who may purchase Brother products in the future are the starting point for all our business activities.

Our call centers, which serve as our important points of contact with customers, receive various inquiries and requests from them. We register such information in our database and share it globally across the entire Brother Group.

Supply Chain (Delivering Value)

Manufacturing, Distribution, Sales and Service
At the Brother Group’s manufacturing facilities, we are working closely with partners, such as parts suppliers, and strengthening our manufacturing processes and quality control systems, so as to produce high-quality products. Products are delivered to customers through our sales facilities in countries and regions all over the world. We are also providing customers with swift, cordial support via online support over the Internet and call centers in order to make each individual satisfied.



Demand Chain (Choosing Value)

Product Planning, Research and Development

Based on opinions received by call centers around the world and information acquired through sales and service activities and marketing surveys, sales and design departments work together to analyze customer expectations and demands from various angles, such as “how product usage environments will change” and “what improvements would satisfy more customers.” Through these efforts, they formulate product concepts.

Concurrent Chain (Creating Value)

Development Design, Production Engineering

Product concepts created in the demand chain are given a concrete shape. Product simulations and focus group testing by intended users are run again and again before and after prototyping. Through this process, we develop and design our products speedily while ensuring high product quality. The production engineering department designs optimal production lines to deliver our products at the right time for our customers.

New Brother Group Vision “At your side 2030”

At your side 2030

Our Purpose

By being “At your side,” we enable people’s productivity and creativity, contribute to society, and help protect the earth.

Our Approach

We identify and eliminate barriers to customers’ success by utilizing our unique technologies and global network.

Our Focus Areas

- Industrial - Become a trusted, invaluable solutions partner.
- Printing - Continue leading print innovation and pioneering new offerings.

“Present Brother’s *raison d’être* and value proposition to society” and implement the strategy through backcasting by clearly setting the deadline of 2030.



The team that formulated the new vision comprised employees of the generation that will lead the Brother Group in 10 years’ time. Looking ahead to FY2030, they spent approximately 10 months from June 2020 discussing the *raison d’être* of the Brother Group, the values it provides to society, and what it wants to have achieved by 2030. The team engaged in numerous discussions with the management, and it was of great significance that younger members of the Brother Group succeeded in adopting a Group-wide perspective, developed an understanding of various business fields in which they had little or no experience, and drew up a vision of the Group’s future. The team members, who were drawn from diverse fields, thought seriously about the future of the Brother Group; the sense of unity they forged will undoubtedly be of great benefit when it comes to realizing this new vision.

(2) New Brother Group Vision “At your side 2030”

It was through this approach that “At your side 2030” was formulated.

“At your side 2030” defines the Brother Group’s *raison d’être* and what values it intends to provide as “Our Purpose.” It also details “Our Approach”—that is, how we intend to provide value to realize “Our Purpose”—and sets out “Our Focus Areas” from now until FY2030.

When discussing the new vision, I was particularly pleased to hear the team’s opinion that the “At your side.” spirit is something that must not be changed, yet at the same time must be continually refined in line with the changing needs of our customers and of society; it was this double-edged approach that led to the new vision being named: “At your side 2030.” I believe that “At your side.” embodies the positive corporate culture that the Brother Group has

pursued over the course of its history, and will continue to pursue in the future; it also forms the core of our growth strategy. It is important that Brother Group employees constantly evaluate their behavior from an “At your side.” perspective, and act accordingly.

In its definition of “Our Purpose,” “At your side 2030” deliberately avoids using the word “customer” and, instead, chooses to use the word “people.” This stems from an understanding that the Brother Group must be “At your side.” in diverse ways, contributing not only to its customers but to society as a whole and the environment at large.

(3) Formulating the New Medium-term Business Strategy

In order to realize “At your side 2030,” we must visualize what actions we need to carry out today. In other words, we must decide on the medium-term goals and strategies we have to achieve if we want to succeed in realizing our vision, and then execute them with a sense of urgency.

We are currently in the process of drawing up our new medium-term business strategy; we are involved in concrete discussions on a variety of topics, including reform based on digital transformation, ESG-focused management, supply chain reinforcements, and the promotion of human resources development and diversity. We plan to reveal the new medium-term business strategy in about spring 2022, and we hope it will meet your expectations.

The Brother Group will continue to leverage its strengths and transform itself in order to meet the expectations of all its stakeholders, and continue to grow in a sustainable manner. We very much hope for your continued support.

New Brother Group Vision

At your side 2030

We have formulated the new Brother Group vision that will start in April 2022, “At your side 2030.”

The new vision consists of “Our Purpose,” “Our Approach,” and “Our Focus Areas,” showing the Brother Group’s direction toward 2030.

Our Purpose

By being “At your side,” we enable people’s productivity and creativity, contribute to society, and help protect the earth.

Our Approach

We identify and eliminate barriers to customers’ success by utilizing our unique technologies and global network.

Our Focus Areas

- Industrial - Become a trusted, invaluable solutions partner.
- Printing - Continue leading print innovation and pioneering new offerings.

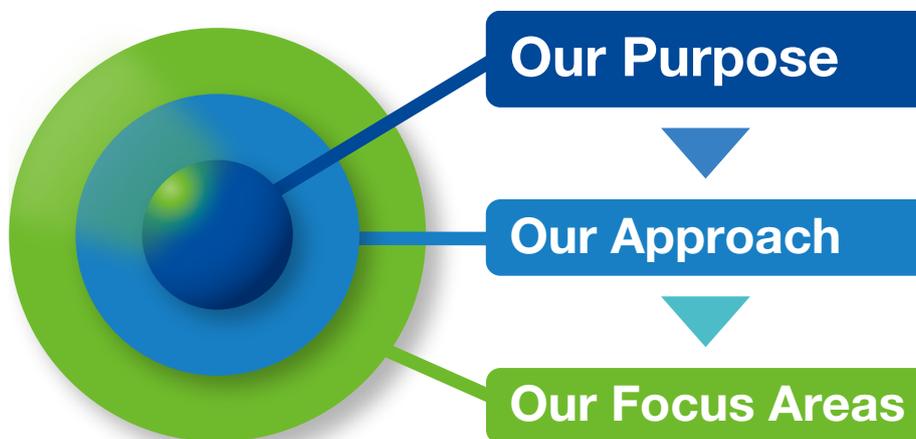
Approaches toward Achievement of “At your side 2030”

Centered on Brother’s universal raison d’être (Our Purpose), “At your side 2030” clarifies the methods we will use (Our Approach) and what we will mainly realize (Our Focus Areas) by 2030.

Our Purpose is to pass down the reason for being, which has been inherited since Brother’s foundation until the present, into the future. Our reason for being is the “At your side.” spirit itself, which has taken hold in the course of our efforts to realize the current vision “Global Vision 21.” Under the new vision, we will identify and eliminate barriers to customers’ success by utilizing the unique

technologies and global network developed during our more than 110-year history and business transformation (Our Approach). We have also selected two areas as core areas in which we will achieve progress and transformation by 2030 (Our Focus Areas).

The Brother Group will seek sustainable growth through the achievement of “At your side 2030” and contribute to the development of society and the future of the earth by helping customers to improve productivity and unlock their creativity, thereby expanding customer value.





Our Purpose

By being “At your side,” we enable people’s productivity and creativity, contribute to society, and help protect the earth.

- As we have throughout our history, Brother continues to help unlock people’s innate productivity and creativity.
- By supporting people in their value-creation journeys, and helping them realize their aspirations and goals, we contribute to a better society.
- We are also “At your side.” for the environment, focusing on sustainability and on leaving as small a footprint as possible.



Our Approach

We identify and eliminate barriers to customers’ success by utilizing our unique technologies and global network.

- We will understand our customers’ “value chain”, identify their core challenges, and provide unique products and solutions that help them achieve their goals.
- We will continue developing and enhancing unique technologies across Brother’s multi-business portfolio.
- We will take advantage of our global network of local experts, sales channels, and customer bases.
- We will expand our portfolio by focusing on adjacencies to our two strong assets, technology & global network.



Our Focus Areas

● Industrial - Become a trusted, invaluable solutions partner.

In the industrial area: We will improve customers’ productivity, solve their business challenges, and reduce our environmental impact. By doing so, we will gain their trust and become an invaluable partner.

● Printing - Continue leading print innovation and pioneering new offerings.

In the printing area: Even with huge changes in the definition of “office work” and the printing environment, we will continue to exceed customers’ expectations. We will also build new business pillars that expand beyond our existing boundaries.

Printing and Solutions Business

Pursuing Printing Technologies and Proposing New Work Styles

Brother meets the printing needs of customers and provides a variety of solutions.

Besides printers that seek compactness, we offer products such as All-in-Ones that combine functions such as printer, fax machine, copier, and scanner into one machine, and labeling systems that focus on ease of use. Our lineup, fitting the needs of customers, will continue to support the growth of the Brother Group.

Strengths	<ul style="list-style-type: none"> ■ Communications and Printing Equipment: Product development capabilities ahead of competitors that meet the needs of customers ■ Electronic Stationery: Store of knowledge as the industry's pioneer
Issues	<ul style="list-style-type: none"> ■ Responding to business continuity plans (BCP), including natural disasters and epidemics, and establishing a stable product supply system ■ Further strengthening of environmentally friendly design and realization of resource circulation toward contributing to a sustainable society

Business Segments

Communications and Printing Equipment

- In the 1990s, Brother developed thermal transfer fax machines and small laser All-in-Ones that met the needs of a work style called SOHO (Small Office, Home Office), in which an individual or a small group of individuals use their homes, and so forth, as an offices. Since then, we have established our position as a pioneer in this market
- Laser printers and All-in-Ones, which are excellent for their high printing speed, durability and cost performance, are receiving good reviews from many business partners and industry magazines globally
- In recent years, we have been integrating compact black-and-white and color laser All-in-Ones, business-use inkjet All-in-Ones, and so forth into a scanner compatible with mobile devices and cloud networks. With this product development approach, we meet customer needs consistently from input to output
- Furthermore, we have increased our targeted customer base to the SMB* market, such as solutions that help our customers improve productivity and actualize cost optimization and a consultation service to suggest the best-suited products and the best office setups. We have also expanded our contract-type businesses, including print management and automated delivery of consumables

Electronic Stationery

- Brother has been developing the P-touch brand labeling system and label printer over a span of 30 years
- We have held the top global market share in the field of business / professional use by offering highly operable and functional products, an extensive and varied lineup of labels, and products that are equipped with software and corresponding interfaces to meet customer demand

* Stands for Small Medium Business. It includes small offices, small- and medium-sized businesses, and businesses with offices in multiple dispersed locations.

Summary of FY2020

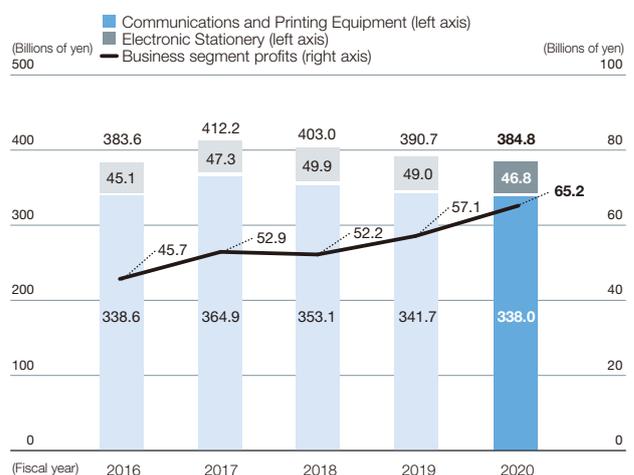
There was an increase in the number of Laser All-in-Ones and printers sold due to more opportunities for working and studying at home. The demand for inkjet All-in-Ones also increased, but the number of units sold decreased because products could not be sufficiently supplied due to suspension of factory operations for a certain period of time arising from the impact of COVID-19.

Sales of consumables decreased due to less printing taking place in offices as customers continued to work at home as well as restrictions on production activities similar to those for printers and All-in-Ones.

In the manufacturing aspect, we decided to reorganize the facilities of consolidated subsidiaries to improve production efficiency. At the same time, we are undertaking efforts toward stable supply, including the establishment of a system that can produce and supply consumables using several facilities. In addition, the new building being constructed within our factory in Vietnam was completed in January. Going forward, we aim to maintain and expand our scale of business by accurately grasping the flow of demand expansion for All-in-Ones and printers arising from the diversification of printing opportunities, such as the entrenchment of working at home and the expansion of distributed printing needs in offices.

Electronic stationery for homes and offices saw a temporary drop in demand due to lockdowns, office closures, and other such reasons in various countries. However, demand has generally recovered to the same level as the previous year, with the lowest point being the first quarter. As for specific business applications, in line with the rapid expansion of the e-commerce market and rise of food delivery and other new services, we enhanced our product lineup for the automatic recognition market—such as barcode printers—and strengthened our capabilities for proposing solutions.

Trend of Revenue / Business Segment Profits



Main Products



Color Laser All-in-One



Inkjet Printer



Labeling System



Label Printer

Understanding of Business Environment

- Reduction in printing opportunities due to progress of digitalization
- Change in customers' purchasing behavior, from ownership to usage
- Distribution of office functions (acceleration of shift from centralized to distributed)
- Increase and entrenchment of demand from working and studying at home
- Increase in label printing demand due to expansion of e-commerce and home delivery demand

Business Strategy (Business Policy)

Communications and Printing Equipment

- Further strengthen earning power and competitiveness as core business supporting company-wide portfolio management
- Accelerate shift toward a new business model that strengthens ties with customers

Electronic Stationery

- Expand specific business application for further growth even while firmly holding onto the global No. 1 position in the home and office fields and maintaining profit levels

Both

- Seek to contribute toward a sustainable society by promoting product design and building manufacturing systems aimed at reducing CO₂ emissions as well as promoting the resource circulation business

TOPICS

Deployment of New Products and Services in Response to Changes in Purchasing Behavior

The purchasing behavior and needs of customers have changed significantly. As shown by the move from ownership to usage and the shift from purchases in stores to online purchases, there is increasing desire for even easier and more convenient use. To respond to such needs, we offer various proposals according to regions and customer groups. For example, in Europe and the United States, we have rolled out services that charge fixed monthly subscription fees as well as variable fees that increase with usage. Convenience for customers is being improved through the automatic delivery of consumables for printers and All-in-Ones. In addition, we are launching models that can use large-capacity consumables mainly for emerging countries, strengthening our lineup of products that can be used for long periods of time without the need for replacement. Going forward, we will continue to meet the needs of customers and deploy products and services with better productivity and convenience.

Solving Social Issues through Business Activities

Contributing to CO₂ Emissions Reduction and Resource Recycling

To help create a sustainable global environment, every product needs reduced CO₂ emissions and efficient use of resources, so P&S provides energy-saving, resource-saving printers and All-in-Ones that are friendly to the environment. Products must exhibit industry-leading energy-saving performance to qualify for third-party certification according to international standards for eco-conscious products, such as the International ENERGY STAR Program*¹ and Blue Angel*². In the P&S Business, we are combining various technologies to thoroughly reduce power consumption, such as adopting new toner fixing methods for laser printers and All-in-Ones, thereby reducing CO₂ emissions during product use.

We are also promoting toner cartridge recycling. In addition to promoting the collection of cartridges around the world, we are reusing cartridges by refilling them with toner at our facilities in the U.K. and Slovakia. In this way, we are making efficient use of resources and helping to reduce CO₂ emissions from the recycling process.

*1 An international energy saving program for office equipment begun in October 1995.

*2 A third-party eco-label issued by Germany's Federal Environmental Agency and the German Institute for Quality Assurance and Labeling.

Relevant SDGs



Personal and Home Business

Providing Ease of Use and High Added Value that Expand the World of Hobbies

We create the joy of turning images into shapes together with customers through products and services centered on home sewing machines and home cutting machines, and contribute to adding a touch of color and warmth to customers' lives. As a leading company for home sewing machines, we pursue ease of use for our products using the industry's leading-edge development capabilities. At the same time, we provide value to customers promptly through various services that utilize IT and other technologies.

Strengths	<ul style="list-style-type: none"> ■ Strong brand power in the embroidery machine field, where we boast a top market share ■ Product planning capability that allows for highly creative products, such as machines with a built-in projector or Disney designs ■ Cultivating a new market for cutting machines through synergies with brand power and sales channels for sewing machines
Issues	<ul style="list-style-type: none"> ■ Continuous pursuit of new functions and ease of use that impress customers ■ Further promotion of value to new customers acquired through demand from stay-at-home trends ■ Development of products friendly to the global environment

Business Segments

- We offer our customers state-of-the-art features that are also easy to use by utilizing the industry's leading-edge development capabilities, especially electronic technologies, which enable us to provide highly functional products with high added value
- We continue to take on the challenge of developing advanced technologies and generating other technological innovations, and thereby impress customers and ensure a pattern of sustainable consumption and production
- We contribute to sustainable economic growth by proposing commercial embroidery machines and high-end embroidery machines for business purposes, not just for hobbies
- As for production, we manufacture a wide-ranging lineup from high-end to everyday at our facilities in Taiwan and Vietnam
- As for sales, we have established strong relationships of trust with retailers and prominent business partners, such as major sewing machine dealers handling high-end machines
- Furthermore, our sales facilities around the world provide precise services and support along with superior products, enabling us to maintain and further enhance our strong brand

Summary of FY2020

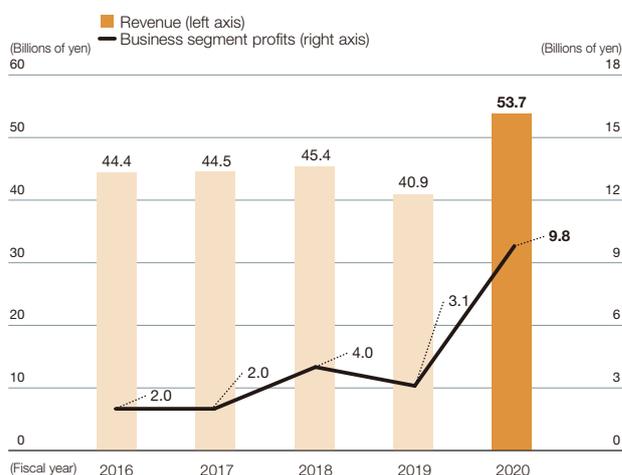
Sales of home sewing machines, especially low-end machines, were firm as the number of people enjoying handicrafts and making face masks at home increased due to stay-at-home trends. In addition, demand grew for middle- to high-end embroidery machines as an increasing number of people, mainly in the U.S. and Europe, started a second business.

While person-to-person sales activities were restricted, we actively undertook new types of activities, such as holding online events for dealers, conducting marketing activities that use video streaming, and opening virtual showrooms on websites.

We will continue to strengthen our online sales activities and expand sales of middle- to high-end embroidery machines to maintain and expand our customer base.



Trend of Revenue / Business Segment Profits



Main Products



Sewing and Embroidery Machine



Sewing Machine



Commercial Embroidery Machine



Home Cutting Machine

Understanding of Business Environment

- For embroidery machines, we have gained a large market share and have not faced any major threat from competitors. On the other hand, for middle-end practical sewing machines, other brands have a strong presence. It is considered that entries by manufacturers in emerging countries are a threat for low-end machines, and price competition may intensify further
- Along with the evolution of IoT and ICT*, expansion of freedom in product and sales modes is anticipated due to provision of value through the platform business and penetration of online sales
- The economic growth of emerging nations is expected to provide momentum to the growth of the business market and low-end equipment. In addition, expansion of the business market is anticipated due to increase in small businesses and demand for customization
- Collective efforts of business to implement environmental measures in products and develop business models are needed for realization of a sustainable society through the evolution of environmental regulations, shifting to a circular economy, and other means

* Information and Communication Technology.

Business Strategy (Business Policy)

- Rapidly deliver value to customers in the form of inspiration and ease of use through means such as further technological innovation, building relationships with dealers, and strengthening online educational activities
- Reinforce our position as a leading company by seeking to enhance dissemination of information that communicates the joy of handmade, from expanding the world of hobbies to business purposes
- Work proactively on product development and services that are friendly to the global environment with consideration for energy conservation, noise reduction, ease of repair, and raw materials

Solving Social Issues through Business Activities

Finding New Needs and Making Use of Them to Cultivate Customers in the Future

In the U.S., individuals who started side jobs increased in conjunction with the decline in income due to the impact of COVID-19.

We created the Side Hustle Campaign, a dedicated website for sales bases in the U.S., to support entrepreneurialism and side jobs using Brother products. The site presents examples of how people who used to create items as a hobby using a sewing machine, sewing and embroidery machine, or home cutting machine have turned it into a business, helping them develop DIY and crafts from a hobby into a side business. We also posted information on social media about items created for sale. In addition, we supported side jobs by providing guidance on methods of use and information about nearby retailers that perform repairs and other services. These activities led to increased sales of high-end sewing and embroidery machines and customer development among the younger demographic.

TOPICS

Addition of Wireless LAN Connectivity to Sewing Machines in Pursuit of Greater Ease of Use

This is an era in which many things are connected to the Internet through the evolution of IoT. By using IoT, we offer new enjoyment of handicrafts to expand the number of Brother fans.

As part of this initiative, we are focusing on wireless LAN-compatible sewing machines. We started adding wireless LAN connectivity to our flagship models in the last fiscal year and have been expanding our lineup of LAN-compatible models. A specialized application enables users of these models to transfer embroidery data to their machines just by pressing one button, making embroidery even easier to enjoy. For commercial embroidery machines, we offer ease of use, in addition to enjoyment, by adding wireless LAN connectivity. A mobile application enables users to confirm the progress of their embroidery, so users can advance their embroidery while proceeding with other tasks away from their machine.

Relevant SDGs



Machinery Business

Contributing to Customers' Productivity Improvement through the Development of Products that Meet Customer Needs

We will contribute to our customers' productivity improvement and new value creation through machinery such as industrial sewing machines that offer ease of use, high-quality sewing, and energy saving, machine tools optimized for the processing of parts for automobiles, motorcycles, smartphones and others, as well as reducers and gears with a wide range of product variations.

Strengths
<ul style="list-style-type: none"> Industrial Sewing Machines Industrial Sewing Machines: The power to develop competitive products centered on large-scale BAS Garment Printers: High productivity and printing quality supported by Inkjet technology Industrial Equipment The power to develop products that achieve high productivity and environmental performance Industrial Parts The ability to deal with customers that achieves finely-tuned customization, high quality and speedy delivery
Issues
<ul style="list-style-type: none"> Industrial Sewing Machines Industrial Sewing Machines: Further improving our ability to deal with the automobile and shoe markets Garment Printers: Increasing our share in the bulk printing market by using new products Industrial Equipment Proactively seizing demand in relation to the fast-growing EV market Industrial Parts Early market expansion of the high-rigidity reducer

Business Segments

Industrial Sewing Machines

- Industrial Sewing Machines:** Brother has been continuously leading the industrial sewing machine industry in fabric sewing. Our programmable electronic pattern sewing machines excel in speed and pattern precision, and receive good reviews from our customers manufacturing airbags and shoes
- Garment Printers:** As the digital printing industry expands, the profits from garment printers continue to grow. We have introduced a new product for our customers working with bulk printing and are increasing our market share

Industrial Equipment

- Our SPEEDIO brand machine tools** are as highly productive and energy efficient as they are small, and are highly rated by our customers for parts processing in industries such as automobiles and IT
- While also working to expand our product lineup, we have released models that can process bigger parts, models that are capable of lathe turning processing, and peripheral devices around SPEEDIO machines, such as optional systems that can automatically transfer and deliver processed parts. In this way, we have been exploiting new markets

Industrial Parts

- Nissei Corporation**, a consolidated subsidiary of Brother, is a leading manufacturer of reducers and gears with a large market share in Japan
- As for reducers, we offer an extensive product lineup, and have the ability to respond to customer demands within a short period of time. As for gears, we possess ample manufacturing facilities, and by executing the entire process from product designing to manufacturing consistently within the Company, we can provide high-precision and high-quality products. We have a high reputation in the market, especially for our cutting technology for bevel gears*
- With our high-precision gears and newly-developed high-rigidity reducers, we deliver new value to customers, especially in the robot and machine tool markets

* Cone-shaped gears that transmit motion between two intersecting axes.

Summary of FY2020

Industrial Sewing Machines

- Industrial Sewing Machines:** Profits are declining due to a reduction in capital expenditure in sewing factories. We will start putting more effort into automobiles (airbags, seatbelts, etc.) and shoes / bags in addition to apparel
- Garment Printers:** We incorporated new demand with a new product that carries a large amount of ink, perfect for reducing running costs. We will aim to improve our presence in bulk printing

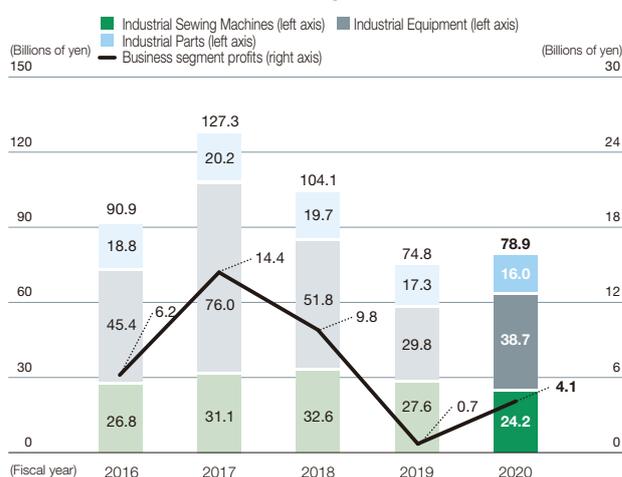
Industrial Equipment

With the spread of COVID-19 in addition to the US-China trade wars, the demand for machine tools was sluggish at the start of the fiscal year, but orders recovered after the first quarter. In particular, the orders from China increased and changed for the better in the second quarter. We started selling products with our new control functions. We built an additional factory in China and approximately doubled our machine tool productivity there. We established the new Brother Technology Center on the premises of the Kariya factory, and enriched the technology proposal functions for processing and automation, etc., in addition to our pre-existing showroom. We aim to further increase our client base for automobiles and general machinery.

Industrial Parts

The production activities of the whole manufacturing industry and the sluggish demand for capital expenditure are recovering moderately. In the reducer business, we are developing a high-rigidity reducer. In the gears business, we are starting to construct a factory for new heat treatment to balance both a reduction in our environmental footprint and the manufacturing of high-precision gears. Through the sales promotion of our high-rigidity reducer and an increase in new orders for our high-precision gears, we aim to increase our profits in the robotics / FA market.

Trend of Revenue / Business Segment Profits



Main Products



Machine Tool



Industrial Sewing Machine



Reducer



Gear



Garment Printer

Understanding of Business Environment

Industrial Sewing Machines

■ Industrial Sewing Machines: With the recovery of demand for apparel, the infrastructure investment in sewing factories is also recovering

■ Garment Printers: The digital printing market is expanding, with US / Europe at the center

Industrial Equipment

■ The EV-related parts market is expanding with the acceleration of carbon neutrality. The demand for infrastructure with high environmental performance is increasing with the growth in environmental awareness

Industrial Parts

■ There is an increase in demand in the robotics / FA market due to the growing needs for automation and a reduction in manpower

Business Strategy (Business Policy)

Industrial Sewing Machines

■ Industrial Sewing Machines: The measures for recovery of demand in the apparel market and the growth of the automobile and shoe markets

■ Garment Printers: Improving our presence in the bulk printing market

Industrial Equipment

■ Expanding our client base in the automobile and general machinery markets by reinforcing our product lineup and sales and services organizational structure

Industrial Parts

■ Measures for the business growth opportunities in the robotics / FA market through high-rigidity reducers and high-precision gears

TOPICS

Selling High-Function, High-Efficiency Products and Strengthening Productivity in Our Factories

In September 2020, we released a new garment printer, the GTXpro that was capable of powering up quickly and running at low cost. In the following December, we released SPEEDIO W1000Xd1, a compact machine center that could process even large-scale work. We achieved an improvement in functionality and high productivity by equipping it with a new NC unit. In August 2021, we also started selling large-diameter hollow shaft-type high-rigidity reducers that contribute to the acceleration and downsizing of robots and FA machinery.

In terms of improving productivity in our own factories, we constructed another building in the Brother Machinery factory in Xian which went into operation in April 2021. With this renovation, the machine tool productivity at the company approximately doubled.

Solving Social Issues through Business Activities

Contributing to CO₂ Emissions Reduction and Operational Efficiency Improvement

Factories need to balance both a reduction in our environmental footprint, such as CO₂ emissions reduction, and high productivity. The Machinery Business' SPEEDIO series of compact machining centers uses various energy-saving technologies, such as power regeneration that converts kinetic energy into electric energy during slowdown for reuse, resulting in much lower power consumption compared to conventional machining centers, which contributes to significant reductions in CO₂ emissions.

With both turning*¹ and milling*² functionality in a single compact machining center enabling two types of processing, there is no need to change tools between the two processes, which contributes to greater work efficiency. Also, the optional loading system for SPEEDIO machines automates the transfer and delivery of processed parts, which reduces simple tasks for machine operators and leaves them free to concentrate on the more complicated tasks.

*1 A machining process in which a cutting tool cuts a rotating workpiece.

*2 A machining process in which a rotating cutter, such as a drill, cuts a fixed workpiece.

Relevant SDGs



Network and Contents Business

Innovating in Music Entertainment by Using the Latest Technologies and Networking

We pursue new customer value by developing and providing JOYSOUND online karaoke systems for business use, and by continuing to propose products, content and services that utilize distribution technologies cultivated through online karaoke systems.

Strengths	<ul style="list-style-type: none"> Using network technology, we provide online karaoke systems for business use which offer the largest number of songs in the industry Incorporation of new demand for enjoying visual content through the full-scale provision of the Miruhaco service Creation of social value by expanding sales of models with music therapy content targeted at the growing healthcare market Increasing users of smartphone and home use karaoke services against the backdrop of the COVID-19 pandemic
Issues	<ul style="list-style-type: none"> The rise of new karaoke application competitors along with increase in demand amid the COVID-19 pandemic Industrial slowdown due to business closure and shortened business hours resulting from state of emergency declarations and quasi-emergency measures Creation of new businesses that can compensate for the sluggish karaoke business

Business Segments

- Xing Inc., a consolidated subsidiary, provides the JOYSOUND MAX GO series and JOYSOUND HIBIKI series of online karaoke systems for business use which offer over 320,000 songs (the largest number in the industry*1) and are compatible with high-resolution audio*2
- The company is also valued for its JOYSOUND-linked membership karaoke social media service Utasuki, and for its original karaoke-related services linked to smartphones and video game consoles
- As well as songs, the new video service Miruhaco with extensive visual content to enjoy was the first in the industry*1 to realize live broadcasts
- Xing provides comprehensive music entertainment, from the creation of content to operation of karaoke clubs, in collaboration with its group companies Teichiku Entertainment, Inc. and Standard Corp.

*1 As of March 2021 according to research by Xing Inc.
 *2 Voice input from a microphone is sampled at 24 bit/192 kHz. As for music, a material's waveform is converted from CD spec to high-resolution audio through sampling.

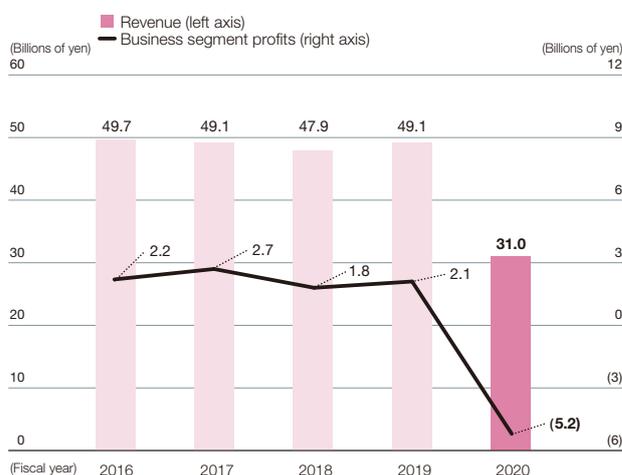


Summary of FY2020

Due to the spread of COVID-19, the number of karaoke users dropped significantly throughout the year. While the business performance remained sluggish, we focused on creating an environment enabling customers to use karaoke with a sense of security. We developed and introduced a “mask effect” feature, which allows singing voices to be heard clearly without being muffled even if the karaoke user sings with a mask on. We also worked on services such as online karaoke distribution that enables people to enjoy karaoke even at home. However, the difficult environment was prolonged due in part to restrictions on the use of karaoke locations and shortened business hours implemented in response to requests from local governments following the resurgence of COVID-19. In conjunction with the deterioration of profits, we reduced selling, general, and administrative expenses throughout the year and cut fixed costs through means such as the closure of unprofitable karaoke clubs. Following such closure, we recorded impairment losses for part of our karaoke club assets.

Going forward, we will focus on creating karaoke club environments that enable people to enjoy karaoke with a greater sense of security, promoting use of karaoke rooms for multiple purposes, such as for viewing videos and live broadcasts and holding meetings, and developing attractive content by further deepening collaboration with music and other entertainment industries. Through these initiatives, we will strive to improve profitability.

Trend of Revenue / Business Segment Profits



Main Products



Online Karaoke Systems*

* The Hi-Res Audio logo is used under license from Japan Audio Society.



Total health care supporting equipment



みるハコ

A Video Viewing Service

Understanding of Business Environment

- Developments in tightening and easing of restrictions by overseas countries, the Japanese government, and local governments due to COVID-19
- Changes in the population of karaoke participants resulting from the decline in the population and aging of society with a falling birthrate
- Developments in communications technologies used for providing diverse content

Business Strategy (Business Policy)

Position the Business as Being at a Stage for Achieving Growth Again, and Aim for Transformation Our Business Model and Re-expand the Business

- Provide products and services that enable customers to enjoy karaoke with a greater sense of safety and security to contribute to the recovery of the karaoke market, which has shrunk due to the COVID-19 pandemic, and achieve early recovery of business performance
- With an eye to the post-COVID-19 era, propose and promote the penetration of the new value of karaoke (the Miruhaco service with visual content to enjoy), in addition to singing
- Take on the challenge of transforming business models and expanding the business again by applying the network technologies developed through karaoke distribution to new applications and seeking to create new businesses

TOPICS

Incorporating New Demand under the COVID-19 Pandemic and Seeking Recovery of the Industry

We are actively rolling out the new JOYSOUND service Miruhaco. The service generates new value for a karaoke room as an entertainment space beyond a place to enjoy singing by distributing video content of various genres, such as movies, animations, and live music, which include the industry's first live broadcasts. The COVID-19 pandemic has made it difficult to hold large-scale live events, leading to a rapid growth in the live broadcast market. Under such circumstances, the Miruhaco service has attracted users' support as a service suited to "new lifestyles" as it allows small groups of people to enjoy high-quality live videos together at a high volume in a familiar karaoke box in their livelihood zone. We are aiming for recovery of the industry by presenting a new proposal for enjoying visual content in addition to karaoke's original feature of singing.

Solving Social Issues through Business Activities

Support Improvement of Health and Contribute to Reducing the Workload of Nursing Care Staff

Music and exercise are attracting attention as ways to lead a healthy life as one ages. XING, Inc., a consolidated subsidiary, provides "Kenko Okoku", a music-based treatment program that seeks improvement in health by having participants move in time with music. This program is used in nursing care and welfare facilities.

Kenko Okoku enables care staff to spend less time planning recreation by freely combining a wealth of content such as physical activities, watching / healing, playing, and singing to create individual recreation programs suitable for facility users, providing more time for staff to spend with facility users. In addition, facility users can enjoy a wide range of content, leading to improvements in their quality of life (QOL). The content of individual function training is extensive, contributing to improvement of nursing care conditions.

Relevant SDGs



Domino Business

Responding Swiftly to Diverse Needs for Industrial Printing Equipment

We provide coding and marking equipment that prints information such as expiration dates and lot numbers on plastic bottles, cans, food packaging, and so forth, and digital printing equipment that meets the needs of product packaging that is becoming more varied in smaller lots and shorter delivery times. Through these products, we contribute to consumer protection, ensuring traceability by manufacturers, and improved productivity at plants.

Strengths
<ul style="list-style-type: none"> ■ A trusted brand that has been developed through past business ■ Unique positioning resulting from owning both C&M*¹ and DP*² businesses that can produce synergistic effects through the combination of technologies most appropriate for customer needs
Issues
<ul style="list-style-type: none"> ■ Sales growth and improvement in profitability ■ Expansion of product sales and enhancement of services and solutions in the C&M and DP businesses

*1 Abbreviation for Coding & Marking.
*2 Abbreviation for Digital Printing.

Business Segments

- The Domino Group has been growing steadily for over 40 years in the industrial printing field
- The Group boasts a world-leading sales and service network in the coding and marking business (printing expiration dates and so forth on plastic bottles and cans)
- In the digital printing business, with its highly productive digital printing equipment, the Group has been providing business solutions to the challenges of the label printing industry, such as small-lot production, waste reduction, and improvement of the working environment



Summary of FY2020

Demand for hardware declined temporarily, mainly in Europe, affected by lockdowns implemented in various countries. Nevertheless, sales of C&M hardware remained strong, supported by firm demand for daily necessities such as foods, beverages, and pharmaceuticals. On the other hand, sales of DP hardware were weak due to the impact of restrictions on sales activities caused by the spread of COVID-19. Consumables performed well for both C&M and DP.

In the DP field, we released the digital printing equipment N730i, which incorporates a print head produced by Brother. In addition, we entered the corrugated cardboard printing domain with the launch of the corrugated cardboard printing press X630i.

Going forward, we will expand product sales and strengthen services and solutions in the C&M and DP fields, aiming for sales growth and the improvement of productivity.

Please note that we recorded impairment losses for part of our goodwill in the fourth quarter of the consolidated fiscal year ended March 31, 2021 after reviewing our future business plans based on more conservative premises.

Trend of Revenue / Business Segment Profits



Main Products



Coding & Marking Equipment



Digital Printing Equipment

Understanding of Business Environment

- C&M market: Continuous market growth is anticipated due in part to increase in demand associated with population growth in emerging nations and increased needs for traceability among manufacturers
- DP market: Continuous market growth is anticipated due to factors such as improved productivity at factories resulting from progress in digitization
- Worldwide semiconductor shortages have resulted in prolonged lead time for parts procurement, requiring review of plans for production and product delivery and causing other impacts
- While customers' production activities and Domino's sales activities have been restricted in countries implementing lockdowns due to the impact of COVID-19, the C&M business has maintained momentum in China and other regions as a result of acquisition of new businesses related to COVID-19 (production of vaccines and masks)

Business Strategy (Business Policy)

Promote Initiatives to Become a Growth Foundation for the Industrial Printing Field as One of the Brother Group's Growth Pillars

- Accelerate the growth of the Domino business again by exhibiting synergies
- Expand the industrial printing domain by utilizing printing technology centered on inkjet

TOPICS

Enhancing the Competitiveness of Products and Contributing to the Improvement of Productivity while Striving to Reduce Environmental Impact

In June 2021, we launched the new Cx350i PIJ (Piezoelectric Inkjet) for outer case printing. The new product has strengths in printing speed, printing quality, and ease of operation realized through unified user interfaces. It meets increasing demand in emerging nations associated with the population growth and increasing needs for traceability by manufacturers, while being environmentally friendly by using plant-derived ink.

In addition, we launched the new X630i, full-color digital printing equipment for corrugated boxes, in June 2020 to help corrugated box manufacturers to increase production efficiency in order to meet increasing demand for small-lot production. One of the strengths of the new product is in printing on coated paper, and it uses ink that is highly safe for food in conformity with European food safety standards.

We will continue contributing to improving customers' productivity and sustainability by launching highly competitive new products.

Solving Social Issues through Business Activities

Contributing to Traceability and Food Safety

Food traceability* is extremely important for demonstrating food safety. Domino's coding and marking equipment achieves high-speed printing of best-before dates, expiration dates, lot numbers, production plant identification codes, and other requirements of traceability on such products as cans, glass and plastic bottles, and other containers.

Retort pouch foods require inks to be resistant to heat, water, and alcohol so that this printed information is not removed by high-temperature sterilization or alcohol disinfection processes. By providing a wide range of inks to meet the needs of customers, Domino has helped to ensure traceability.

* Ability to clarify and maintain records of all food processes, from cultivation and breeding through to processing, manufacturing and distribution.

Relevant SDGs



Human Resources

Respecting Employees' Diversity and Individual Value, We Develop Human Resources and Workplace Environments with a Focus on the Growth of Each and Every Employee

One of the Basic Policies of the Brother Group Global Charter provides that “The Brother Group respects diversity, and provides a working environment that enables our associates to utilize their talents and abilities to the fullest. The Brother Group gives them great opportunity through challenging work assignments, and provides them with fair, attractive financial rewards.” Based on these ideas, we will develop a personnel system aimed at sustainable enhancement of corporate value and will continue to improve workplace environments.

Human Resources Development and Promotion of Diversity to Create New Value

Development of Global Human Resources

The Brother Group delivers products and services to customers all over the world with manufacturing facilities and sales facilities in 40 or more countries and regions of the world. We believe that enhancing the human resources development and related systems necessary for operation of our businesses while making the most of the characteristics of each country and region will help employees to exhibit their talent and skills over a long period of time. Based on this belief, we have put a development environment in place and built various systems. With globalization, advances in information technology, diversification in lifestyles and other drastic changes in the work style environment in recent years, we are facilitating more proactive career development for our employees and are organizing career development programs targeting important milestones in their career, starting from new employees by their positions. In addition, the Brother Group provides support in self-development, such as in languages, to encourage employees to acquire skills for them to play active roles at the global level. As a part of the talent development efforts, we are providing a career design program for employees at their career milestones to review their experiences and changes in their environments and visualize their future visions. We are also providing extension training that accepts employees who wish to participate to learn necessary skills, as well as an overseas dispatch training program designed for young employees to gain experience overseas early on in their careers.

We have prepared more than 20 programs for new managers, including harassment and human rights training, which cover various case studies that are based on actual incidents while delving into the meaning of “Trust and Respect” and “Ethics and Morality” stated in the Codes of Practice of The Brother Group Global Charter. Every year 50 or more employees participate in these programs.

Details of Employee Development Training and Education*1 (Brother Industries, Ltd.)

	FY2019	FY2020
Total hours	99,274 hours	104,526 hours
Average amount of money per employee	79,778 yen	49,067 yen
Average number of days per employee	1.09 days	1.15 days
Average amount of time per employee	26.12 hours	27.49 hours
Training types	Position-based education, new manager training, extension training, etc.	Position-based education, new manager training, extension training, etc.*2

*1 The data cover only the training programs conducted by departments in charge of company-wide training (the Human Resources Dept. and the Production Strategy Planning Dept.)

*2 Organized chiefly in the form of online seminars; the trainee program and overseas training for new employees were canceled.

Actively Promoting the Globalization of Executives and Local Employment

The Brother Group has been promoting the globalization of its executive personnel

by appointing qualified persons, regardless of their nationality, to executive positions in the Group companies in various countries and regions. At facilities of the Brother Group, we are actively promoting local employees to executive positions with the aim of realizing community-based management. This includes promotion to the position of President at sales facilities of regional headquarters in the U.S. and China. In the Group companies outside Japan, local employees occupied 67% of management positions in FY2020, increasing from 52% in FY2016.

Promoting the Appointment of Women in Managerial Positions

The proportion of female managers among all managers differs between the Brother Group companies, because the history of women's social advancement and their lifestyles and main occupations vary depending on countries and regions. However, women are active as managers in many Group facilities. At Brother Industries, Ltd. (BIL), there were 45 female managers in FY2020, exceeding the company's target of at least 44 female managers by that fiscal year. In FY2021, the company established a new target of at least 60 female managers by FY2025.

Promoting the Success of Women

BIL has been proactively supporting women's careers by formulating the “Commitment to Promotion of the Success of Women” and the “Action Plan to Support the Success of Women.” The Company has also been adopting telecommuting and providing lectures by experts in an effort to realize workplace environments that enable working women to play greater roles than before. Moreover, BIL has been posting on the intranet the career profiles of female managers who serve as in-house role models. It has also been holding various events, such as internal small-group discussion meetings called the “Career Community” and round-table discussions among Outside Director Aya Shirai, female managers, and female employees.

Development of AI Personnel

BIL promotes the automation and efficiency of routine work by means of IT, such as RPA* and artificial intelligence (AI), across the company. For internal training regarding AI, a newly recruited employee who specialized in AI at graduate school (as of 2018) was selected as the leader. Targeting all employees, curricula was developed in-house according to the needs of different positions—such as newly recruited employees, software developers, and managers—and the leader acts as lecturer and conducts the training. As of FY2020, for internal training regarding AI, a total of 285 employees have attended classroom lessons taught by the lecturer while 4,446 employees have attended online lessons using textbooks.

* Robotic process automation: automation by software robots.

Promotion of Health and Productivity Management

The Brother Group considers that managing the health of each and every employee is important for them to exhibit their talent and skills over a long period.

In September 2016, BIL established the Brother Group Health & Productivity Management Philosophy and also formulated “Healthy Brother 2025,” a set of long-term targets to be achieved by FY2025, with the aim of allowing employees to actively demonstrate their abilities in a wide variety of areas. These targets include a smoking rate of less than 10% and a secondary cancer screening rate of 90% or above. We have also built a health & productivity management promotion system led by the President of BIL, who serves as Chief Health Officer (CHO). Under this system, the Company, the labor union, and the health insurance society collaborate with each other, working strategically on initiatives to further increase the rate of employees maintaining exercise habits, promote communication through periodic one-on-one meetings between superiors and subordinates, and other measures to revitalize organizations. As a result, we have been included in the Health & Productivity Stock Selection a total of four times since 2017.



Results of Initiatives (Brother Industries, Ltd.)

	FY2018	FY2019	FY2020
Voluntary turnover rates / Number of employees leaving ^{*1}	1.4% / 54	1.3% / 50	1.0% / 39
Employment rate of persons with disabilities	BIL only	2.18%	2.17%
	Including 13 Brother Group companies in Japan ^{*2}	2.04%	2.11%
Number of employees using the childcare leave system ^{*3}	73 (Male:35 / Female:38)	74 (Male:41 / Female:33)	99 (Male:63 / Female:36)
Percentage of employees taking childcare leave	Male:24.1% / Female:100.0%	Male:32.8% / Female:100.0%	Male:54.8% / Female:100.0%
Number of employees using the family-care leave system ^{*3}	5 (Male:1 / Female:4)	3 (Male:2 / Female:1)	2 (Male:1 / Female:1)
Number of employees using the short-time working system for childcare	177 (Male:9 / Female:168)	176 (Male:7 / Female:169)	184 (Male:10 / Female:174)
Number of employees using the short-time working system for family-care	3 (Male:0 / Female:3)	6 (Male:1 / Female:5)	5 (Male:2 / Female:3)
Number of employees using the nursing care leave system	33 (Male:7 / Female:26)	28 (Male:7 / Female:21)	13 (Male:3 / Female:10)

^{*1} Employees who resigned for personal reasons. ^{*2} BROTHER INTERNATIONAL CORPORATION, BROTHER SALES, LTD., BROTHER ENTERPRISE, LTD., BROTHER LOGITEC LTD., XING INC., STANDARD CORP., TEICHIKU ENTERTAINMENT, INC., NISSEI CORPORATION, BROTHER REAL ESTATE, LTD., BROTHER LIVING SERVICE CO., LTD., BETOP STAFF, LTD., BROTHER INDUSTRIAL PRINTING (JAPAN), LTD. ^{*3} Number of employees who started to take leave in the respective year.

Supporting Diverse Work Styles

BIL has established various systems to support the work-life balance of its employees, including flextime, childcare or family-care leave, short-time working, and nursing care leave systems, so that they can continue working vigorously with no anxiety. Since FY2011, BIL has held seminars to consider how to strike a balance between work and family care in preparation for the arrival of an age with serious family-care problems in the near future. Managers, in particular, are required to participate in these seminars to gain information that helps them prepare for the risks associated with their subordinates' family-care. In FY2015, BIL started adopting telecommuting for employees engaging in childcare or family care, thereby allowing them to more flexibly choose the way they work. In FY2016, BIL held a cancer seminar for women in order to provide female employees with accurate cancer knowledge and continue to work vigorously for long years, and also launched the “Career Community,” composed of theme-based round-table talks by BIL's senior employees.

We have also undertaken initiatives to create a corporate culture that makes it easy for male employees to acquire childcare leave. Such initiatives include posting feedback from male employees who have taken childcare leave on our websites, in the labor union's newsletter, and in other media to encourage male employees' participation in childcare. BIL's Action Plan to Support the Success of Women, which covers from FY2021 to FY2025, sets the targets of increasing the proportion of male employees taking childcare leave of two weeks or more to at least 60% and taking childcare leave of a total of four weeks or more to at least 30% by FY2025. Under the Plan, we are considering reviewing and improving the operation of existing systems or establishing new systems toward achievement of these targets.

TOPICS

BATON Project That Generates New Businesses through Employees' Interaction and Empathy

BATON stands for Business Acceleration and Open Network. It is a method of generating new businesses that is unique to Brother. Any BIL employee* can submit their ideas, and the ideas that pass a screening by the New Business Development Dept. will be posted on “Cloud Opinion,” a selection tool on the intranet. The ideas for which a large number of employees show empathy will be selected, and the applicants who have submitted such ideas will be transferred to the New Business Development Dept. to start new projects. Under these projects, a person who has a new business idea and colleagues supporting the idea will cross business and departmental boundaries and gather to create what they truly want to have and produce. “BuddyBoard,” a note app for iPads, is an example of the products born as a result

of diverse employees interacting with each other and following the founder brothers' spirit of making products on one's own if they do not exist. It is a note app that is easy to use for anyone. It allows users to incorporate photos, videos, and PDF documents, add memos to them by hand, and share them in real time. The app enables, for example, overseas factories or other production frontlines to be connected to design facilities in Japan. It has thus achieved embodiment of the idea of “supporting frontlines from a remote location.”

* Full-time employees and senior temporary employees only



R&D / Intellectual Property

We Will Enhance Our Brand Value through Our Technical Capabilities Trusted by Customers, while Effectively Using Our Intellectual Property Rights

The Brother Group considers that true technical capabilities refer to the utilization of a variety of Brother's unique technologies to create products and services that customers demand. To offer products chosen by customers, the Brother Group's engineers give full attention to customers. They devote themselves to value creation by constantly thinking about what technologies they can apply to satisfy customers and what kind of products will be helpful to customers.

Approaches to Intellectual Property

The Brother Group considers that accumulation of intellectual property with high value and respect for other companies' intellectual property rights are important factors for sustainable business growth. To realize them, as shown below, we have formulated and implemented a basic strategy in relation to intellectual property that is integrated with our management strategy and business strategy.

- Acquire an appropriate amount of high-quality rights according to the intellectual property environment in each business domain to secure freedom of business activities
- Seek to enhance and maintain the value of the group of intellectual property rights we hold by having a good balance between acquiring new rights and disposing of obsolete rights
- Strengthen collaboration with domestic and foreign partners and promote the global formation of intellectual property
- Advance initiatives for digital transformation (DX) and analyze information on intellectual property promptly from various angles, thereby contributing to the promotion of management strategy and business strategy
- Develop intellectual property personnel who use outstanding intellectual property useful to our business from a global perspective

Rights Acquisition Activities

As stated earlier, the Brother Group engages in rights acquisition according to the situation of each business domain. For example, in the Printing domain, where the number of patents acquired in the entire industry is high, we are advancing activities to hold a considerable number of valuable patent rights to gain an advantage over our competitors. In the Industrial Printing domain, we are actively acquiring rights for inkjet-related technologies, in which we have a competitive advantage, thereby supporting the expansion of business growth. Moreover, development departments and intellectual property departments work together to find promising technologies and incorporate them into our Group of patents. With regard to products in new business domains, such as air purifiers and spot coolers, we seek to acquire patent rights, design rights, and trademark rights that protect Brother's new technologies and brands while predicting future developments with related departments.



Spot cooler for forklifts



Example of establishment

Patent Rights Acquisition Status

Brother's patent publication and registration status is as shown below.

No. of patents published in Japan	1,236 (FY2020)
No. of patents registered in Japan	710 (FY2020)
No. of patents registered in the U.S	716 (FY2020)
No. of patents Brother holds worldwide	Approx. 30,000 (as of March 31, 2021)

Utilization of and Respect for Rights

In the Brother Group, we utilize the rights we own in various ways. For example, in some cases, we issue warnings or enforce rights in pursuit of an injunction or damages against those who threaten our businesses by manufacturing and selling products that infringe on our rights. In recent years, we succeeded in obtaining an injunction from the U.S. International Trade Commission (ITC) against the importing of printer consumables into the U.S. which infringed on patent rights that we acquired in the U.S. We have also concluded intellectual property licensing agreements, and some of our rights are used by other companies. Meanwhile, Brother respects third parties' rights. When starting a new business and developing a new product, we conduct thorough patent investigations from an early stage to ensure that we do not infringe on other companies' intellectual property rights. We also avoid other companies' rights or acquire licenses for such rights, as necessary. In this way, we have realized the commercialization and development of products embodying Brother's motto "At your side."

Brand

We currently own the trademark right for the Brother brand in 150 countries and regions. Depending on the situation, we issue warnings, file lawsuits, or take other actions to protect the brand against imitations (products infringing on our trademark). Within the Brother Group, we have set up a Group-wide organization responsible for the management and use of the brand, while establishing internal rules to provide clear guidelines for the appropriate management and use of the brand. We thus strive to maintain and improve our brand image.

Development of Human Resources for Intellectual Property

BIL continuously develops human resources related to intellectual property. We provide engineers with opportunities to deepen their understanding of intellectual property through means such as internal e-learning and training programs given according to their levels. We also provide intellectual property department personnel with professional education programs extending over several years. We focus on the development of global human resources as well. Even during the COVID-19 pandemic, which has made it difficult to dispatch personnel overseas, we hold periodic online workshops conducted by foreign attorneys and have incorporated other new training methods.

Production

We Have Established Production Facilities Mainly in Asia and Manufacture Highly Reliable Products through the Collective Efforts of the Brother Group

We have developed a global production system involving multiple facilities especially for consumables. By diversifying production facilities, we strive to reduce various risks and realize stable supply of products to customers.

Strengths in Production

Risk Hedging and Realization of Cost

Competitiveness through Global Production Strategy

In our mainstay P&S business, we have built a global production system centered on factories in China, Vietnam, and the Philippines. We promote production at multiple facilities for consumables, in particular, and strive to realize stable production and stable supply to customers. In light of the production efficiency and consumption sites, we review the production scale and items of each factory as needed, expanding the scale of factories to increase their production capabilities

or consolidating factories to raise management efficiency, if necessary. Our factories in Japan, Europe, and the U.S. recycle consumables and undertake initiatives toward the realization of a sound material-cycle society as eco-friendly factories. The spread of COVID-19 significantly affected our supply chain. In particular, it caused stagnation of parts procurement, production, and shipping and distribution. In preparation for natural disasters and geopolitical risks that could occur in the future, we will advance the diversification of production facilities, storing of inventories, and collaboration with parts suppliers, as well as making efforts to build a resilient supply chain.

Sales / Services

We Have Established Sales and Service Facilities in Countries and Regions across the World and Deliver Products and Services to Customers All Over the World

We collect customer feedback by using the global sales network and expertise we have built over long years and provide products and services with added value unique to Brother.

Strengths in Sales

Detailed Customer Services Based on Flexible Responses

Amid rapid changes in the business environment, such as the diversification of markets and changes in customers' behavior, Brother collects customer feedback together with our sales facilities established in more than 40 countries and regions. We are also strengthening collaboration with our business partners in new businesses and fields, while utilizing the sales routes and technological and sales expertise we have nurtured to date. In the Machinery business (Industrial Equipment), we held online seminars so we would be able to provide solutions to customers even though we were unable to visit customers due to the COVID-19 pandemic. Our sales companies in Japan also held an online new product presentation event, where they explained our business strategy and features of new products and introduced examples of usage.

Full Range of Support and Prompt Provision of After-sales Service

We have set the activity goal of continuing to provide a full range of support and prompt after-sales service so that customers keep using our products. In the P&S business, the quality and service departments of the Brother Group meet once a year to share important issues toward realization of the Group's Basic Policies and global service strategy, as well as cases at each site. By providing a summary of findings at the meeting to their respective regions, these departments help to further enhance our service levels. During the COVID-19 pandemic, customer inquiries are handled by personnel working from home or at newly established satellite offices. At our overseas sales sites, we have also adopted new customer response systems that utilize information technology (IT) and artificial intelligence (AI), such as chats and chat bots*, in addition to services by phone and email.

*A chat bot is a conversation system that answers text entered by users through an automated system.

Practice ESG-focused Management for Sustainable Value Creation



To Build a Long-term Relationship of Trust with Stakeholders

The Brother Group is implementing ESG-focused management to create a society in which sustainable development is possible. The Company formulated the Brother Group Environmental Vision 2050 in order to contribute to solving social environmental issues, focusing on activities related to reduction of CO₂ emissions, resource circulation, and biodiversity conservation. The Brother Group announced support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2020 and conducted analyses of the risks and opportunities of climate change for the Group’s businesses. The results of the analyses were reflected in management, and related information was disclosed in August 2021. In addition, the Group joined the RBA* in an effort to become a company trusted by all stakeholders and is strengthening systems to correct and assess risks in its supply chains by striving to reduce the impacts on human rights, labor, safety and health, and the global environment.

* Responsible Business Alliance (RBA): an international organization dedicated to promoting corporate social responsibility.

Initiatives for Respective Stakeholders

Stakeholders	Brother Group Global Charter	Efforts
Customers	<p>Place our customers first everywhere, every time, and provide them with superior value, by quickly creating and delivering high-quality products and services</p> <p>Quickly respond to the demands and expectations of the global marketplace</p>	<ul style="list-style-type: none"> Take customer opinions as the starting point of our business activities and deliver products and services that meet customer needs Establish quality standards and evaluation methods for products and create reliable products Call the percentage of products sent back from customers for repair or return the “rate of product return and servicing,” and pursue product quality improvement to reduce product defects close to zero Work in proper cooperation with partners to flexibly respond to diversified business tools, markets, and changes in customers’ behavior
Employees	<p>Respect diversity, provide a working environment that enables our associates to utilize their talents and abilities to the fullest, and give them great opportunity through challenging work assignments</p> <p>Provide our associates with fair, attractive financial rewards</p>	<ul style="list-style-type: none"> Build systems and environments in which diverse human resources can demonstrate their abilities Support employees with disabilities by selecting “work and life consultants,” who provide advice and other assistance for employees with disabilities, from among employees in respective factories Establish various systems, including homeworking and family-care leave systems, to support the work-life balance of employees Institute a target management system to provide fair evaluation and compensation Establish talent development systems, such as manager development and trainee programs Conduct an employee awareness survey annually to grasp and improve conditions, mainly to ensure employees are working energetically
Business partners	<p>Act fairly with business partners and build strong, respectful working relationships for mutual growth</p>	<ul style="list-style-type: none"> Make the Brother Group’s “Procurement Policy” and “CSR Procurement Standards” publicly available to share the Group’s CSR procurement concept with suppliers Operate the “CSR Procurement Level-up Program” and continuously conduct CSR questionnaires to suppliers and improvement requests and monitoring based on the results Recognize outstanding CSR efforts by suppliers
Shareholders	<p>Effectively utilize capital from shareholders to drive sustainable growth in corporate value and have regular, open communication</p>	<ul style="list-style-type: none"> Provide the latest information to shareholders and investors through general meetings of shareholders and financial results briefings
Local communities	<p>Share our social, economic and cultural resources in all the communities where the Brother Group operates</p>	<ul style="list-style-type: none"> Globally promote social contribution activities with a sense of unity, especially focusing on eco-conscious activities and activities involving “communities” and “personal development (including employees)” Contribute to society through activities autonomously conducted by the Group facilities in a way tailored to their local communities Provides support during large-scale disasters and pandemics
Environment	<p>Help society achieve sustainable development, by positively and continuously considering the environmental impact of all aspects of our business operations</p>	<ul style="list-style-type: none"> Create eco-conscious products Recover and recycle consumables and products Promote CO₂ emissions and waste reduction Properly manage chemicals and discharged water Implement environmental communication
Governance	<p>Respect the culture, rules and spirit of laws, in all countries and regions where the Brother Group operates</p> <p>Act with the highest integrity</p> <p>Expect our associates to be positive members of society</p>	<ul style="list-style-type: none"> Establish and strengthen governance in line with the “Brother Group Basic Policies on Corporate Governance” Conduct self-assessments by respective facilities and audits by the internal audit department to check the effectiveness of internal control Put the Compliance Committee and consultation centers in place and offer employees training to prevent the occurrence or reoccurrence of misconduct and enable early response to it Establish a framework for information management by setting up the Group Information Management Regulation, which is compliant with the Information Security Management System (ISMS)

Brother aims to create and provide superior value underpinned by its “At your side.” spirit.

We will meet the demands of society and promote ESG-focused management, thereby developing a long-term relationship of trust with customers and other stakeholders through business growth and fulfillment of social responsibilities as stated in the Brother Group Global Charter.

Promoting Initiatives Towards Resolving Social Challenges

To promote ESG-focused management and accelerate initiatives that contribute to the realization of a sustainable society through business, the Brother Group is working on the following items that have been prioritized among a number of social issues:

- ① Seek to provide innovative products and services that make our customers happy
- ② Undertaking continuous efforts in environmental conservation
- ③ Continuously promote social contribution activities
- ④ Enhance collaboration with business partners on ways to address social demands quickly

Among the 17 Sustainable Development Goals (SDGs) proposed by the United Nations, the SDGs linked to the above priority items 1 to 4, as well as initiatives for these SDGs, are shown below.

SDGs Related to Priority Items and Initiatives Taken for These SDGs

Priority	Goal	Initiative
①	 Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> •Deliver products and services that can ensure people’s healthy lives and promote well-being
	 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> •Deliver products and services that lead to improvement of customer productivity and reduction of simple work •Deliver products and services that can contribute to the employment of people with disabilities and the fields of medical and welfare
	 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> •Create new businesses that will solve social problems
	 Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> •Provide products and services that support eco-friendly systems for creating, storing, and utilizing electricity and heat with zero CO₂ emissions •Promote the introduction of solar power generation
	 Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> •Promote resource circulation in the value chain •Evaluate water risks at business sites and promote water saving and water recycling
②	 Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> •Promote / implement energy-saving activities (including energy generation) and reduce the use of lubricant agents containing greenhouse gases •Create eco-conscious products •Promote reduction of CO₂ emissions from the supply chain
	 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt biodiversity loss	<ul style="list-style-type: none"> •Assess the impact of business operations on biodiversity •Reduce environmental impact on the ecosystem •Promote activities to restore / conserve the ecosystem
	 Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> •Promote Health and Productivity Management •Conduct projects, such as the Golden Ring Project for cancer patients
③	 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> •Further promote educational support for local communities •Provide educational support for people with disabilities
	 Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> •Establish a disaster prevention crisis control system in anticipation of a Nankai Trough earthquake •Provide reconstruction support to affected areas
④	 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> •Strengthen CSR in the supply chain using the RBA know-how
	 Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> •Comply with the laws and regulations of each country and region, and build a stronger chemical management system throughout the Group

Environmental Initiatives

The Brother Group Will Positively and Continuously Consider the Environmental Impact in All Aspects of Our Business Operations toward the Development of a Sustainable Society

In accordance with the basic philosophy of the Brother Group's Environmental Policy, we take the environment into consideration at all stages of a product's life cycle, from development, design, and manufacturing to use, disposal, and reuse, as the social responsibility of a manufacturing company.

 [Brother Group's Environmental Policy](https://global.brother/en/sustainability/eco/policy/) <https://global.brother/en/sustainability/eco/policy/>

Brother Group Environmental Vision 2050

In 2018, we formulated “the Brother Group Environmental Vision 2050” as a company that uses energy and resources to provide products using bio-based items such as paper, thread and cloth. The Vision recognizes the key social issues of climate change, resource depletion, environmental pollution, and destruction of the ecosystem as business risks for the Brother Group and clearly states the Group's continuous commitment to solving these issues over the long term. Later, in FY2021, with a view to accelerated moves toward a sustainable society, we reviewed the CO₂ emissions reduction target that we set in the Environmental Vision. As for CO₂ emissions reduction, we aim to achieve carbon neutrality*¹ in all our business activities and minimize CO₂ emissions throughout our entire value chain by FY2050 to contribute to the creation of a decarbonized society. We have also newly set a target of reducing CO₂ emissions (Scope 1 and Scope 2) from the entire Brother Group by 65% compared to the FY2015 level by FY2030.

Brother Group Environmental Vision (2050 targets)

	Targets and Goals	Main Efforts
Reduction of CO₂ emissions	Aim to achieve carbon neutrality* ¹ in all business operations and minimize CO ₂ emissions from the entire value chain so as to contribute toward creating a carbon-free society	Introduction of solar power generation, renewal of air conditioning facilities, renewal and adoption of energy-saving for production facilities, etc.
Resource circulation	Maximize resource circulation to ensure the sustainable use of natural resources and minimize the environmental impact due to wastes	Reuse of products and parts, use of recycled materials, etc.
Biodiversity conservation	Minimize the environmental impact of business operations on the ecosystem and promote activities to restore and conserve the ecosystem beyond the impact	Biodiversity conservation activities, reduction of CO ₂ emissions, and promotion of resource circulation

* Achieve overall zero CO₂ emissions from the Brother Group.

Mid-term Target for FY2030

Reduction of CO₂ emissions	<ul style="list-style-type: none"> •[Scopes 1 and 2] Achieve 65% reduction from the FY2015 level •[Scope 3 Categories 1, 11, and 12] Achieve 30% reduction from the FY2015 level
Resource circulation	<ul style="list-style-type: none"> •Mechanisms for resource circulation have been established throughout the value chain. Efforts have been made to reduce the amount of new natural resources that are used in main products •The Group's manufacturing facilities continuously endeavor to ensure efficient use of water resources and proper treatment of wastewater
Biodiversity conservation	<ul style="list-style-type: none"> •The Brother Group assesses the environmental impact of its business operations on the ecosystem and the effectiveness of restoration and conservation activities, and works to avoid and reduce the environmental impact on the ecosystem •The manufacturing and sales facilities of the entire Group work on ecosystem restoration and conservation activities on a voluntary basis depending on the situation in each region

Activity Policy and System

The cornerstone of our environmental activities is to take full account of safety and environmental impact at every stage of a product's life cycle, from development and manufacturing to customer use, disposal, and reuse, and we conduct environmental activities in accordance with eight action guidelines. The Brother Group has established the Environmental Committee (the supreme committee that promotes environmental management) as a decision-making organization responsible for addressing environmental risks, such as climate change and environmental laws and regulations, and the Group's environmental issues. This Committee is chaired by the officer in charge of environmental affairs, and its members include officers in charge of function centers, new businesses, and fields related to general affairs as well as officers in higher positions. The Committee meets twice a year and convenes additional sessions as necessary. Through this Committee, the officer in charge of environmental affairs instructs departments at the head office, business divisions, and function centers to determine policies and implement measures.

Guidelines

1	We will set environmental targets in all areas (manufacturing, production, and service) and continuously improve their environmental aspects.	5	While respecting voluntary activities by each company of the Brother Group, we will also exercise our environmental duties as a united group.
2	We will recognize the importance of reducing energy consumption in all areas (manufacturing, production, and service) and strive to make energy consumption efficient and reduced in the entire Value Chain.	6	We will enhance the environmental understanding and awareness of all employees through activities such as environmental education and PR.
3	We will not limit our activities to the observation of laws and regulations in all countries where we conduct business, but will also act with a strong moral responsibility to prevent pollution and reduce environmental impact.	7	We will actively disclose our environmental efforts to our customers, local communities, and other interested parties to further foster understanding.
4	We will always consider waste reduction by more efficient use of resources and recycling of products, and will also avoid creating contamination by hazardous substances when designing and developing both technologies and products.	8	We will endeavor to reduce our impact on the ecosystem and to conserve biodiversity in all our operations.

Specific Activities

Activities Related to Products

To develop products that are eco-conscious throughout their entire life cycle, it is essential to implement thorough measures, particularly at the initial stage when products are developed and designed. Accordingly, Brother has established the specifications that should be achieved at this stage in the “key quality specifications” of its “product environmental impact assessment” and has specified the procedure for materializing such specifications. Since each of the subsequent stages—from the manufacturing of products to use by customers, disposal, and reuse—are closely interlinked in terms of environmental impact, we are required to make continuous efforts to carry out incremental improvements and achieve technological innovation at all stages. The Brother Group aims to undertake such initiatives throughout its operations and continue to be a company that delivers eco-conscious products to customers.

Resource Circulation Initiatives

The Brother Group in Europe started a recycling program in 2004 by adopting newly developed recycling-compatible toner cartridges. Thanks to an automated recycling system we introduced, we are able to offer the same high quality in recycled cartridges as well.

In FY2020, the Brother Group as a whole remanufactured 2.59 million toner cartridges, and this not only contributed to resource circulation but also helped reduce CO₂ emissions by 5,300 tons. Going forward, the Brother Group will continue to promote resource circulation throughout our value chain.

Water Consumption Reduction Activities

The Brother Group has been monitoring all our sites regularly, evaluating water risks at each site every year, and working to reduce water consumption to fulfill our responsibilities as an operator of manufacturing facilities in many countries and regions. At facilities with relatively high water consumption, we also formulate water management plans and implement various initiatives. Such initiatives include activities to increase production efficiency and reduce water usage in restrooms, reuse of water in cooling towers, use of rainwater, reuse of water used for performance tests of fire pumps, and early detection of water leaks by patrolling.

Biodiversity Conservation

We are working to quantify and reduce the environmental impact of the Brother Group’s business activities on the ecosystem toward achieving the Environmental Vision 2050.

Specifically, based on product life cycle assessment, we quantify the environmental impact caused by the input and output in individual processes of business activities and calculate the rate of environmental impact in the individual processes. We have identified the Group’s ecosystem conservation activities that reduce each of the risks of climate change, pollution, biological resource loss, habitat loss, and invasive alien species, making use of such conservation activities for our initiatives to reduce environmental impact.

FY2020 Activity Highlights

Creation of Relationship Map between Business Activities and Biodiversity

This map shows the rate of environmental impact on the individual processes of our business activities, major risks of our business activities to the ecosystem, and the Group’s ecosystem conservation activities that reduce the respective risks.

FY2019	Laser multi-function printers, Inkjet multi-function printers
FY2020	Label printers, Home sewing machines, Machine tools, Online karaoke systems

 Biodiversity Conservation

<https://global.brother/en/sustainability/eco/biodiversity>

Environmental Conservation Activities

The Brother Group has rolled out unique programs that contribute to conserving the global environment, such as the “Brother Eco Point Program^{*1}” and the “Click for the Earth program^{*2},” in more than 40 countries and regions. These programs have been recognized by the Japan Committee for United Nations Decade on Biodiversity as cooperative projects that are highly effective in terms of biodiversity conservation and sustainable use. For these activities, we also won the Gold Prize of the Aichi Environmental Awards.

The number of people participating in Brother eco point activities

reached 32,703 as of March 31, 2021. Although “Click for the Earth” activities were affected by self-restrictions on the holding of events during FY2020, we were still able to earn more than 730,000 clicks^{*3}.

Strengthening of External Communication

The Brother Group publicizes the environmental conservation activities we undertake in various countries and regions across the world in order to contribute to solving environmental issues on a global scale and meet stakeholders’ demands and expectations.

In FY2020, we transformed our environment special website “brotherearth.com,” which was opened in 2010, into the SDGs special website “Brother SDGs STORY.” Through this website, we communicate SDGs activities unique to Brother and the thoughts behind such activities, tree planting, education, and other environmental conservation activities, and environmental technologies, such as energy-saving machine tools and resource saving through recycling of printer cartridges, in an easy-to-understand manner toward the realization of a sustainable society.

^{*1} A program that grants points for eco-conscious actions taken by employees and customers and uses accumulated points for financing environmental contribution activities and tree planting conducted by Group facilities.

^{*2} A program enabling people all over the world to support the Brother Group’s environmental conservation activities easily, with just one click. The circle of people supporting such activities is expanding through social media, events, and other means.

^{*3} 731,442 points in FY2020 and 738,136 points in FY2019 (1 point = 1 click).

Environmental Initiatives

TCFD



Compliance with the TCFD Recommendations and Further Promotion of Climate Change Countermeasures

In February 2020, the Brother Group expressed our support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). Based on these TCFD Recommendations, we conducted scenario analysis regarding the risks and opportunities of climate change for our businesses, and disclosed relevant information. We will expand the scope of our analysis, reflect the results of analysis in our management strategies, and strive to enhance our information disclosure regarding financial impact. The Brother Group will use the endorsement of the TCFD recommendations as an opportunity to further step up our climate change countermeasures in order to continue contributing to the formation of a decarbonized society.

Governance

The Brother Group is driving global environmental conservation activities throughout the Group based on the Brother Group Environmental Policy. The Strategy Committee, composed mainly of Representative Directors and Executive Officers who serve concurrently as Directors, discusses and makes decisions on important projects related to climate change, and moreover they evaluate and manage the status of environmental activities, including the Group’s response to climate change.

In addition, the Environmental Committee (chaired by the environmental officer) meets twice a year as the decision-making body responsible for environmental risks, including climate change, and environmental issues of the Brother Group. Serious environmental risks and issues related to climate change at the Environmental Committee are reported to the Risk Management Committee chaired by the Representative Director & President. In addition, top priorities are reported to the Board of Directors for instructions and supervision from the management.

Strategy (Scenario Analysis)

The “Brother Group Environmental Vision 2050” places the reduction of CO₂ emissions as an important matter for the Brother Group. Together with recognizing that climate change, which is becoming more serious

around the globe, is an important social issue, we regard climate change as business risks and opportunities for the Brother Group and are striving to resolve it on a long-term and continuous basis.

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

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

The results of this analysis showed that, in both aspects of risks and opportunities, the promotion of carbon neutrality—especially the promotion of response to a circular economy—is important to the Brother Group. Going forward, the Group will further strengthen initiatives such as CO₂ emission reduction activities and the expansion of recycling businesses.



Risk Management

The Brother Group regards important social issues such as climate change, resource depletion, environmental pollution, and ecosystem destruction as business risks. As such, the Brother Group Environmental Vision 2050 makes it clear that we will strive to resolve these issues on a long-term, ongoing basis.

The Risk Management Committee headed by the Representative Director & President has been established to regularly meet to identify and evaluate company-wide risks,

including environmental risks such as climate change, and to give appropriate response instructions. In addition, the Environment Committee was established as a subordinate body of the Risk Management Committee, and this committee identifies important challenges, such as climate change, and determines and implements appropriate measures. Furthermore, the committee sets ambitious targets for climate change countermeasures and regularly monitors progress.

Climate-related Risks

Changes in the External Environment		Financial Impact	Estimated Time	Impact on the Brother Group	Countermeasure	
Transition risks (Policy and legal risk)	Carbon neutral	Introduction of carbon tax or increase in carbon tax rate	Medium	Mid-term	Increases in product and service costs due to introduction of carbon tax or increase in carbon tax rate	Set medium-term targets to reduce CO ₂ emissions by FY2030, and implement planned activities to achieve these targets
	Carbon neutral	Shift from gas / diesel vehicles to electric vehicles	Medium	Short-term	Falling demand for metalworking parts for internal combustion engines	Develop machine-tool products and functions suitable for processing parts related to electric vehicles, which are expected to increase
	Circular economy	<ul style="list-style-type: none"> Strengthening of environmental regulations Growing market demand 	—	Short to Mid-term	Sales opportunity losses owing to lag in meeting environmental regulations and market demand in the communications and printing equipment sectors	<ul style="list-style-type: none"> Implement preliminary surveys on regulatory trends and early response Implement activities to improve the usage rate of recycled plastics and reduce the amount of Styrofoam used with printing equipment Implement activities to reduce the use of new resources
Physical risks (Acute)		Intensified damage from extreme weather events such as cyclones and floods	Medium	Short to Long-term	Production could be suspended due to floods	<ul style="list-style-type: none"> Implement specific measures against natural disasters Implement risk countermeasures through multi-site production for some models Strategically consider parts suppliers and their upstream suppliers

Estimated Time Short-term: Within 10 years Mid-term: 10-50 years Long-term: Over 50 years
 Financial Impact Low: 1 billion yen or less Medium: 1 to 10 billion yen Large: Over 10 billion yen —: Consider in the future

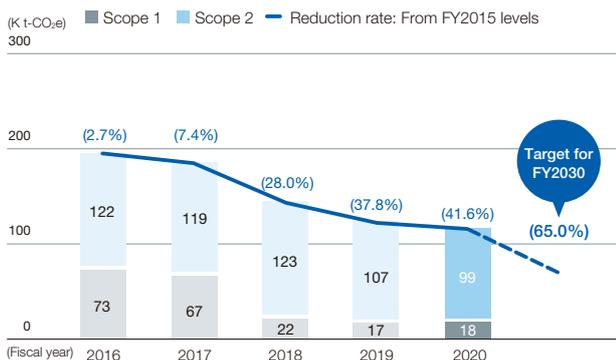
Climate-related Opportunities

Changes in the External Environment		Impact on the Brother Group	
Opportunities (Products and services)	Carbon neutral	Increasing need for customers to cut CO ₂ emissions	Increased demand for energy-efficient products and low-carbon products
	Carbon neutral	Shift from gas / diesel vehicles to electric vehicles	Rising demand for machine tools to increase new manufacturing workpieces for electric vehicle-related parts, etc.
	Circular economy	Circular economy	Secure business opportunities through the expansion of cyclical businesses

Metrics and Targets

Under the Brother Group Environmental Vision 2050, in the reduction of CO₂ emissions, the Brother Group will aim to achieve carbon neutrality* in all business operations and minimize CO₂ emissions from the entire value chain by FY2050. In addition, the mid-term target for FY2030—which serves as a milestone—is set as achieving, by FY2030, 65% reduction in CO₂ emissions from the Brother Group from the FY2015 level for Scopes 1 and 2, and 30% reduction from the FY2015 level for the stages of product procurement, use, and disposal (categories 1, 11, and 12 of Scope 3), which emit particularly significant amounts of CO₂ in the value chain.

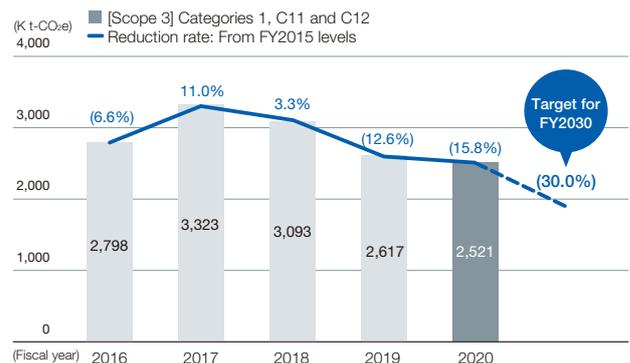
Set Mid-term Target of Achieving 65% Reduction from the FY2015 Level in Scopes 1 and 2 by FY2030



In order to achieve the mid-term target for reducing CO₂ emissions in line with the Brother Group Environmental Vision 2050, the Brother Group is undertaking a number of efforts. These include reducing the use of solvents containing greenhouse gases used in production processes, stepping up energy-saving activities at workplaces (for example, introducing high-efficiency equipment), accelerating the use of renewable energy, and resource and energy conservation in company products, and promoting the recycling of resources.

* Achieve overall zero CO₂ emissions from the Brother Group.

Set Mid-term Target of Achieving 30% Reduction from the FY2015 Level in Scope 3 (Categories 1, 11, and 12) by FY2030



Social Initiatives

With the “At your side.” Spirit in Mind, the Brother Group will Continue to Conduct Activities to Gain the Trust of All Stakeholders through the Autonomous Behavior of Its Employees

Each and every employee takes action in accordance with the Global Charter, which serves as the basis of all operations, and continues to engage in sincere dialogue with stakeholders. Through these activities, we will gain the trust of our stakeholders and contribute to the realization of a sustainable society.

Dialogue with Employees

The Global Charter sets forth the fundamental principles of the Brother Group, such as “quickly and consistently providing superior value with the “At your side.” spirit in mind,” “confidently facing challenges with a consistently global view,” and “acting with the highest integrity.” The top management of the Group’s respective facilities formulates their commitments every year based on the Global Charter and places importance on holding direct talks with employees to share policies and understand issues at work sites.

The top management and employees had about 4,000 direct talks in FY2020. In addition, the management issued messages globally each week, and the messages communicated during the fiscal year totaled 53 (including 40 messages issued by the President). These messages are made available on our intranet in eight languages. We also conduct a variety of activities designed to encourage each and every employee to take action suited to the roles and issues of their organizations. For example, the Global Charter promotional leaders appointed by the managers of each facility or department create opportunities for employees to review their own actions in light of the Global Charter.

Co-creation of Value with Suppliers

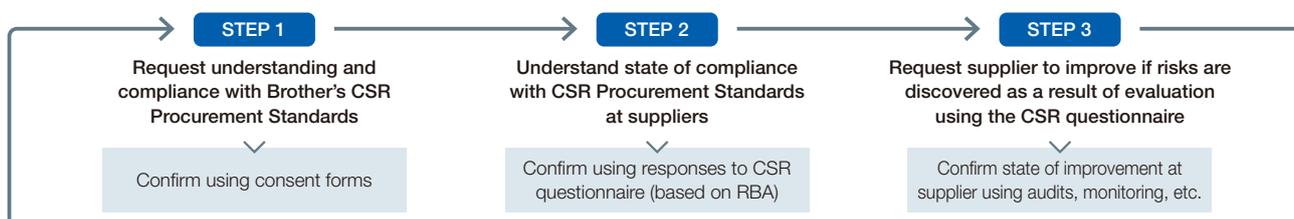
The Brother Group Global Charter stipulates that the Group “effectively delivers superior value to customers, acts fairly with business partners, and builds strong, respectful working relationships for mutual growth.” Based on this idea, we have established our “Procurement Policy” and “CSR Procurement Standards.” In FY2020, the Brother Group developed our CSR Procurement Level-up Program to improve CSR procurement at our suppliers. This program comprises the three steps given below, and repeatedly conducting these steps helps to improve the level of CSR procurement at each supplier. For existing suppliers, based on the evaluation results for their state of compliance with the CSR Procurement Standards, areas of improvement are clarified for

each supplier, the results are given as feedback to the suppliers, and they are requested to make improvements. For new transactions, compliance with the CSR Procurement Standards is confirmed so that CSR procurement is carried out even more steadily in the future. Through this program, the Brother Group seeks to further improve the level of CSR procurement together with suppliers.

“Procurement Policy” and “CSR Procurement Standards”

The Brother Group makes its “Procurement Policy” and “CSR Procurement Standards” publicly available to share its CSR procurement concept with parts and materials suppliers. The policy and standards cover a wide range of fields, including human rights and labor, the rights to organize and bargain collectively, safety and health, global environmental protection, fair trade and ethics, product quality and safety, raw materials, information security, and social contribution. The Brother Group complies with local laws and regulations and supports workers’ collective bargaining rights by conducting collective negotiations and respecting communication between management and employees on working conditions and management practices. In addition, in January 2019, the Group joined the Responsible Business Alliance (RBA) to better correct and assess risks in areas such as human rights, labor, safety and health, the reduction of environment impacts in its supply chain.

	FY2018	FY2019	FY2020
Procurement Policy and CSR Procurement Standards	Established in 2008		
Green Procurement	Started in 2001		
Supplier meeting	Participated in by approximately 372 companies and 670 individuals in total	Participated in by approximately 460 companies and 900 individuals in total	Conducted online Participated in by 129 companies and 217 individuals
CSR questionnaire	Conducted every three years since 2012		



Relationship with Local Communities

The Brother Group Global Charter stipulates that the Brother Group must always be a good corporate citizen, sharing our social, economic and cultural resources in all the communities where the Brother Group operates. Based on this idea, the Brother Group has been globally promoting social contribution activities that further enhance a sense of unity as a group.

Such global activities include charity activities conducted in many parts of the world to support cancer patients. More than 4,300 employees from over 20 Group facilities have participated in these initiatives.

The Brother Group has also been cosponsoring the Tokai Young Entrepreneur Seminar in Japan since 2008 to assist young entrepreneurs who address local challenges. Every year, three or four of our employees participate in this seminar as pro bono workers, with the total number of employees participating reaching 29 by 2020.

These activities have not only helped to strengthen our connections with local communities but also led to increasing employees' awareness and broadening their perspectives, enabling them to make use of their experience in their own actions and work.



Charity activity which aim to support cancer patients (Relay For Life (FY 2019))



Online and face-to-face meetings while taking thorough measures against COVID-19

Communication with Shareholders and Investors

BIL aims to build long-term trust relationships with shareholders and investors and continuously improve corporate value.

In FY2020, in addition to quarterly detailed disclosure of business performance, business impact and response related to the spread of COVID-19, the executives in charge of the main businesses also participated in the online financial results briefing for each quarter, and they responded sincerely to questions from analysts and institutional investors. In addition, we were able to establish constructive communication with a large number of analysts and institutional investors by holding small meetings with the executives in charge of our main businesses on a quarterly basis.

Furthermore, in response to requests from shareholders and investors, we have disclosed information on orders received for industrial equipment from the full-year financial results for FY2020, and in order to enhance information dissemination in English, we have translated and disclosed the entire Annual Securities Report.

Initiatives for FY2020

- Held all meetings online
- The President attended all quarterly financial results briefings and provided detailed explanations on matters such as changes in the business environment caused by COVID-19 and responses taken to such changes
- Disclosed information on orders received for industrial equipment (from the full-year financial results for FY2020)
- Disclosed the entire Annual Securities Report in English (from the Report for FY2020)



Online financial results briefing for investors

 Detailed information on sustainability initiatives

<https://global.brother/en/sustainability/>

Message from the Representative Director & Chairman



Toshikazu Koike
Representative Director &
Chairman
Chairperson of the Board

The Role of the Board of Directors

Brother has established bases in more than 40 countries and regions, and operates across all corners of the globe. Amid ongoing changes in social and economic environments, if we wish to continue meeting the expectations of our customers and other stakeholders, it is vital that we both make and execute everyday decisions in a rapid manner. In order to ensure that decisions are made and executed appropriately, and in order to support sustainable corporate growth, it is crucial that the Board of Directors supervises executive functions, encourages the rapid execution of management strategies, and provides advice from a medium and long-term perspective.

Strengthening Governance Systems

In order to accelerate its decision-making and strengthen its corporate governance, in 2000 Brother adopted an executive officer system; in addition to clarifying the division of roles between execution and supervision, since 2008 we have also ensured that approximately half our Directors are Outside Directors, with the goal of ensuring our Board of Directors maintains a high degree of independence. In 2015, we drew up the “Brother Group Basic Policies on Corporate Governance” to further strengthen our governance; at the same time, through the appointment of female Directors and Directors with wide-ranging experience, we have established a Board of Directors system that is incredibly diverse. I believe that for a company

to survive, it is vital that diverse human resources—regardless of nationality or gender—have the opportunity to engage in discussions and demonstrate their potential. For this reason, I have strongly advocated a more diverse executive make-up, and urged the appointment of both foreign and female Executive Officers. The Board of Directors seeks to achieve a high level of transparency and objectivity; to this end, we are audited by Outside Auditors with expertise in legal affairs and accounting. With regard to the nomination and compensation of directors and Executive Officers, we are advised by the Nomination Committee and the Compensation Committee. These voluntary committees comprise a majority of Outside Directors and are chaired by Outside Director, and work to safeguard the fairness and transparency of the Board of Directors procedures.

Today, the Group’s external environments are undergoing immense change. If we want to respond to business issues that are both global and diverse in nature, it is critical that executive and supervisory functions are carried out to a high level, rooted in wide-ranging knowledge and voices from diverse backgrounds. Consequently, when appointing Outside Directors, our focus is on candidates who have global business experience, rich management experience, high levels of expertise, and experience in resolving social issues; we do not favor candidates from specific fields, but instead take care to ensure the Board of Directors features the diverse skills required for corporate management.

As Our Business Environments Undergo Immense Change, In Order to Grow in a Sustainable Manner We Will Continue to Improve the Effectiveness of Our Board of Directors

Improving the Effectiveness of the Board of Directors

Directors and Corporate Auditors form the core of any corporate governance system; to function effectively, it is vital that they share information—including background information—related to management and business issues, and are able to discuss such issues freely. With regard to important matters that are troublesome for external parties to understand, I myself fully explain the background and goals of these matters to both Outside Directors and Outside Auditors, and invite them to participate in our discussions.

At Brother, the advice and recommendations of Outside Directors stimulate vigorous debates at every meeting of the Board of Directors. I have chaired the Board of Directors for many years, but no matter how well I prepare for them, I frequently receive questions and recommendations I had not foreseen—it is clear to me that our Outside Directors create a positive sense of tension among the management. The Board of Directors also welcomes Outside Director-led agendas; in addition to governance, compliance, and other “safeguarding” measures, we therefore also receive advice related to executive activities from long-term and holistic perspectives.

The question remains as to whether the above initiatives guarantee that our Board of Directors functions effectively. In order to answer this question, as stipulated by our Corporate Governance Code, we have carried out an evaluation of the effectiveness of the Board of Directors every year since 2015, in which all Directors and

Corporate Auditors take part. Since 2019, we have used external agencies for a more objective evaluation, and going forward we intend to continue improving the way these evaluations are conducted.

Sustainable Growth

Brother was founded more than 110 years ago, and we intend to continue growing in a sustainable manner. The Board of Directors will carry out effective management supervision and governance, and thereby enable the executive functions of our company to undertake new challenges for the future.

The world is undergoing significant change, exemplified by changing values and work styles, and the impact of COVID-19. If we continue to operate at the same pace, our management will not be able to respond to these changes in an effective manner. So that Brother can continue to flourish through its “At your side.” spirit, we intend to accelerate the speed with which we carry out our decisions, and to facilitate the execution of our business strategies.

As we set out to achieve our new “At your side 2030” vision, in terms of governance, we will not stop at supervising and advising management; instead, we will accelerate efforts to resolve ESG issues—by combating climate change and supporting the decarbonization of society, promoting human resources training and diversity, and establishing sustainable supply chains—and so contribute to both the growth of society and the future of our earth.

Directors, Corporate Auditors, and Executive Officers (As of June 23, 2021)

Directors



Toshikazu Koike
Representative Director & Chairman

Apr. 1979 Joined the Company
Aug. 1982 Brother International Corporation (U.S.A.)
Oct. 1992 Director of Brother International Corporation (U.S.A.)
Jan. 2000 Director & President of Brother International Corporation (U.S.A.)
Jun. 2004 Director of the Company
Jan. 2005 Director & Chairman of Brother International Corporation (U.S.A.)
Apr. 2005 Director & Managing Executive Officer of the Company
Apr. 2006 Director & Senior Managing Executive Officer of the Company
Jun. 2006 Representative Director & Senior Managing Executive Officer of the Company
Jun. 2007 Representative Director & President of the Company
Jun. 2018 Representative Director & Chairman of the Company (current position)
Jun. 2020 Outside Director of Toyo Seikan Group Holdings, Ltd. (current position)
May 2021 Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation (current position)



Ichiro Sasaki
Representative Director & President

Apr. 1983 Joined the Company
Jan. 2005 Managing Director of Brother U.K. Ltd.
Apr. 2008 General Manager of NID Research & Development Dept. of the Company
Apr. 2009 Executive Officer of the Company
Apr. 2013 Managing Executive Officer of the Company
Jun. 2014 Director & Managing Executive Officer of the Company
Jun. 2016 Representative Director & Managing Executive Officer of the Company
Apr. 2017 Representative Director & Senior Managing Executive Officer of the Company
Jun. 2018 Representative Director & President of the Company (current position)



Tadashi Ishiguro
Representative Director & Vice President
Supervision of P&S Business Division
Supervision of N&C Business Division
Responsible for: MIS Dept.

Apr. 1984 Joined the Company
May 1987 Brother International Corporation (U.S.A.)
Jan. 2005 Director & President of Brother International Corporation (U.S.A.)
Apr. 2011 Group Executive Officer of the Company
Apr. 2013 Group Managing Executive Officer of the Company
Apr. 2014 Director and Chairman of Brother International Corporation (U.S.A.)
Jun. 2014 Director & Group Managing Executive Officer of the Company
Jan. 2015 Director & Managing Executive Officer of the Company
Apr. 2017 Director & Senior Managing Executive Officer of the Company
Jun. 2017 Representative Director & Senior Managing Executive Officer of the Company
Apr. 2021 Representative Director & Vice President of the Company (current position)



Yuichi Tada
Director & Managing Executive Officer
Responsible for: Corporate Planning Dept.

Apr. 1982 Joined the Company
Aug. 1994 Brother International Corporation (U.S.A.)
Apr. 2006 General Manager of Corporate Planning Dept. of P&S Company of the Company
Apr. 2007 Executive Vice President of P&S Company of the Company
Apr. 2012 Group Executive Officer of the Company, Managing Director of Brother Holding (Europe) Ltd., and Chairman & Managing Director of Brother International Europe Ltd.
Apr. 2017 Managing Executive Officer of the Company
Jun. 2017 Director & Managing Executive Officer of the Company (current position)
Jun. 2020 Director of Nissei Corporation (current position)



Kazufumi Ikeda
Newly Appointed
Director & Managing Executive Officer
Responsible for: Human Resources Dept. and CSR & Corporate Communication Dept.

Apr. 1985 Joined the Company
Apr. 2003 Director & Vice President of Brother International GmbH
Apr. 2009 General Manager of Corporate Planning Dept. of the Company
Apr. 2013 Director & Executive Vice President of Brother International Corporation (U.S.A.)
Apr. 2014 Director & President of Brother International Corporation (U.S.A.)
Apr. 2015 Group Executive Officer of the Company, Director & President of Brother International Corporation (U.S.A.)
Apr. 2019 Director & Chairman of Brother International Corporation (U.S.A.)
Apr. 2020 Managing Executive Officer of the Company
Jun. 2021 Director & Managing Executive Officer of the Company (current position)



Satoru Kuwabara
Newly Appointed
Director & Managing Executive Officer
Head of P&S Business Division
Responsible for: LE Development Dept., LC Development Dept., IDS Development Dept., Printing Application Development Dept., Labeling & Mobile Solutions Development Dept., Production Dept., Quality Management Dept. of P&S Business Division

Apr. 1987 Joined the Company
Oct. 2004 General Manager of Development Dept.1 of Information & Document Company
Apr. 2008 General Manager of Development Dept.1 of the Company
Apr. 2009 General Manager of Development Planning Dept. of the Company
Apr. 2010 CEO of BROTHER TECHNOLOGY (Shenzhen) LTD.
Apr. 2014 General Manager of Development Planning Dept. of the Company
Oct. 2014 General Manager of LE Development Dept. of the Company
Apr. 2015 Executive Officer of the Company
Apr. 2019 Managing Executive Officer of the Company
Jun. 2021 Director & Managing Executive Officer of the Company (current position)



Keisuke Takeuchi

Outside Director

Independent Officer

Apr. 1970 Joined Japan Gasoline Co., Ltd. (current JGC Holdings Corporation)
 Jun. 2000 Director of JGC Corporation (now JGC Holdings Corporation)
 Jun. 2001 Managing Director of JGC Corporation
 Jun. 2002 Senior Managing Director of JGC Corporation
 Jun. 2006 Director and Vice President of JGC Corporation
 Mar. 2007 President and Representative Director of JGC Corporation
 Jun. 2009 Chairman and Representative Director of JGC Corporation
 Jun. 2014 Principal Corporate Advisor of JGC Corporation
 Jun. 2017 Outside Director of the Company (current position)
 Jun. 2019 Outside Director of Japan Post Bank Co., Ltd. (current position)



Aya Shirai

Outside Director

Independent Officer

Apr. 1979 Joined All Nippon Airways Co., Ltd.
 Jun. 1993 Member of Amagasaki City Council
 Dec. 2002 Mayor of Amagasaki City
 Jun. 2011 Outside Director of Gunze Limited
 Apr. 2013 Executive Operating Officer of the Osaka Pref. Gender Equality Promotion Foundation
 Jun. 2015 Outside Director of Pegasus Sewing Machine Mfg. Co., Ltd. (current position)
 Outside Director of Sumitomo Precision Products Co., Ltd.
 Jun. 2018 Outside Director of Sanyo Chemical Industries, Ltd. (current position)
 Jun. 2019 Outside Director of the Company (current position)



Kazunari Uchida

Outside Director

Independent Officer

Apr. 1974 Joined Japan Airlines Co., Ltd.
 Jan. 1985 Joined Boston Consulting Group
 Jun. 2000 Japan Representative of Boston Consulting Group
 Apr. 2006 Professor of Faculty of Commerce at Waseda University (current position)
 Feb. 2012 Outside Auditor of Kewpie Corporation
 Jun. 2012 Outside Director of Lifenet Insurance Company
 Outside Director of Mitsui-Soko Co., Ltd. (current Mitsui-Soko Holdings Co., Ltd.)
 Aug. 2012 Outside Director of Japan ERI Co., Ltd.
 Dec. 2013 Outside Director of ERI Holdings Co., Ltd.
 Jun. 2014 Independent Advisory Committee Member of the Company
 Feb. 2015 Outside Director of Kewpie Corporation (current position)
 Mar. 2016 Outside Director of Lion Corporation (current position)
 Jun. 2020 Outside Director of the Company (current position)



Naoki Hidaka

Outside Director

Independent Officer

Apr. 1976 Joined Sumitomo Corporation
 Apr. 2001 General Manager of Chicago Office, Sumitomo Corporation of America
 Apr. 2007 Executive Officer, General Manager of Metal Products for Automotive Industries Div. of Sumitomo Corporation
 Apr. 2009 Managing Executive Officer, General Manager of Chubu Regional Business Unit of Sumitomo Corporation
 Apr. 2012 Senior Managing Executive Officer, General Manager of Kansai Regional Business Unit of Sumitomo Corporation
 Jun. 2013 Representative Director, Senior Managing Executive Officer, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation
 April 2015 Representative Director, Executive Vice President, General Manager of Transportation & Construction System Business Unit of Sumitomo Corporation
 June 2018 Special Advisor of Sumitomo Corporation
 June 2019 Advisor of Sumitomo Corporation
 June 2020 Director of the Company (current position)
 March 2021 Outside Director of Nabtesco Corporation (current position)



Masahiko Miyaki

Newly Appointed

Outside Director

Independent Officer

Apr. 1977 Joined NIPPONDENSO Co., LTD. (current DENSO Corporation)
 Jun. 2004 Managing Officer, Fuel Injection Engineering Dept. of DENSO Corporation
 Jun. 2007 Managing Officer, Powertrain Control Systems Business Group of DENSO Corporation
 Jun. 2010 Director & Senior Executive Officer, Electric System Business Group of DENSO Corporation
 Jun. 2011 Director of TOYOTA BOSHOKU Corporation
 Jan. 2012 Director & Senior Executive Officer, Powertrain Control Systems Business Group of DENSO Corporation
 Jun. 2013 Representative Director & Vice President, Overall R&D, Engineering Research & Development Center, China Region of DENSO Corporation
 Apr. 2015 Representative Director & Vice President, Quality, Safety, and Environmental Center of DENSO Corporation
 Apr. 2017 Director of DENSO Corporation
 Jun. 2017 Advisor to DENSO Corporation
 Jun. 2021 Outside Director of the Company (current position)

Corporate Auditors



Kazuyuki Ogawa
Standing Corporate Auditor

Apr. 1982 Joined the Company
 Jun. 1993 Taiwan Brother Industries, Ltd.
 Apr. 2003 Brother International Corporation
 Jun. 2007 General Manager of Planning and General Affairs Division of Brother International Corporation
 May 2009 Director and General Manager of Management Control of Brother International Corporation
 Apr. 2018 General Manager of Corporate Auditors' Office (current position)
 Jun. 2018 Corporate Auditor of the Company (current position)



Keizo Obayashi
Standing Corporate Auditor

Apr. 1986 Joined the Company
 Mar. 2004 Brother International Europe, Ltd.
 Apr. 2017 General Manager of Treasury Dept. of the Company
 Apr. 2020 General Manager of Corporate Auditors' Office of the Company (current position)
 Jun. 2020 Corporate Auditor of the Company (current position)



Akira Yamada
Corporate Auditor

Independent Officer

Apr. 1986 Registered as an attorney (current position), Joined Miyake, Hatasawa & Yamazaki (current Miyake, Ushijima & Imamura)
 Jun. 1991 Registered as an attorney in New York (current position)
 Jan. 1992 Partner of Miyake & Yamazaki (current Miyake, Ushijima & Imamura)
 Mar. 1994 Resident Partner of Bangkok Office of Miyake & Yamazaki
 Jan. 2015 Outside Director (Member of the Audit and Supervisory Committee) of amifa Co., Ltd. (current position)
 Jun. 2015 External Audit & Supervisory Board Member of Denyo Co., Ltd. (current position)
 Dec. 2015 Representative of Three Fields L.L.C. (current position)
 Jan. 2017 Counsel of Miyake, Ushijima & Imamura (current position)
 Jun. 2018 Corporate Auditor of the Company (current position)



Masaaki Kanda
Corporate Auditor

Independent Officer

Apr. 1976 Registered as an attorney with the Nagoya Bar Association (current Aichi Bar Association)
 Nov. 1989 Mayor of Ichinomiya City
 Feb. 1999 Governor of Aichi Prefecture
 Jan. 2011 President of Aichi Arts Center (current position)
 Jun. 2014 Outside Director of Ogaki Kyoritsu Bank Ltd. (current position)
 Jun. 2019 Corporate Auditor of the Company (current position)



Kazuya Jono
Corporate Auditor

Independent Officer

Apr. 1977 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation)
 Jun. 2005 Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")
 Apr. 2007 Managing Executive Officer of SMBC
 Apr. 2009 Managing Executive Officer of Sumitomo Mitsui Financial Group ("SMFG")
 Director and President of Sumitomo Mitsui Card & Credit, Inc.
 Apr. 2010 Director and Senior Managing Executive Officer of SMBC
 Senior Managing Executive Officer of SMFG
 Jun. 2011 Director of SMFG
 Jun. 2012 Director and President, CEO of Citibank Japan Ltd.
 Jun. 2015 Outside Auditor of The Japan Steel Works Ltd.
 Outside Auditor of Toray Industries, Inc. (current position)
 Jun. 2019 Corporate Auditor of the Company (current position)

Executive Officers (As of October 1, 2021)

Managing Executive Officers

Mitsuyasu Kyuno

Head of Personal & Home Business Division
Responsible for: Personal & Home Business Division

- Business Planning Dept., Sales & Marketing Dept., Development Dept., Production Innovation Dept., Quality Management & Customer Satisfaction Dept.

Taizo Murakami

Responsible for: Quality, Production & Engineering Center

- Production Strategy Planning Dept., Engineering Development Dept., Basic Engineering Technology Dept., Quality Innovation Dept., IJ Production Dept.

Tsuyoshi Suzuki

Responsible for: Development Center

- Technological Innovation Dept., Software Technology Development Dept., IJ Technology Development Dept.
- Intellectual Property Dept.

Makoto Hoshi

Head of Machinery Business Division
Responsible for: Industrial Equipment Business Machinery Business Division

- Business Planning Dept., Machine Tools Sales Dept., Machine Tools Development Dept., Technology Dept., Production Dept., Machine Tools CS Planning Dept., Quality Management Dept.

Tetsuro Koide

Head of Domino Business Division
Head of Industrial Printing Business Division
Responsible for: Domino Business Division

- Domino Business Office
Industrial Printing Business Division
- Industrial System Sales and Marketing Dept., DP System Development Dept., CM System Development Dept.

Toshihiro Itou

Responsible for: Finance & Accounting Dept., Law, Environment & General Affairs Dept., Environment & Climate Change Strategy Dept.

Executive Officers

Yasuyuki Hasegawa

Responsible for: Industrial Sewing Machine Business, Machinery Business Division

- Industrial Printers Business Dept., Industrial Sewing Machine Sales Dept., Industrial Sewing Machine Development Dept.

Tatsuya Sato

Responsible for: Development Center

- Electronic Technology Development Dept., New Business Development Dept., Design Dept.

Yoshiichi Sugimoto

Head of Network & Contents Business Division

Responsible for: Network & Contents Business Division

- Network System Business Development Dept.
Director of Xing Inc.

Yumiko Iwadare

Responsible for: Printing & Solutions Business Division

- Business Planning Dept., SOHO and Emerging Country Business Development Dept., SMB Business Development Dept., CX Development Dept., SPS Business Development Dept.

Group Managing Executive Officer

Isao Noji

Chairman & Managing Director of Brother International Europe Ltd.

Group Executive Officers

Susumu Takeda

Chairman of Brother Technology (Shenzhen) Ltd.
Quality, Production & Engineering Center

- Purchasing Dept.

Tsutomu Mishima

Representative Director & President of Brother Sales, Ltd.

Donald Cummins

Director & President of Brother International Corporation (U.S.A.)

Robert Pulford

Director & CEO of DOMINO PRINTING SCIENCES PLC

Corporate Governance

Basic Approaches

In the Brother Group Global Charter, which provides the foundation for all Brother Group activities, BIL sets out its fundamental approaches to corporate governance. These include enhancement of corporate value over the long term by optimizing management resources and creating customer value, and development of long-term trustful relationships with shareholders by enhancing corporate transparency through active provision of corporate information to shareholders. Based on these approaches, we seek optimum corporate governance for improvement of corporate value, and continue to work on enhancement of corporate governance.

We also strive to strengthen governance in accordance with the Brother Group Basic Policies on Corporate Governance, which set forth policies such as securing the rights and equal treatment of shareholders, appropriate cooperation with stakeholders, the responsibilities of the Board of Directors, and dialogues with shareholders.

 [Brother Group Basic Policies on Corporate Governance](https://global.brother/en/sustainability/governance/corporate)

<https://global.brother/en/sustainability/governance/corporate>

Corporate Governance System

BIL positions the Board of Directors as an organization that decides on basic management policies, makes high-level management decisions, and supervises the execution of operations. We therefore adopt the structure of a company with a Board of Corporate Auditors. To ensure high transparency and objectivity, we have also enhanced our corporate governance structure.

Board of Directors

The Board of Directors consists of 11 Directors (including five Outside Directors), of which one is a female director. In principle, meetings, which are chaired by the Representative Director & Chairman, are held once a month. In FY2020, the Board of Directors held 12 meetings. To increase medium- to long-term corporate value, the Board formulates management strategies and plans and carries out decision-making on important executive operations. At the same time, the Board supervises the Directors, Executive Officers, and other parties in their execution of operations, and strives to establish structures that ensure management soundness, such as the Group's internal control and risk management systems.

<Independent Outside Directors>

BIL appoints many independent Outside Directors with extensive

experience in corporate management to ensure objective and neutral oversight of management from an external point of view, and thereby strengthens its management oversight function. BIL's independent Outside Directors provide management advice, decide important matters, and oversee executive operations based on their respective abundant experience, careers, and insights from perspectives independent of BIL's management.

<Director Training / Support System for Outside Directors>

We have created a system for providing training that we consider necessary for our Directors according to the training target, and conduct training based on the system. As training for Outside Directors, we mainly provide information on our businesses, history, financial affairs, organizations, and other matters. For other Directors, we provide opportunities to acquire knowledge about Directors' duties and responsibilities. Along with such training, we give Directors opportunities for worksite inspections, such as tours of facilities in Japan and overseas, thereby actively helping Directors to deepen their understanding of our businesses.

Audit & Supervisory Board

The Audit & Supervisory Board consists of five Corporate Auditors (including three Outside Auditors)*, it was held a total of 12 meetings in FY2020. The Corporate Auditors have high levels of expertise in fields such as law and accounting, and follow the audit standards established by the Audit & Supervisory Board. They mainly conduct the audit activities listed below, audit the Directors' execution of duties, and conduct audits widely on the establishment and implementation state of the Group's internal control system.

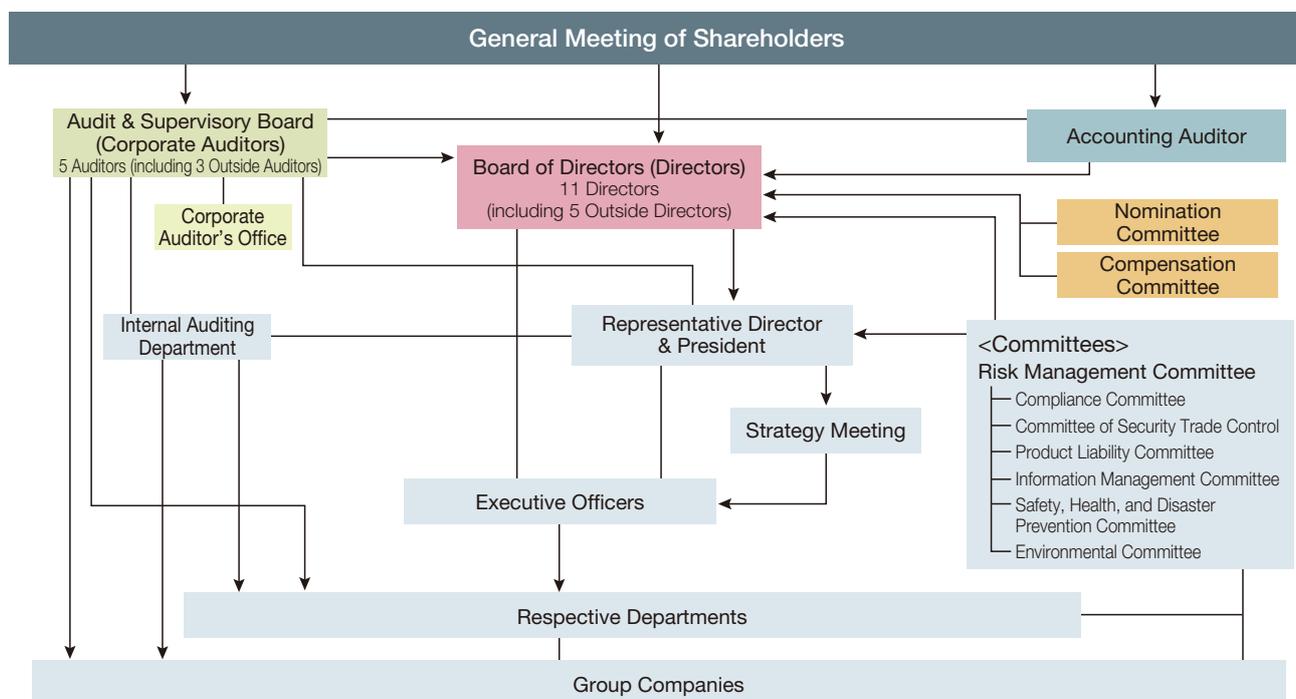
<Main Activities>

- Attendance at Board of Directors' meetings and voicing of opinions
- On-site audits of Group companies and listening to reports
- Interviews and opinion exchange with Directors
- Interviews and opinion exchange with executive departments
- Regular exchange of information and opinions with the Internal Auditing Department and accounting Auditors (such as three-way audit liaison conferences between the Audit & Supervisory Board, accounting Auditors, and Internal Auditing Department, and meetings for reports on financial results)

Executive Officer System

BIL has introduced an executive officer system to ensure swift decision-making by separating executive operations and supervision. There are 15 Executive Officers (including one female Executive Officer) and five Group Executive Officers (including two non-

Governance Structure (As of June 23, 2021)



Japanese nationals). Of the Executive Officers, five are concurrently Directors. Executive Officers—including Group Executive Officers—are elected by the Board of Directors and carry out decision-making and execution of executive operations delegated by the Board of Directors in accordance with the basic management policies determined by the Board. At the same time, the Executive Officers are responsible for overseeing the operations of businesses, departments, and Group subsidiaries under their supervision.

Nomination Committee and Compensation Committee

BIL has established the Nomination Committee and Compensation Committee as arbitrary advisory committees to the Board of Directors to enhance the independence and objectivity of the functions of the Board of Directors regarding the appointment or removal and remuneration of Directors and Executive Officers. Each of the committees consists of seven Directors, including five Outside Directors as well as the Representative Director & Chairman and the Representative Director & President, and appoints an Outside Director as its Chairperson (Nomination Committee: Keisuke Takeuchi; Compensation Committee: Kazunari Uchida). (As of June 23, 2021)

The Nomination Committee must deliberate on the agendas of the general shareholder meeting concerning appointment or removal of Directors and of the Board of Directors concerning appointment or

removal of Executive Officers in a fair, transparent, and strict manner before the agendas concerned are finalized, and report the outcome to the Board of Directors. The Nomination Committee also reports on matters such as the succession planning for the CEO and other members of top management to the Board of Directors.

The Compensation Committee must discuss the contents of the Company rules concerning the standard for calculating the remuneration of Directors and Executive Officers, and the contents of respective remunerations for respective individuals, and report the outcome to the Board of Directors.

<Succession Plans for Top Management>

BIL's Nomination Committee regularly considers succession plans for the President and other top management. The Nomination Committee, which is mainly composed of Outside Directors, considers and discusses such plans from a wide variety of viewpoints, such as requirements for management personnel according to management strategies and business environments and the development and appointment of human resources. The Committee's consideration and discussion, along with management personnel evaluations made through meetings with Executive Officers and other means, are reflected in the nomination of Directors and Executive Officers for each year.

Outside Directors

Independent Officer Selection Standards

The Company has established the Independence Standards for Outside Officers in the Brother Group Basic Policies on Corporate Governance as standards on independence for appointing Outside Directors and Outside Auditors. The Company's Outside Directors and Outside Auditors all satisfy the Standards, and the Company considers them sufficiently independent to perform their duties as Outside Officers from a standpoint independent of the Company's managing executives. The Company has also reported to the Tokyo Stock Exchange and Nagoya Stock Exchange all Outside Directors and Outside Auditors to be independent officers as specified by each Exchange.

 Independence Standards for Outside Officers

<https://global.brother/en/sustainability/governance/corporate>

Reason for Selection of Outside Officers

In selecting Outside Directors, we place emphasis on factors such as global business experience and extensive management experience, high-level expertise, and experience in solving social issues. We strive to create a composition of officers with a variety of skills as required for corporate management, rather than skills in limited fields.

Major Activities by Outside Directors (FY2020)

Name (Attendance)	Exhibition of Expertise and State of Activities
Koichi Fukaya *1 (12 out of 12 times)	Mr. Fukaya actively presented his opinions at the Company's Board of Directors meetings from a standpoint and viewpoint that is independent of the Company's managing executives based on his wealth of experience and knowledge acquired in the course of engaging in the management of a global corporate group. He appropriately fulfilled his role as an Outside Director, as he provided advice on management and supervised the execution of operations. As the Chairperson of the Compensation Committee and a member of the Nomination Committee, Mr. Fukaya also attended meetings of these committees and actively presented opinions. In particular, in determining a performance-based remuneration plan for Directors, he played a leading role in the consideration process as the Chairperson of the Compensation Committee.
Keisuke Takeuchi (12 out of 12 times)	Mr. Takeuchi actively presented his opinions at the Company's Board of directors meetings from a standpoint and viewpoint that is independent of the Company's managing executives based on his wealth of experience and knowledge acquired in the course of engaging in the management of a global corporate group by serving as President and Chairman of JGC HOLDINGS CORPORATION. He appropriately fulfilled his role as an Outside Director, as he provided advice on management and supervised the execution of operations. As the Chairperson of the Nomination Committee and a member of the Compensation Committee, Mr. Takeuchi also attended meetings of these committees and actively presented opinions. In particular, in determining a plan to elect and re-elect candidates for President and other Directors, he played a leading role in the consideration process as the Chairperson of the Nomination Committee.
Aya Shirai (12 out of 12 times)	Ms. Shirai actively presented her opinions at the Company's Board of Directors meetings from a standpoint and viewpoint independent of the Company's managing executives based on her wealth of experience and knowledge acquired as an Outside Director for manufacturers and proactively promoting the diversification of top management and organizations of local governments. She appropriately fulfilled her role as an Outside Director, as she provided advice on management and supervised the execution of operations. As a member of the Nomination Committee and the Compensation Committee, Ms. Shirai also attended meetings of these committees and actively presented opinions.
Kazunari Uchida (10 out of 10 times)*2	Mr. Uchida actively presented his opinions at the Company's Board of Directors meetings from a standpoint and viewpoint independent of the Company's managing executives based on his wealth of experience and knowledge acquired in corporate management as an Outside Director and Outside Auditor of several companies, in addition to a broad range of expertise in corporate management developed through serving as Japan's Representative in the Boston Consulting Group. He appropriately fulfilled his role as an Outside Director, as he provided advice on management and supervised the execution of operations. As a member of the Nomination Committee and the Compensation Committee, Mr. Uchida also attended meetings of these committees and actively presented opinions.
Naoki Hidaka (10 out of 10 times)*2	Mr. Hidaka actively presented his opinions at the Company's Board of Directors meetings from a standpoint and viewpoint that is independent of the Company's managing executives based on his wealth of experience and knowledge acquired in the course of engaging in the management of a global corporate group by serving as Representative of overseas bases and Vice President of Sumitomo Corporation. He appropriately fulfilled his role as an Outside Director, as he provided advice on management and supervised the execution of operations. As a member of the Nomination Committee and the Compensation Committee, Mr. Hidaka also attended meetings of these committees and actively presented opinions.

*1 Retired as of June 23, 2021. *2 The number of Board of Directors meetings held after he became Outside Director in June 2020.

Effectiveness of the Board of Directors

Conducting Evaluations of the Effectiveness of the Board of Directors

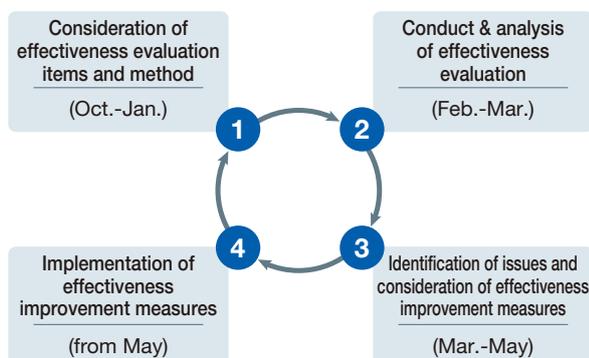
At BIL, the respective Directors and Auditors evaluate the effectiveness of the Board of Directors every year and report the results to the Board of Directors. Based on this evaluation, the Board of Directors analyzes and assesses the effectiveness of the entire Board of Directors and discloses a summary of its results in a timely and appropriate manner.

The evaluation of the Board of Directors for FY2020 was conducted in February 2021 by asking all Directors and Corporate Auditors to answer a survey developed after seeking the opinions of external consultants. The survey's main questions are given below:

- Composition and operation of the Board of Directors
- Management and business strategies
- Corporate ethics and risk management
- Performance monitoring and evaluation and remuneration of the management
- Dialogues with shareholders, etc.
- Previous fiscal year's issues and results of measures

Process for Evaluation of the Effectiveness of the Board of Directors

To guarantee objective analysis, the consolidation of the survey and analysis of results were tasked to external consultants. The Board of Directors' Secretariat conducted an analysis using the consolidated data. We repeat a cycle of reporting analysis results and improvement plans to the Board of Directors and discussing them at meetings of the Board, implementing measures for improvement, and conducting evaluation again in the following year.



- 1 Questions for measuring effectiveness of the Board of Directors are designed together with external consultants, taking into consideration factors such as social trends related to corporate governance.
- 2 Evaluation regarding the effectiveness of the Board of Directors is conducted using a survey method for all Directors and Corporate Auditors. The survey's consolidation and analysis of results are tasked to external consultants. The survey response rate for FY2020 was 100%.

- 3 The results of the survey are analyzed together with external consultants, identifying issues and proposing measures to improve the effectiveness of the Board of Directors. The analysis results, improvement measures, and other matters are reported to the Board of Directors and discussed.
- 4 After discussion by the Board of Directors, measures are implemented to improve the effectiveness of the Board of Directors. The effects of these efforts are confirmed by the Directors and Corporate Auditors during the following fiscal year's effectiveness evaluation survey.

Board of Directors' Effectiveness Evaluation Results and Response Policy

At the meeting of the Board of Directors held in May 2021, the evaluation results were discussed, and it was confirmed that BIL's Board of Directors functioned effectively in general. At the same time, through the evaluation of the Board of Directors this time, opinions were raised regarding requests and room for improvement in the following areas:

- Further expand opportunities for obtaining knowledge to allow directors to deepen understanding about their own duties and fulfill their roles
- Strengthen discussions regarding the business portfolio, capital costs, sustainable management, and digital transformation when discussing the next mid-term plan
- Share discussion themes with the Board of Directors and submit matters for discussion as necessary to ensure the rationality and transparency of the Compensation Committee and Nomination Committee

The Board of Directors will continue to improve the Board's effectiveness by taking these opinions into consideration.

State of Improvement Regarding Past Evaluation Results

The results of the previous effectiveness evaluation of the Board of Directors in February 2020 confirmed that BIL's Board was functioning effectively overall. However, the issues below were pointed out and the following measures were taken in FY2020.

Issues Pointed Out	Measures Taken
Moving up the timing of providing materials in advance and improving the format	Moving up the timing of providing materials for Board of Directors' meetings in advance
Creating a system for officer training and further enhancing this system	Planning acquisition of knowledge by Directors
Appropriately sharing information about the details of discussions at Nomination Committee and Compensation Committee meetings	Explaining issues that were discussed by the Compensation Committee and Nomination Committee at Board of Directors' meetings
Being appropriately involved in the execution of Group companies' operations, etc.	Deliberating management issues of group companies at Board of Directors' meetings

Officer Remuneration

Policy on Officer Remuneration

BIL has established an objective and transparent remuneration system based on the clear management responsibilities of officers. This policy is to offer fair remuneration, taking into account the remuneration standards of other companies and treatment standards of employees.

BIL's Director remuneration is as follows:

Type of Remuneration	Applicable to	Purpose of Remuneration
Basic remuneration	All Directors	Fixed remuneration (based on position as defined in BIL's Director Remuneration Rules, etc.)
Performance-based remuneration	All Directors, except Outside Directors and part-time Directors	Reflect responsibilities for achievement in year-on-year business performance
Stock option for a stock-linked compensation plan	All Directors, except Outside Directors and part-time Directors	Incentive for long-term improvement of corporate value and alignment with vector of BIL's share price

The composition of each Director's remuneration (except Outside Directors and part-time Directors) is roughly in the ratio of 6:2:2 for basic remuneration, performance-based remuneration, and stock options for a stock-linked compensation plan. It is set such that, as the position of the Director moves up, the ratio of remuneration other than basic remuneration increases slightly.

At the same time, the remuneration of BIL's Corporate Auditors is determined by the Corporate Auditor Remuneration Rules set by the Audit & Supervisory Board, and all Corporate Auditors receive only basic remuneration.

Composition of Officer Remuneration

<Base Remuneration>

The amount of base remuneration for Directors and Corporate Auditors, which is fixed remuneration, is provided by the Director Remuneration Rules, and the Corporate Auditor Remuneration Rules, etc. according to the position, and base remuneration is paid in accordance with these rules. The maximum amount for Directors and Corporate Auditors was set at 400 million yen and 140 million yen per year, respectively, by resolution at the 114th Ordinary General Meeting of Shareholders held on June 23, 2006.

<Performance-based Remuneration>

Regarding performance-based remuneration paid to Directors (excluding Outside Directors and part-time Directors), the payment amount for each individual is determined by adding an amount that takes into account the level of achievement in performance indices for the current fiscal year relative to

their targets, as well as the results of qualitative evaluations by Representative Directors for Directors excluding Representative Directors, to the base amount by position provided in the Director Remuneration Rules.

The indices used for the assessment of performance-based remuneration and their weights are as shown below. These indices were selected to give well-balanced incentives for both the Group's growth and profitability improvement. With intent to place emphasis on the Company's commitment to shareholders and investors, the business performance forecasts announced at the beginning of FY2020 are, in principle, used as target values for these indices.

Target	Types of Indices (Weight in Assessment)
1 Representative Directors	Consolidated revenue on a Group basis (50%) Consolidated profit for the year on a Group basis (50%)
Non-Representative Directors	
2 Heads of Business Executive Officers or Directors serving as Executive Officers responsible for the business	Consolidated revenue on a Group basis (30%) Consolidated profit for the year on a Group basis (30%) Consolidated revenue of the business field (15%) Consolidated operating profit of the business field (15%) Qualitative evaluation by the Representative Directors (10%)
3 Directors other than the above	Consolidated revenue on a Group basis (45%) Consolidated profit for the year on a Group basis (45%) Qualitative evaluation by the Representative Directors (10%)

Notes

- "Profit for the period" in the above table refers to "profit for the period attributable to owners of the parent company."
- Individuals eligible to receive performance-based remuneration for FY2020 are four persons falling under the above 1 and one person falling under the above 2 or 3. The one person falling under 2 is the Director concurrently serving as Executive Officer responsible for the N&C Business.

Performance-based remuneration for FY2020 has been assessed using the above-mentioned indices for FY2020 (business performance forecasts announced in August 2020 used as target values). The target and actual values for these indices are as follows:

Coverage of Indices	Revenue Actual value / Target value (Millions of yen)	Profit Actual value / Target value (Millions of yen)
Group-wide	631,812 / 560,000	24,520 / 25,000
Network & Contents	31,044 / 33,500	(7,348) / (4,510)

<Stock Options for the Stock-linked Compensation Plan>

Stock options for the stock-linked compensation plan provided to Directors (excluding Outside Directors and part-time Directors). The details and main conditions, etc., are as follows:

Total amount of stock options (based on a fair evaluation amount at the time of determining issuance)	Up to 130 million yen per year (based on a fair evaluation amount in corporate accounting at the time of determining each issuance)
Number of stock options	Up to 1,300 per year
Types, details, and number of shares underlying stock options	Up to 130,000 common shares
Amount to be paid in upon the exercise of stock options	The amount of property contributed when exercising stock options is the amount calculated by multiplying the exercise value (1 yen) by the number of shares underlying stock options
Period to exercise stock options	The period is 30 years from the day following the day of allotment of stock options on which the subscription requirements for stock options are determined
Conditions to exercise stock options	Stock options may be exercised until five years have elapsed from the date one year after the day following the date on which the position of a Director, Corporate Auditor, or Executive Officer of the Company, the Company's subsidiaries, or companies in which the Company or the Company's subsidiaries have 40% or more of the total voting rights is lost
Matters related to transfer of stock options	Acquisition of stock options by transfer requires approval based on a resolution by the Board of Directors

Regarding the method of determining the payment amount, the base amount by position is provided in the Director Remuneration Rules. The number of stock options to be allotted to each recipient is calculated by dividing the base amount by a fair evaluation unit price, and the actual numbers of stock options allotted (the number by recipient and the total number) are determined by the Board of Directors. The fair evaluation unit price is calculated based on the generally accepted standard, the Black-Scholes Model.

Compensation Committee's Activities in the Course of Determining the Amount of Officer Compensation

Every year, the Company participates in an officer remuneration survey in which major domestic companies participate, and verifies the appropriateness of the Company's officer remuneration by using as benchmarks the levels of officer remuneration at other companies (focusing especially on the medium remuneration level of other companies with a business scale similar to the Company's). Information on these officer remuneration levels is reported to the Compensation Committee, which consolidates opinions regarding recommending that the

Board of Directors review the officer remuneration levels. As part of these activities, the Compensation Committee deliberated on the following agenda items in FY2020:

- May 11, 2020 Performance-based remuneration
- Aug. 4, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
- Aug.27, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
Direction on review of part of the remuneration structure for full-time Directors and Executive Officers
- Mar. 2, 2021 Report on the officer remuneration levels
- Mar. 23, 2021 Review of the share-based compensation system

Board of Directors' Activities in the Course of Determining the Amount of Officer Compensation

The Board of Directors deliberated on and decided matters on officer remuneration for FY2020 as indicated below.

- Jun. 24, 2020 Performance-based remuneration
Allocation of stock options for the stock-linked compensation plan and granting of phantom stock
- Aug.27, 2020 Calculation method of performance-based remuneration (to be paid in FY2021)
- Mar. 2, 2021 Policy on determining director remuneration

Amount of Officer Remuneration, etc.

(For one year from April 1, 2020 to March 31, 2021)

Categories	Number of Officers Receiving Remuneration	Amount of Remuneration (Millions of yen)	Total Amount by Type of Remuneration			Stock Options for the Stock-linked Compensation Plan (Millions of yen)
			Base Remuneration (Millions of yen)	Performance-based Remuneration (Millions of yen)		
Directors (including Outside Directors)	13 (7)	365 (54)	239 (54)	61 (—)	64 (—)	
Corporate Auditors (including Outside Auditors)	6 (3)	75 (26)	75 (26)	— (—)	— (—)	
Total (including Outside Directors and Outside Auditors)	19 (10)	441 (80)	314 (80)	61 (—)	64 (—)	

Notes

1. The amount of remuneration paid to Directors does not include the employee salary of employees who also serve as Directors.
2. Taking seriously the challenging situation the Group is facing, such as deteriorating performance in some businesses due mainly to the spread of COVID-19, the Representative Director and Chairman, the Representative Director and President, and a Director have offered to return part of their remuneration for FY2020 as described below. The Company has accepted their offers. The total amount shown in the above table does not reflect this return.

Subject Directors	Details of Return
Representative Director & Chairman Representative Director & President	Return 20% of base remuneration (for one year from July 2020)
Director (head of N&C Business for FY2020)	Return 20% of base remuneration (for one year from July 2020)

3. The number of officers receiving remuneration shown in the above table includes two Outside Directors and one Corporate Auditor who retired during FY2020.

Message from an Outside Director



Supporting Brother's Growth through the Active Use of the Knowledge of Diverse Outside Directors

Keisuke Takeuchi
Outside Director

Roles and Responsibilities As an Outside Director

My understanding of the roles of the outside directors of Brother Industries including myself are to provide advice concerning the Company's management policies and improvements from the perspectives of promoting sustainable corporate growth and enhancing corporate value over the medium to long-term based on our personal knowledge and to monitor management through decision-making on key matters by the Board of Directors.

I have about a half century of experience as a plant construction project manager in Japan and overseas in a variety of fields including pharmaceuticals, chemicals, and energy and later performed corporate management as both a President and Chairman. As an Outside Director, I see my responsibility as using the knowledge gained through this experience to actively express my opinions and provide advice at Board of Directors meetings and other important opportunities regarding organizational operations in sales, research, manufacturing, and other areas as well as human resource development, identification and development of new business fields, and decision-making on key matters including the selection and dismissal of executives.

Assessment of Current Governance Systems

About half of the current BIL's Board of Directors is made up of Outside Directors with a broad range of experience, and the Board is highly diverse. Within the Board, Outside Directors are able to express their opinions candidly, and deliberations are active, unrestrained, and open-minded. An atmosphere of acceptance of the recommendations made has been fostered throughout the Board. The provision of information and explanations to the Outside Directors is highly detailed, and this leads to valuable advice based on the expertise of the individual outside directors. In addition, a Nomination Committee and Compensation Committee have been established under the Board of Directors, and Outside Directors are key members of both. It is my overall assessment that BIL's corporate governance including the effectiveness of the Board of Directors is functioning soundly based on the involvement of Outside Directors in the consideration of particularly important matters such as nomination and compensation and other factors.

Nonetheless, I understand that it is important not to be satisfied with the status quo and to make unceasing innovations in an effort to further enhance the effectiveness of the Board. Recently, exchanges of opinions among Outside Directors and Executive Officers, plant tours, and other such opportunities have been increasing. These opportunities enable Outside

Directors to immediately convey things that they have noticed, and in some instances this leads to on-the-spot improvements and proposals to the Board. These types of free exchanges of opinions and discussions in settings other than Board of Directors and committee meetings are significant for Outside Directors to understand actual conditions within the Company, and I would like to see them actively continued in the future.

Achieving Sustainable Growth and Increasing Corporate Value

It is said that when a company goes on the defensive it retreats, but the strong determination of BIL to ceaselessly take on the challenges of new markets is widely spread from executives to employees, which is a strength of the Company and is highly evaluated. This determination is demonstrated by the fact that the Company has been manufacturing products demanded in each era starting with sewing machines and expanding to typewriters, facsimiles, printers, and machine tools. The Company has proprietary technological capabilities that can be applied in numerous fields as well as abundant human resources that can make full use of these technologies. I believe that the Company has achieved success because of the strength of its management, which works together with these employees to take on challenges.

BIL has used the strong leadership of its current management team to firmly establish the spirit of "At your side." within the corporate culture. I understand "At your side." to mean thinking about how the Company can benefit its stakeholders including customers and taking action. Until now, Japanese industry has adopted a manufacturer-centric perspective based on the idea that if high-quality products are made, they will sell. Something that we should never forget, however, is that markets demand products that are easy for users to use and that have the functions they need. I believe that thinking about products from the user's perspective is the essence of the spirit of "At your side." I would like to see the Company reinforce this culture internally and use its strengths to support the productivity and creativity of customers and strive to remain a Company that contributes to the development of society and solutions to global environmental issues while seeking sustainable growth and further development.

I and the other outside directors hope to support the sustainable growth of Brother Industries and actively communicate with the aim of increasing corporate value over the medium to long term.

Risk Management

Approach to Risk Management

The Brother Group aims for sustainable growth and strives to be a company that is trusted by all its stakeholders. We have now formulated a new Group Vision “At Your Side 2030.” Through recognizing that risks may hinder the creation of customer value and conducting appropriate risk management, we aim to enhance the ability to realize the Group Vision.

As the Group develops multiple businesses globally, we recognize that there is a high level of complexity and uncertainty in the global environment due to global economic effects and geopolitical factors. Furthermore, due to the acceleration of changes in the business environment arising from the global spread of COVID-19, there is a greater need than ever to appropriately recognize and respond to the risks surrounding the Group. We constantly recognize and respond to risks relating to compliance, product safety, export control, information management, the environment, safety and health, and disaster prevention. Together with strengthening business continuity in times of crisis and re-examining structures for lasting value creation, we will aim to recognize and respond to risks with an even more medium- to long-term strategic perspective than before.

Risk Management Promotion System

The Brother Group has established the Risk Management Committee chaired by the Representative Director & President. We have also formulated a comprehensive risk management system based on the Brother Group’s Risk Management Regulations with the aim of reducing risks that are likely to have a serious impact on the Group’s management. Each organization and subsidiary within the Group understands the risks and their probability of occurrence and makes efforts to manage risks by implementing measures for avoiding or reducing the impact of risks. Systems are in place for regularly reporting the status of such implementation to the Board of Directors.

The Risk Management Committee meets regularly once

every six months. However, we have created an emergency risk management system for responding swiftly to occurrence of a serious risk event in which the Chairman will urgently convene an extraordinary meeting of the Risk Management Committee. When COVID-19 emerged, the Committee responded in the early stage of occurrence overseas by urging caution in the whole Brother Group and promptly establishing a countermeasures headquarters.

In addition, we have established dedicated committees with respect to individual risks, including compliance, security trade control, product liability, information management, safety, health, disaster prevention, and the environment as subcommittees under the Risk Management Committee. With the Representative Director & President (or a designated Executive Officer) in charge, they make up a risk management system that understands and diminishes risks and will respond when risks occur. In particular, for product safety, we have established Basic Product Liability Policies and voluntary product safety action plans to provide safer products to customers.

Clarification of Evaluation and Responses

We have created systems for evaluating and responding to business risks focused on persons in charge of risk management in each department and Group subsidiary. In addition, the Risk Management Committee manages evaluation and the status of response to material risks concerning the Group as a whole. Specifically, the Committee conducts reviews of risk matters in each fiscal year and gives instructions for preparing risk evaluation sheets to each Group organization and facility. By aggregating the results of the risk evaluation sheets, evaluating the risks according to the level of impact and likelihood of occurrence, and calculating the weight of each risk, the Committee identifies the Group’s critical risks. It then gives instructions to each person in charge of risks for responding to and monitoring each of the risks.

Material Risks and Their Countermeasures

Item	Main Risks	Countermeasures
Risks related to international affairs	<ul style="list-style-type: none"> •US and China trade friction •Brexit 	<ul style="list-style-type: none"> •Review pricing strategies in cooperation with US subsidiaries and minimize impact of additional duties by close examination of country of origin of consumables and other measures •Respond appropriately to trade and legal regulation aspects according to the situation in the UK and EU
Contraction of printing market	<ul style="list-style-type: none"> •Contraction of the printing market due to reduced printing on paper 	<ul style="list-style-type: none"> •Respond to changed market needs, and promote acquisition of high print volume customers by expanding sales of high-end equipment •Ensure stable profit and strengthen connections with customers through swift conversion to contract-type and other new business models •Expand sales in the special printing and solutions areas
Competition among companies	<ul style="list-style-type: none"> •Increasing competition in the market due to the rise of new manufacturers in China and other countries in Asia 	<ul style="list-style-type: none"> •Implement initiatives for providing products and services that realize customer value in each market •Build a speedy and cost competitive business management base

Item		Main Risks	Countermeasures
Changed global economic situation		<ul style="list-style-type: none"> •Adverse impact on performance due to business fluctuations in each region caused by changes in the situation of the global economy 	<ul style="list-style-type: none"> •Enhance development, production, sales and marketing, and after-sales service and maintenance
Security trade control		<ul style="list-style-type: none"> •Adverse impact on sales of machine tools due to strengthening of legal regulations related to security trade control 	<ul style="list-style-type: none"> •Maintain systems for proper compliance with laws and regulations •Strengthen the security trade control system for the whole Brother Group •Restructure the security trade control system for greater effectiveness
Risks related to parts and materials		<ul style="list-style-type: none"> •Difficulty procuring parts and materials •Parts and materials price hikes 	<ul style="list-style-type: none"> •Examine suppliers and consider substitute products according to changes in product design •Reflect price hike risks in management plans
Supply chain	Supply chain interruption	<ul style="list-style-type: none"> •Supply chain interruption due to difficulty procuring parts and materials and logistics disruption arising from increase in infectious disease, large-scale disasters, geopolitical risks, etc. 	<ul style="list-style-type: none"> •Respond by production in multiple facilities, especially of consumables •Have backup production facilities and hold parts inventories •Strategically examine parts suppliers and their upstream suppliers •Review inventory levels in sales facilities to prevent product shortages •Implement fire prevention and disaster prevention measures in each production facility
	CSR procurement	<ul style="list-style-type: none"> •Violation of human rights of workers in the supply chain •Loss of trust due to use of conflict minerals products 	<ul style="list-style-type: none"> •Formulate CSR procurement policies and conduct briefings for business partners •Enhance systems for risk evaluation and correction in the supply chain by joining the Responsible Business Alliance (RBA) •Formulate a Conflict Minerals Response Policy and request compliance by business partners
M&A (impairment risk)		<ul style="list-style-type: none"> •Expected investment effects not obtained •Delays in business integration •Impairment of Domino goodwill and fixed assets 	<ul style="list-style-type: none"> •Enhance development and sales abilities of the Domino business as a key strategy in the current medium-term business strategy CS B2021 •Check the asset value of goodwill and record an appropriate estimated value at least once a year
Currency exchange risks		<ul style="list-style-type: none"> •Sales reduction and cost increase due to currency rate fluctuations 	<ul style="list-style-type: none"> •Increase the rate of linking of receipts and payments in foreign currency denominated transactions •Implement forward exchange contract transactions
Environment	Social demands related to the environment	<ul style="list-style-type: none"> •Climate change 	<ul style="list-style-type: none"> •Establish medium-term targets for FY2030 in relation to reduction of greenhouse gas emissions and implement emissions reduction initiatives •Based on the TCFD recommendations, analyze the financial impacts of climate change, and implement appropriate countermeasures and information disclosure
	Environmental regulation, environmental pollution	<ul style="list-style-type: none"> •Environmental regulation, environmental pollution 	<ul style="list-style-type: none"> •Comply with laws and regulations on prohibited chemical substances and controlled chemical substances in accordance with the establishment of the Brother Group Green Procurement Standards •Gather information on environmental laws and regulations in each country and region of the world and implement measures in cooperation with product design-related departments to reflect them in products
Information systems	Information security	<ul style="list-style-type: none"> •External attacks on information systems, product information security 	<ul style="list-style-type: none"> •Develop information security operating rules in accordance with the Information Management Regulation, enhance management systems, and conduct internal education and training •Develop a basic policy on product information security and implement activities for improving product security in the whole Brother Group
	Information networks	<ul style="list-style-type: none"> •Leakage of confidential information and personal information 	<ul style="list-style-type: none"> •Implement security countermeasures based on multi-layered defense against unexpected intrusion or attacks from outside •Conduct organizational training on prepared responses to occurrence of internal incidents
Human resources	Occupational injuries, casualties	<ul style="list-style-type: none"> •Occupational injuries •Casualties among employees due to disasters 	<ul style="list-style-type: none"> •Horizontal development of information on causes of accidents that have occurred and measures for preventing recurrence •Conduct safety and disaster prevention activities in each facility and check their status of implementation through factory inspections
	Securing human resources	<ul style="list-style-type: none"> •Intensified competition for human resources, inability to secure necessary human resources, loss of key personnel 	<ul style="list-style-type: none"> •Promote evolution of personnel systems and make continual improvements to the workplace environment •Develop succession plans for key personnel •Implement activities for maintaining and improving brand image through enhancing employee awareness and corporate public relations in accordance with the Global Charter

	Item	Main Risks	Countermeasures
Laws and regulations	Compliance in general	<ul style="list-style-type: none"> •Accounting fraud, misappropriation •Unfair trade practices (competition law violation) •Harassment •Quality irregularity 	<ul style="list-style-type: none"> •Establish employee conduct standards through the Codes of Practice in the Global Charter and carry out dissemination activities •Establish Compliance Committee and consultation centers
	Tax systems	<ul style="list-style-type: none"> •Increase in tax burden due to additional tax and international double taxation 	<ul style="list-style-type: none"> •Respond in cooperation with external experts •Communicate with tax authorities •Use advance pricing agreements (APA)
	Quality, product liability	<ul style="list-style-type: none"> •Market quality problems •PL problems 	<ul style="list-style-type: none"> •Manufacture products under strict quality control standards •Take countermeasures for controlling expansion of damage when incidents occur
	Intellectual property	<ul style="list-style-type: none"> •License-related disputes •Infringement by third parties, production and sale of counterfeit products •Employee invention disputes 	<ul style="list-style-type: none"> •Use patent licenses held in business activities •Implement defense and settlement countermeasures in infringement lawsuits by third parties •Exercise intellectual property rights against infringement by third parties •Implement appropriate incentives for inventors based on invention incentive rules
	COVID-19	<ul style="list-style-type: none"> •Suspension of economic activities due to spread of COVID-19 	<ul style="list-style-type: none"> •Continue business activities through implementation of thorough infection prevention measures

TOPICS: Risk Management Initiatives

COVID-19

Regarding COVID-19, which emerged in January 2020, the Company established a COVID-19 countermeasures headquarters in early February 2020 and, in cooperation with industrial physicians, implemented infection prevention measures with top priority given to the health and safety of customers, business partners, and all employees. For business continuity, we implemented thorough infection prevention measures at production facilities and endeavored to continue production with the cooperation of our parts supplier business partners. In our sales facilities, offices and other locations, we made flexible use of working from home and staggered working hours under each country's regulations.

Supply Chain Interruptions

As the Brother Group has expanded its production and sales facilities globally, its supply chain is likely to be significantly impacted by the occurrence of infectious diseases, wars, terrorist attacks, large-scale disasters, natural disasters, and other such events.

To minimize the risk of supply chain interruptions during emergencies, with regard to production systems, we respond to risks through production in multiple locations, especially of consumables. At the same time, we implement other risk countermeasures such as having backup production facilities and parts inventories. In addition, we take action to reduce risks by strategic consideration of parts supplier business partners and upstream suppliers. In our sales facilities, we review inventory levels to prevent shortages of products, and implement fire prevention measures and certain measures against natural disasters, such as earthquakes and typhoons, as disaster prevention measures. Also, in Japan, where our Headquarters functions are located, we have established a disaster prevention crisis control system in anticipation of a Nankai Trough earthquake.

Compliance

Approach to Compliance

The Brother Group considers compliance with laws and ethics indispensable for upholding the foundation of its CSR management and avoiding various risks. To ensure compliance on a Group basis, we set up our standards for employee behavior based on one of the Codes of Practice of the Brother Group Global Charter, Ethics and Morality; and on the Brother Group Principles of Social Responsibility, which clearly define our corporate social responsibility and guide us to fulfill it.

Compliance Promotion Structure

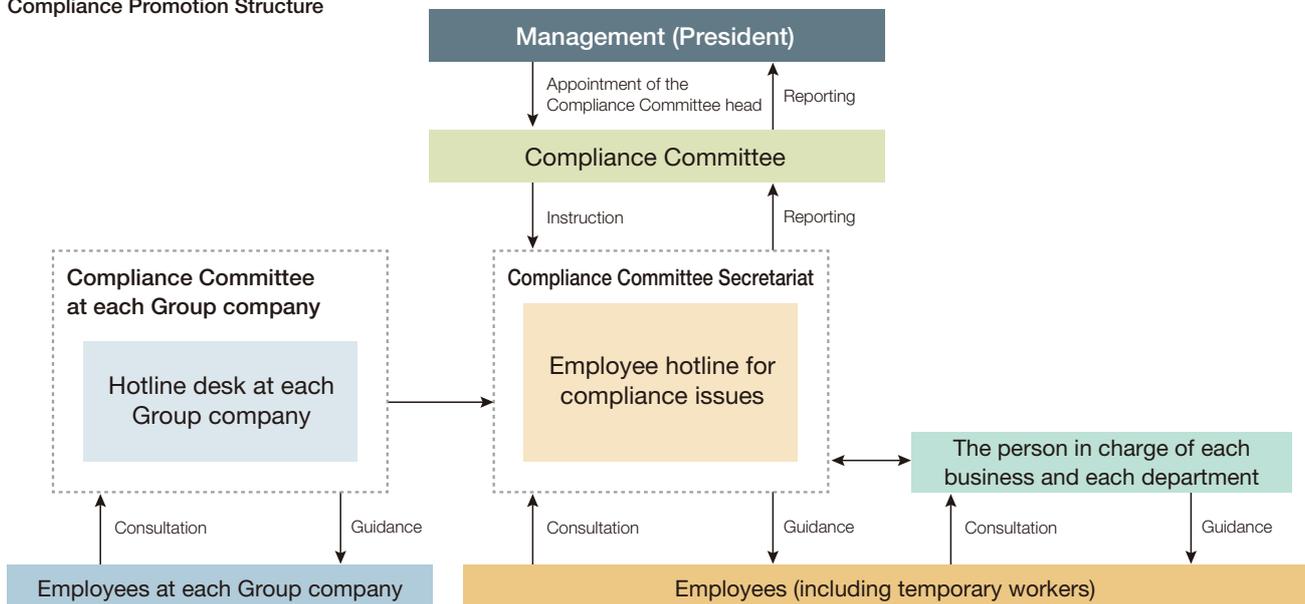
BIL established the Compliance Committee and set up the Employee Hotline for Compliance issues to prevent violations, take prompt action in the event of a violation, and prevent reoccurrence. In addition, each Group company, including those overseas, has established its own Compliance Committee and employee hotlines.

Critical issues are reported not only to the Compliance Committees of the respective Group companies, but also to the BIL Compliance Committee, thereby establishing a system for Group-wide responses.

Employee Hotline for Compliance Issues

The Compliance Committee operates the Employee Hotline for Compliance Issues to handle discussions and whistleblowing by employees of Group companies and others, and responds according to the criticality and urgency. In addition, when risk with critical impact on the management of the Brother Group has occurred or is expected to occur, the Compliance Committee deliberates and determines the response policy, and responds swiftly. In FY2020, a total of 117 reports were made to compliance hotlines throughout the Brother Group (breakdown: 9 at BIL, 61 at domestic Group companies, and 47 at overseas Group companies).

Compliance Promotion Structure



Approaches to Raising Employees' Awareness of Compliance among the Brother Group Companies

Compliance Handbook and Card

With the aim of raising employees' awareness of compliance and ethics, we issued the Compliance Handbook (handbook). This handbook is distributed to employees in BIL and Group companies in Japan.

The handbook, composed of compliance codes of conduct, case examples, and quiz-based learning sections, encourages employees to think and learn on their own.

We also distribute the Compliance Card, which helps employees decide what action to take when they consider their response in their daily life.

Compliance Education

In Japan, we provide employees with group training programs (orientation for new employees, periodic basic training, and a seminar for those who will be on an overseas assignment) and online training courses via our e-learning system. Outside Japan, meanwhile, we check the situation of education at our manufacturing facilities in China, Vietnam, the Philippines and so forth, and strive to reinforce educational activities based on the check results.

In accordance with the recent trends of laws and regulations, we also look into laws and regulations and promote education and enlightenment activities for respective Group companies in order to ensure compliance with each country's bribery prevention laws, antimonopoly laws, etc.

Anti-Corruption

In the "Brother Group Principles of Social Responsibility" and the "Brother Group Anti-Corruption Global Policy," Brother Group employees are prohibited from engaging in corruption or bribery. Such policies are communicated to all Brother Group employees by posting on the external BIL internet site and on the Brother Group intranet site.

In Japan, we engage in anti-corruption by distributing a compliance handbook that introduces specific examples of bribery and entertainment to all of Brother Group companies in Japan and provide compliance trainings for new hires and employees who are assigned overseas in BIL, as well as some of the other Brother Group subsidiaries in Japan.

In addition, in order to raise the awareness of compliance, we also conduct individual online anti-bribery trainings for the management and staff for each of our Asian companies that include the explanation of the purpose and use of the checklist, and how to use it to minimize bribery risks.

In both FY2018 and FY2020, there were 0 (zero) employees who were fired or terminated for corrupt practices in Japan. The cost of fines or penalties related to corruption in Japan was 0 (zero) yen. In BIL, the total amount of political contributions made was also 0 (zero) yen.

Brother Group Anti-Corruption Global Policy

Brother Group is committed to complying with relevant laws and regulations in the countries and regions in which we operate in our Brother Group Code of Conduct.

Bribery and corruption are prohibited by the laws and regulations in most countries where we operate as acts that hinder economic and social development. In our Brother Group Principles of Social Responsibility, we promise our stakeholders that we shall not engage in any form of corruption, extortion or embezzlement. However, in recent years, laws and regulations governing bribery and corruption have become increasingly stringent, and in consideration of such circumstances, we are implementing this policy to further promote our anti-corruption efforts.

 [Compliance and Anti-Corruption](#)

<https://global.brother/en/sustainability/governance/compliance>

TOPICS: Anti-Corruption Efforts

Asia

In FY2020, we introduced an anti-bribery checklist for use by our sales facilities in Asia. This checklist helps our sales facilities check various red flags that may involve bribery (e.g., conflicts of interest, improper sales rebates) when they deal with third parties. By utilizing the checklist, we work with our sales facilities in Asia to regularly check and monitor deals with third parties (especially government entities and their officials).

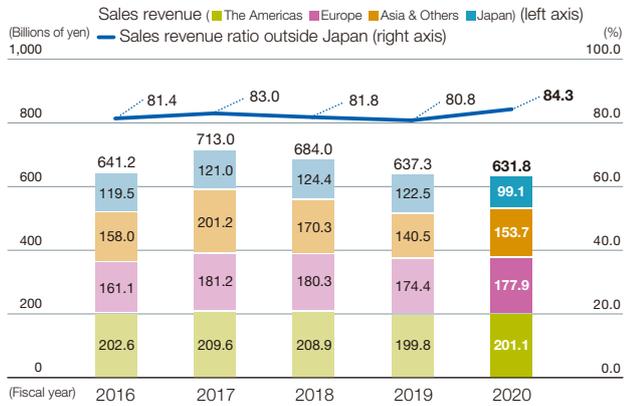
United States

We conduct online anti-bribery training sessions for employees in the Americas. Furthermore, we communicate our strong anti-corruption policy externally through inclusion of anti-corruption articles in contracts with third parties. We also conduct anti-bribery screening of potential and new business partners that purchase from or sell to our sales facilities in the United States. If a new problem or risk is found as a result of the screening, we consider whether to continue dealing with the relevant business partner.

Financial and Non-financial Highlights

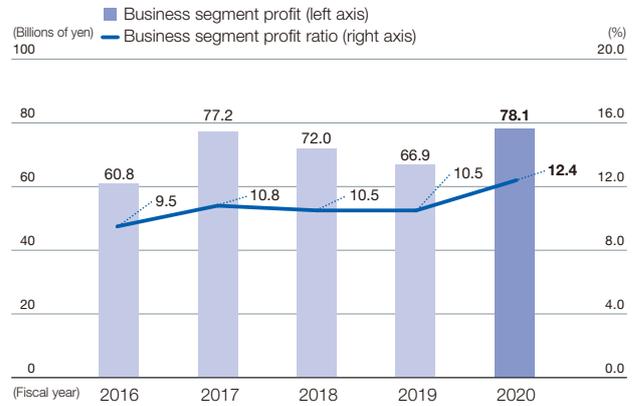
Financial Indicators

Sales Revenue / Sales Revenue Ratio Outside Japan



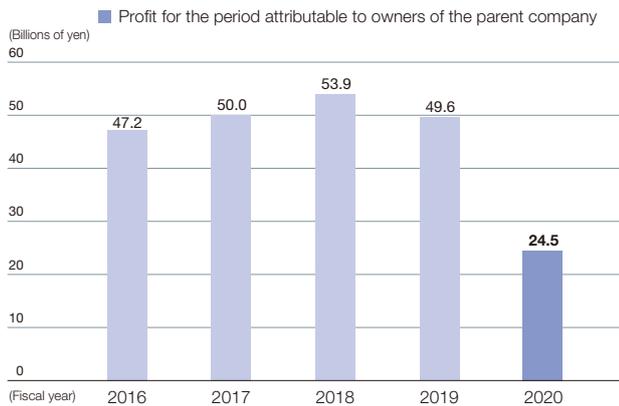
Maintained sales revenue at almost the same level as the previous year in FY2020 by taking advantage of a well-balanced regional mix even under the impact of the spread of COVID-19.

Business Segment Profit / Business Segment Profit Ratio



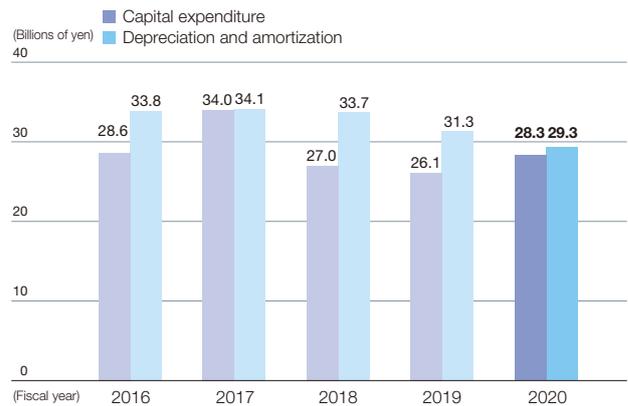
Recorded the highest profit in FY2020 as a result of strong sales in printers, All-in-Ones, and home sewing machines due to increased demand from people staying at home.

Profit for the Period Attributable to Owners of the Parent Company



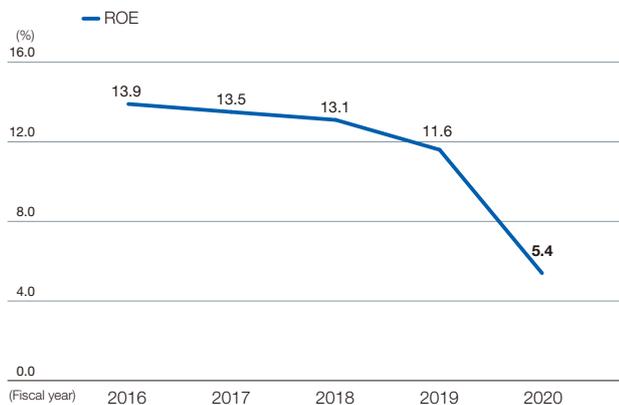
In FY2020, revenue decreased significantly due in part to impairment loss on a portion of goodwill in the Domino Business.

Capital Expenditure / Depreciation and Amortization



In FY2020, capital expenditure increased due mainly to factory reconstruction and investment in new product molds in the P&S Business and investment in the Xian Plant in the Machinery Business.

ROE



Remained at above 11% but dropped to 5.4% in FY2020 due mainly to decrease in revenue resulting from an impairment loss on a portion of goodwill in the Domino Business.

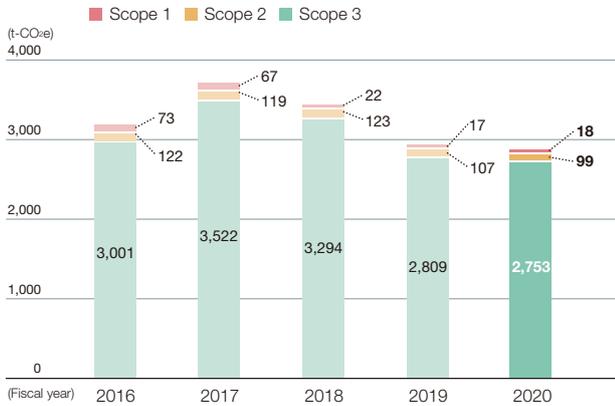
Dividends per Share / Consolidated Payout Ratio



Stable return of profits targeting a consolidated dividend payout ratio of 35%. The minimum annual dividend is 60 yen per share, except when business performance is stagnant.

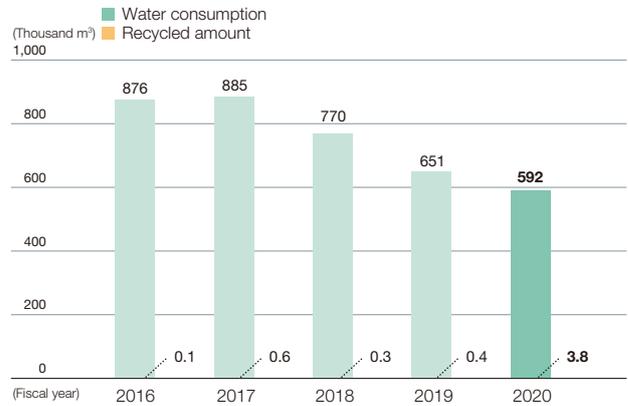
Non-financial Indicators

CO₂ Emissions (Scopes 1, 2, and 3)



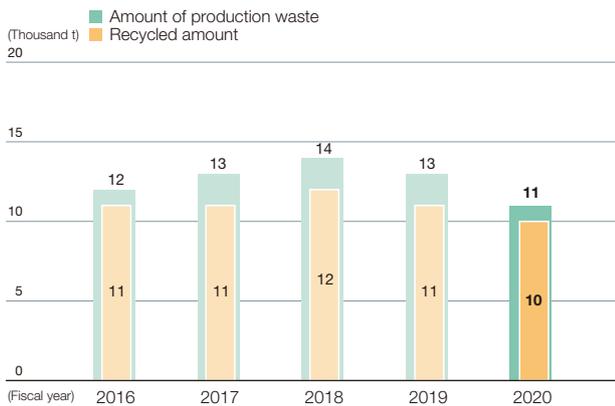
The FY2030 medium-term targets for CO₂ emissions are 70,149t-CO₂e, a 65% reduction from FY2015 for Scopes 1 and 2, and 2,096,057t-CO₂e, a 30% reduction for Scope 3 (Categories 1, 11, 12).

Water Consumption / Amount of Recycling



In FY2020, the amount of water intake at the Brother Group's main business sites was 591,596m³ (the amount directly related to products), of which 3,759m³ was recycled.

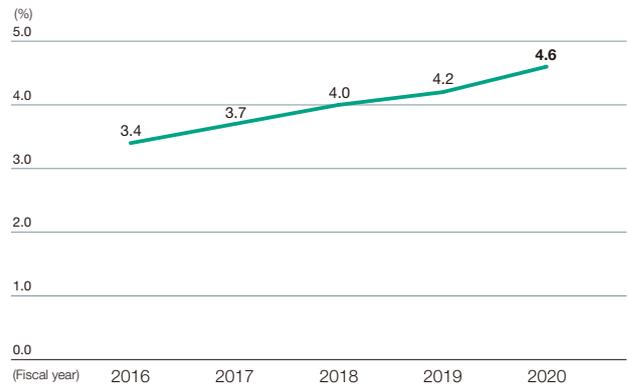
Amount of Production Waste / Amount of Recycling



In FY2020, the amount of production waste directly related to products in the Brother Group's main business sites was 11,469t, of which 9,983t was recycled.

Percentage of Females in Senior Management

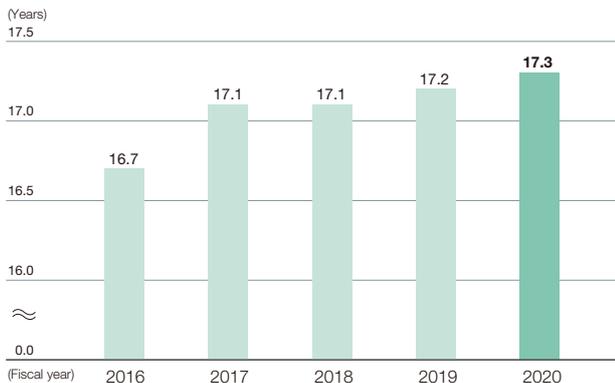
(Brother Industries, Ltd.) (Data effective as of March 31 of each year)



The number of female employees is 20% of the total. The number of female managers has steadily increased as a result of setting a target number for female managers in the Brother Industries Action Plan and implementing various measures to encourage career development.

Average Length of Service*

(Brother Industries, Ltd.) (Data effective as of March 31 of each year)

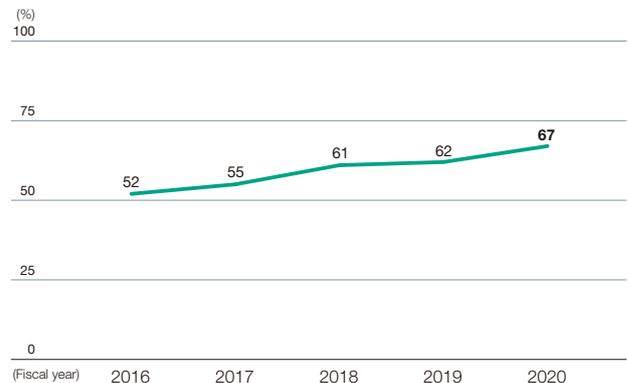


As a result of efforts to respect diversity, flexible work styles, and reduction of overtime hours, the average length of service has increased.

* Doesn't include incoming seconded employees, temporary employees or fixed-term employees

Ratio of Local Executives to Total Local Employees in Overseas Subsidiaries*

(Data effective as of June 1 of each year)



Steady training and appointment of local executives.

* Local executives of Domino Printing Sciences PLC and affiliated companies are excluded because they are all foreign nationals.

11-Year Data

	JGAAP				
	FY2010	FY2011	FY2012	FY2013	FY2014
Operating results					
Revenue / Net sales	502,830	497,390	516,066	616,834	707,237
Cost of sales	286,795	280,689	300,006	349,014	389,831
Gross profit	216,034	216,700	216,060	267,819	317,406
Sales, general, and administrative expenses	179,942	182,517	186,284	224,518	259,864
Business segment profit	—	—	—	—	—
Business segment profit ratio (%)	—	—	—	—	—
Operating profit	36,092	34,183	29,775	43,301	57,541
Operating profit ratio (%)	7.2	6.9	5.8	7.0	8.1
Ordinary profit	38,612	34,351	23,144	35,613	51,557
Profit before tax	34,061	34,107	27,946	33,527	65,399
Profit for the period	25,663	19,525	17,857	19,876	53,769
Profit for the year attributable to owners of the parent company	26,238	19,525	17,826	19,220	53,969
Depreciation	24,027	23,069	24,476	27,613	28,205
Capital expenditure	19,787	27,833	30,237	34,858	34,064
Research and development expenses	36,252	39,232	37,514	40,137	42,523
Debt to equity ratio (Times)	0.11	0.09	0.07	0.05	0.04
Financial position					
Total assets	372,645	370,906	421,494	469,973	567,230
Equity attributable to owners of the parent company / Net assets	220,468	231,425	278,769	308,310	367,284
Ratio of owners' equity to gross assets / Equity ratio (%)	59.1	62.3	62.4	62.0	61.7
Interest-bearing debt	24,386	19,966	19,224	14,366	15,481
Cash flows					
Net cash provided by operating activities	49,488	39,327	32,734	55,019	58,021
Net cash used in investing activities	(20,043)	(30,758)	(41,771)	(39,099)	(15,326)
Net cash used in financing activities	(10,950)	(14,117)	(6,413)	(13,433)	(18,451)
Cash and cash equivalents at the end of the period	65,100	58,731	55,059	68,934	104,732
Information per share					
Owners' equity per share (Yen)	822.43	863.01	985.85	1,097.01	1,348.69
Basic earnings per share for the year (Yen)	98.03	72.95	66.65	72.2	206.68
Diluted earnings per share for the year (Yen)	97.91	72.85	66.54	72.06	206.24
Price-earnings ratio (Times)	12.5	15.4	14.8	20.0	9.3
Dividend per share	24	24	24	24	30
Consolidated payout ratio (%)	24.5	32.9	36.0	33.2	14.5
Profitability					
Return on equity (ROE) (%)	12.1	8.7	7.2	6.9	16.8
Return on assets (ROE) (%)	7.1	5.3	4.5	4.3	10.4
Major Non-Financial Indicators					
Number of Group employees	29,873	31,314	31,694	33,118	34,988

Notes: Consolidated financial statements are prepared in accordance with the Japanese Generally Accepted Accounting Principles (JGAAP) for the fiscal years ended March 2016 and earlier and with the International Financial Reporting Standards (IFRS) for the fiscal years ended March 2017 and thereafter. Values based on IFRS are additionally stated as references for the year ended March 2016.

(Millions of yen)

JGAAP	IFRS Reference Values	IFRS				
FY2015	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
745,888	682,119	641,185	712,997	683,972	637,259	631,812
400,328	400,023	368,016	412,211	391,893	354,987	345,209
345,559	282,095	273,169	300,786	292,079	282,272	286,602
298,282	227,161	212,410	223,557	220,105	215,330	208,526
—	54,934	60,759	77,229	71,973	66,942	78,076
—	8.1	9.5	10.8	10.5	10.5	12.4
47,276	58,640	59,152	68,672	71,925	67,329	42,731
6.3	8.6	9.2	9.6	10.5	10.6	6.8
48,611	—	—	—	—	—	—
49,346	57,192	61,257	69,669	72,274	67,046	42,944
31,445	41,610	47,440	50,472	54,177	49,699	24,659
31,017	41,238	47,242	50,020	53,902	49,566	24,520
34,341	34,934	33,811	34,141	33,674	31,270	29,279
39,976	41,469	28,644	33,993	27,030	26,141	28,266
46,017	44,639	42,547	45,649	43,259	42,811	43,080
0.49	0.48	0.40	0.29	0.23	0.25	0.12
667,811	675,301	674,107	708,278	708,604	731,472	743,896
339,722	333,440	345,061	395,514	424,759	428,520	483,050
48.2	49.4	51.2	55.8	59.9	58.6	64.9
158,440	158,487	137,592	116,446	96,792	107,012	57,458
49,241	51,304	99,155	81,817	73,280	87,748	109,265
(215,091)	(216,997)	(23,271)	(37,090)	(22,624)	(27,955)	(25,080)
134,317	134,317	(30,389)	(34,551)	(39,040)	(14,916)	(74,038)
66,690	67,387	112,032	121,384	131,152	168,422	191,002
1,240.77	1,284.27	1,328.97	1,523.09	1,635.22	1,649.22	1,858.28
119.47	158.83	181.96	192.63	207.54	190.80	94.36
119.19	158.47	181.46	192.08	206.90	190.21	94.07
10.8	8.1	12.8	12.8	9.9	8.7	26.0
36	36	42	54	60	60	60
30.1	22.7	23.1	28.0	28.9	31.4	63.6
9.2	12.1	13.9	13.5	13.1	11.6	5.4
5.0	6.7	7.0	7.2	7.6	6.9	3.3
36,307	36,379	36,929	38,628	37,769	37,697	38,741

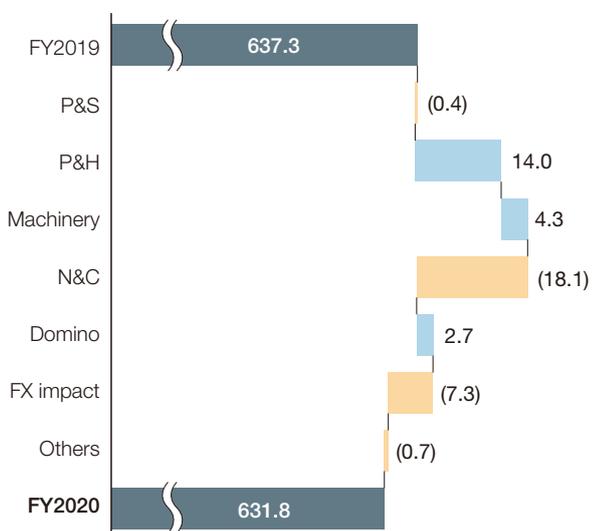
Financial Review

Performance in FY2020, the Year ended March 2021

In FY2020, the business environment of the Group varied greatly among segment due to the spread of COVID-19. While demand for small All-in-Ones, printers and home sewing machines increased significantly due to the increase in working from home and consumption by people staying at home, the domestic karaoke market faced extremely difficult conditions due to a significant decrease in the number of karaoke club patrons as a result of requests for business restraint and shortened business hours. In the industrial field, including machine tools and industrial printing equipment, although the impact of sluggish capital expenditure sentiment was seen in the first half of the fiscal year, demand showed signs of recovery toward the second half due to progress in countermeasures against COVID-19 in various countries.

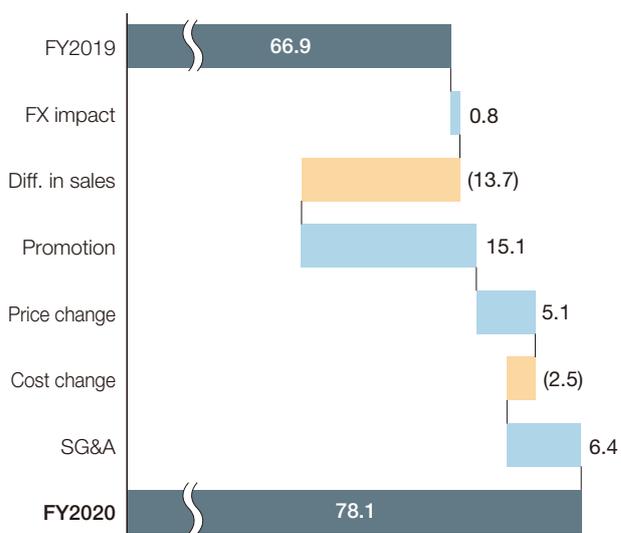
With regard to consolidated performance under these circumstances, in the P&S Business, demand for use while staying at home remained firm and sales of laser printers were steady, but demand for office printing decreased and there were effects from an inkjet printer supply shortage, and as a result, revenue for the segment as a whole was down. In the P&H Business, revenue was up substantially as a result of an increase in demand for handmade items such as masks. In the Machinery Business, capital expenditure for industrial sewing machines remained at low levels, but demand for machine tools began recovering, and revenue for the segment as a whole was up. In the N&C Business, revenue was down sharply due to effects of the closure of karaoke clubs and shortened operating hours. The Domino Business was supported by steady demand for daily necessities, and sales of coding and marking equipment were up, resulting in higher revenue.

Factors of Increase / Decrease in Revenue (Unit: Billions of yen)



With regard to business segment profits, mainly in the P&S Business, printer sales promotion costs were curtailed compared to previous levels due to increased demand for use at home, and product unit prices tended to rise due to changes in the supply-demand balance. In addition, income increased due to a decrease in SG&A expenses as a result of self-restraint in corporate activities to prevent the spread of COVID-19.

Factors of Increase / Decrease in Business Segment Profit (Unit: Billions of yen)



As a result of these factors, revenue decreased 0.9% year-on-year to 631,812 million yen and business segment income increased 16.6% year-on-year to 78,076 million yen. Operating profit was 42,731 million yen, a year-on-year decrease of 36.5%, due to goodwill impairment losses in the Domino Business, site reorganization expenses for some consolidated subsidiaries in the P&S Business, impairment losses relating to karaoke club assets in the N&C Business, and other factors. Profit for the period attributable to owners of the parent company was down 50.5% year-on-year to 24,520 million yen.

Analysis of Financial Position

Current assets increased 19,970 million yen to 428,751 million yen due mainly to increases of 22,580 million yen in cash and cash equivalents and 2,328 million yen in inventories. Non-current assets decreased 7,546 million yen to 315,145 million yen due mainly to a decrease of 16,212 million yen in goodwill and intangible assets resulting from recording of impairment losses, etc. As a result, total assets were 743,896 million yen, an increase of 12,424 million yen compared to the end of FY2019.

With regard to liabilities, trade and other payables increased, while corporate bonds and borrowings decreased due to redemption of corporate bonds and repayment of loans using cash on hand borrowed at the end of the previous consolidated fiscal year in order to respond to changes in business and the financial environment caused by the COVID-19 pandemic, and as a result,

total liabilities were 244,189 million yen, a decrease of 42,111 million yen compared to the end of FY2019.

As the result of an increase in exchange differences on translating foreign operations, total equity was 99,707 million yen, an increase of 54,535 million yen compared to the end of FY2019.

Statement of Financial Position (Excerpt)

(Unit: Billions of yen)

	FY2019	FY2020	Change
Current assets	408.8	428.8	20.0
Cash & cash equivalents	168.4	191.0	22.6
Inventories	117.9	120.2	2.3
Non-current assets	322.7	315.1	(7.5)
Total liabilities	286.3	244.2	(42.1)
Interest-bearing debt	107.0	57.5	(49.6)
Equity attributable to owners of the parent company	428.5	483.1	54.5
Total assets	731.5	743.9	12.4

Analysis of the Status of Cash Flows

Cash and cash equivalents at the end of FY2020 were 191,002 million yen, an increase of 22,580 million yen compared to the end of FY2019 as a result of a 109,265 million yen increase from operating activities, a 25,080 million yen decrease from investing activities, and a 74,038 million yen decrease from financing activities.

Cash Flows from Operating Activities

Cash flows from operating activities were 109,265 million yen. The main changed factors were an increase of 111,983 million yen due to adjustments of non-cash income (loss) including depreciation and amortization and impairment loss of income before income taxes, an increase of 12,669 million yen due to a decrease in working capital, and expenditures of 16,945 million yen for income tax payments.

Cash Flows from Investing Activities

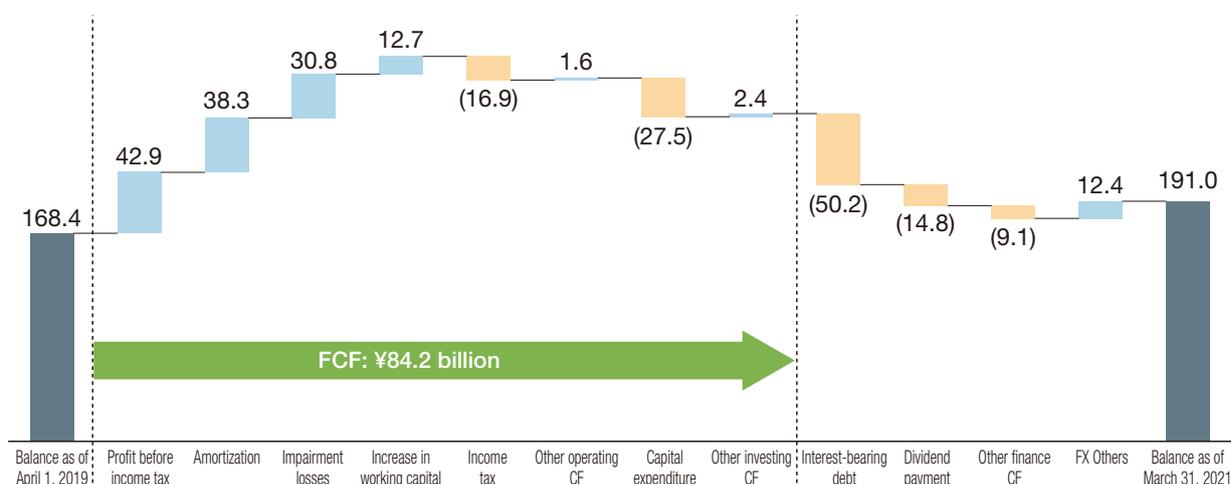
Cash flows used in investing activities were 25,080 million yen. The main changed factors were expenditures of 20,655 million yen for acquisition of tangible fixed assets and 6,859 million for acquisition of intangible fixed assets.

Cash Flows from Financing Activities

Cash flows used in financing activities were 74,038 million yen. The main changed factors were expenditures of 30,012 million yen for repayment of short-term loans, 20,140 million yen for redemption of corporate bonds, 8,798 million yen for repayment of lease liabilities, and 14,830 million yen for dividends.

Cash Flow Analysis

(Unit: Billions of yen)



Consolidated Financial Statements

Consolidated Statement of Financial Position

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	168,422	191,002
Trade and other receivables	95,067	93,055
Other financial assets	11,277	8,391
Inventories	117,858	120,186
Other current assets	15,554	16,070
Subtotal	408,179	428,705
Non-current assets classified as held for sale	601	45
Total current assets	408,780	428,751
Non-current assets		
Property, plant and equipment	104,204	107,742
Right-of-use assets	25,727	20,835
Investment property	8,122	8,248
Goodwill and intangible assets	134,409	118,196
Investments accounted for using the equity method	1,594	1,772
Other financial assets	27,871	36,042
Deferred tax assets	14,533	14,842
Other non-current assets	6,229	7,464
Total non-current assets	322,692	315,145
Total assets	731,472	743,896

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	51,041	54,589
Bonds and borrowings	50,361	19,167
Other financial liabilities	8,482	9,887
Income tax payables	3,455	6,779
Provisions	3,349	4,015
Contract liabilities	4,413	5,636
Other current liabilities	48,813	51,412
Total current liabilities	169,918	151,489
Non-current liabilities		
Bonds and borrowings	56,650	38,290
Other financial liabilities	28,540	23,295
Retirement benefits liabilities	20,261	19,316
Provisions	2,986	2,848
Deferred tax liabilities	5,564	6,394
Contract liabilities	1,189	1,506
Other non-current liabilities	1,188	1,047
Total non-current liabilities	116,382	92,700
Total liabilities	286,300	244,189
Equity		
Capital stock	19,209	19,209
Capital surplus	17,632	17,652
Retained earnings	491,803	509,662
Treasury stock	(2,597)	(2,477)
Other components of equity	(97,526)	(60,998)
Equity attributable to owners of the parent company	428,520	483,050
Non-controlling interests	16,650	16,657
Total equity	445,171	499,707
Total equity and liabilities	731,472	743,896

Consolidated Financial Statements

Consolidated Statement of Income

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Revenue	637,259	631,812
Cost of sales	(354,987)	(345,209)
Gross profit	282,272	286,602
Selling, general and administrative expenses	(215,330)	(208,526)
Other income	3,264	6,107
Other expenses	(2,876)	(41,451)
Operating profit	67,329	42,731
Finance income	2,289	2,209
Finance expenses	(2,700)	(2,231)
Share of profit / (loss) of investments accounted for using the equity method	128	235
Profit before income taxes	67,046	42,944
Income tax expenses	(17,347)	(18,285)
Profit for the year	49,699	24,659
Profit for the year attributable to:		
Owners of the parent company	49,566	24,520
Non-controlling interests	132	138
Profit for the year	49,699	24,659
Earnings per share		
Basic earnings per share (Yen)	190.80	94.36
Diluted earnings per share (Yen)	190.21	94.07

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Profit for the year	49,699	24,659
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Gains / (Losses) on investments in equity instruments designated as FVTOCI	(1,948)	6,128
Remeasurement of the net defined benefit liability (asset)	(1,933)	2,128
Share of other comprehensive income of investments accounted for using the equity method	(17)	(7)
Total of items that will not be reclassified subsequently to profit or loss	(3,899)	8,248
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(25,973)	36,565
Total of items that may be reclassified subsequently to profit or loss	(25,973)	36,565
Other comprehensive income for the year, net of income tax	(29,873)	44,814
Comprehensive income for the year	19,826	69,474
Comprehensive income for the year attributable to:		
Owners of the parent company	19,729	69,219
Non-controlling interests	96	255
Comprehensive income for the year	19,826	69,474

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

FY2019 (Year Ended March 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent company								Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total			
					Exchange differences on translating foreign operations	Gains / (losses) on investments in equity instruments designated as FVTOCI	Remeasurement of the net defined benefit liability (asset)				
Balance as of March 31, 2019	19,209	17,577	462,244	(2,694)	(71,577)	—	—	(71,577)	424,759	16,833	441,593
Cumulative effect of adoption of the new accounting standards	—	—	(494)	—	—	—	—	—	(494)	(8)	(503)
Balance as of April 1, 2019	19,209	17,577	461,749	(2,694)	(71,577)	—	—	(71,577)	424,264	16,825	441,090
Profit for the year	—	—	49,566	—	—	—	—	—	49,566	132	49,699
Other comprehensive income / (loss)	—	—	—	—	(25,949)	(1,927)	(1,959)	(29,836)	(29,836)	(36)	(29,873)
Total comprehensive income / (loss) for the year	—	—	49,566	—	(25,949)	(1,927)	(1,959)	(29,836)	19,729	96	19,826
Acquisition of treasury stock	—	—	—	(10)	—	—	—	—	(10)	—	(10)
Disposal of treasury stock	—	(76)	(18)	107	—	—	—	—	12	—	12
Dividends paid	—	—	(15,607)	—	—	—	—	—	(15,607)	(270)	(15,877)
Share-based payment transaction	—	131	—	—	—	—	—	—	131	—	131
Reclassification to retained earnings	—	—	(3,887)	—	—	1,927	1,959	3,887	—	—	—
Total transactions with owners	—	54	(19,513)	97	—	1,927	1,959	3,887	(15,474)	(270)	(15,744)
Balance as of March 31, 2020	19,209	17,632	491,803	(2,597)	(97,526)	—	—	(97,526)	428,520	16,650	445,171

FY2020 (Year Ended March 31, 2021)

(Millions of yen)

	Equity attributable to owners of the parent company								Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total			
					Exchange differences on translating foreign operations	Gains / (losses) on investments in equity instruments designated as FVTOCI	Remeasurement of the net defined benefit liability (asset)				
Balance as of April 1, 2020	19,209	17,632	491,803	(2,597)	(97,526)	—	—	(97,526)	428,520	16,650	445,171
Profit for the year	—	—	24,520	—	—	—	—	—	24,520	138	24,659
Other comprehensive income / (loss)	—	—	—	—	36,528	6,057	2,112	44,698	44,698	116	44,814
Total comprehensive income / (loss) for the year	—	—	24,520	—	36,528	6,057	2,112	44,698	69,219	255	69,474
Acquisition of treasury stock	—	—	—	(17)	—	—	—	—	(17)	—	(17)
Disposal of treasury stock	—	(100)	—	137	—	—	—	—	37	—	37
Dividends paid	—	—	(14,830)	—	—	—	—	—	(14,830)	(248)	(15,079)
Share-based payment transaction	—	120	—	—	—	—	—	—	120	—	120
Reclassification to retained earnings	—	—	8,170	—	—	(6,057)	(2,112)	(8,170)	—	—	—
Total transactions with owners	—	20	(6,660)	120	—	(6,057)	(2,112)	(8,170)	(14,689)	(248)	(14,938)
Balance as of March 31, 2021	19,209	17,652	509,662	(2,477)	(60,998)	—	—	(60,998)	483,050	16,657	499,707

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2019 (Year ended March 31, 2020)	FY2020 (Year ended March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	67,046	42,944
Depreciation and amortization	40,197	38,252
Impairment losses	429	30,787
Finance expenses / (income)	411	22
Share of (profit) / loss of investments accounted for using the equity method	(128)	(235)
Losses / (gains) on sale or disposal of fixed assets	289	859
Decrease / (increase) in trade and other receivables	1,658	7,484
Decrease / (increase) in inventories	6,053	3,953
Increase / (decrease) in trade and other payables	(9,366)	1,232
Decrease / (increase) in retirement benefit assets	66	(831)
Increase / (decrease) in retirement benefit liabilities	3,161	(1,863)
Other	(1,323)	3,643
Subtotal	108,496	126,250
Interest received	1,028	877
Dividends received	360	312
Interest paid	(1,365)	(1,229)
Income taxes paid	(20,772)	(16,945)
Net cash provided by operating activities	87,748	109,265
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,872)	(20,655)
Proceeds from sales of property, plant and equipment	1,172	1,674
Purchases of intangible assets	(9,212)	(6,859)
Purchases of investments in equity instruments	(834)	(238)
Proceeds from sales of investments in equity instruments	859	706
Purchases of investments in debt instruments	(7,537)	(7,299)
Proceeds from sales or redemption of investments in debt instruments	7,666	8,541
Payments for acquisition of business	(2,030)	—
Other	(1,166)	(950)
Net cash used in investing activities	(27,955)	(25,080)
Cash flows from financing activities		
Proceeds from short-term borrowings	29,873	—
Repayment of short-term borrowings	—	(30,012)
Proceeds from long-term borrowings	200	200
Repayment of long-term borrowings	(20,197)	(200)
Redemption of bonds	(92)	(20,140)
Repayment of lease obligations	(8,813)	(8,798)
Dividends paid	(15,607)	(14,830)
Dividends paid to non-controlling interests	(270)	(248)
Other	(8)	(6)
Net cash used in financing activities	(14,916)	(74,038)
Effect of exchange rate changes on cash and cash equivalents	(7,606)	12,434
Net increase / (decrease) in cash and cash equivalents	37,270	22,580
Cash and cash equivalents at the beginning of the year	131,152	168,422
Cash and cash equivalents at the end of the year	168,422	191,002

Corporate Information (As of March 31, 2021)

Corporate Profile

Company Name :	BROTHER INDUSTRIES, LTD.
Date of Incorporation :	January 15, 1934
Paid-in Capital :	19,209 million yen
Head Office :	15-1 Naeshiro-cho, Mizuho-ku, Nagoya, Aichi 467-8561, Japan
Number of Employees :	Consolidated 38,741 / Non-consolidated 3,803
Consolidated Subsidiaries :	112 companies
Entities Accounted for Using the Equity Method :	7 companies
Fiscal Year :	From April 1 to March 31 of the following year
Timing of the Ordinary General Meeting of Shareholders :	June
Total Number of Shares Issued :	262,220,530 shares
Number of Shareholders :	13,959
Listed Stock Exchanges :	Tokyo / Nagoya

Major External Evaluations



FTSE4Good



FTSE Blossom
Japan

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



2021
Sompo Sustainability Index



2021
健康経営銘柄
Health and Productivity



2021
健康経営優良法人
Health and productivity
ホワイト500

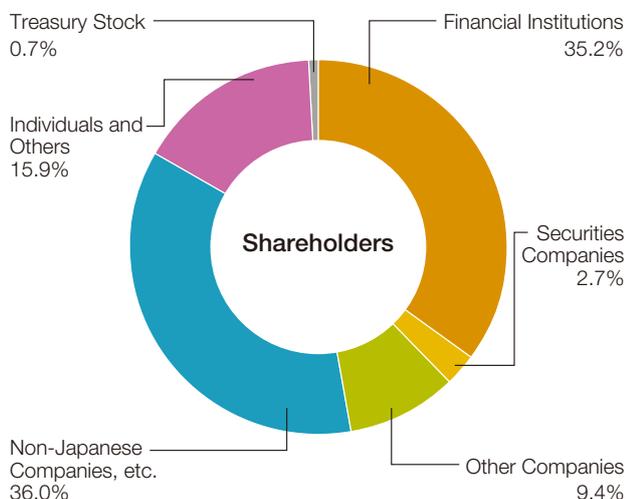


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Stock Information (As of March 31, 2021)

Stock Distribution



Major Shareholders (Top 10)

Names of Shareholders	Number of shares held (1,000 shares)	Percentage of shares held (%) *
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,075	8.48
SSBTC Client Omnibus Account	12,034	4.62
Nippon Life Insurance Company	11,798	4.53
Custody Bank of Japan, Ltd. (Trust Account)	11,189	4.30
Sumitomo Mitsui Banking Corporation	6,058	2.33
Sumitomo Life Insurance Company	4,499	1.73
Brother Employees Shareholding Plan	4,492	1.73
MUFG Bank, Ltd.	3,796	1.46
Custody Bank of Japan, Ltd. (Trust Account No.5)	3,751	1.44
Custody Bank of Japan, Ltd. (Trust Account No.7)	3,687	1.42

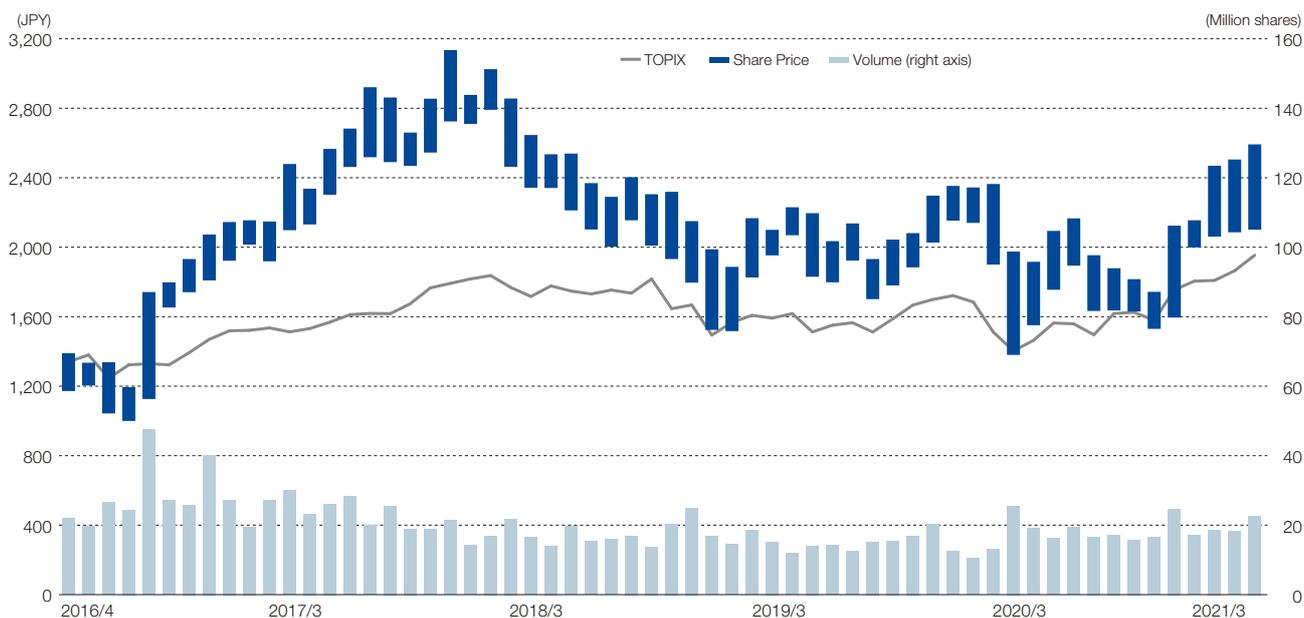
* Shareholding ratio (excluding Treasury shares)

Credit Ratings

Rating and Investment Information, Inc.: A (Stable)

Stock Overview

Share Price and Volume Transition



Corporate information

<https://global.brother/en/corporate/>

Investor Relations

<https://global.brother/en/investor/>

Sustainability

<https://global.brother/en/sustainability>

Brother Group SDGs Special Site: Brother SDGs story

<https://www.brotherearth.com/e/>

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URL: <https://global.brother>

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