

# Practice ESG-focused Management for Sustainable Value Creation

**E**nvironment  
**S**ocial  
**G**overnance

## 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 CO<sub>2</sub> 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	Place our customers first everywhere, every time, and provide them with superior value, by quickly creating and delivering high-quality products and services  Quickly respond to the demands and expectations of the global marketplace	<ul style="list-style-type: none"> <li>Take customer opinions as the starting point of our business activities and deliver products and services that meet customer needs</li> <li>Establish quality standards and evaluation methods for products and create reliable products</li> <li>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</li> <li>Work in proper cooperation with partners to flexibly respond to diversified business tools, markets, and changes in customers' behavior</li> </ul>
Employees	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  Provide our associates with fair, attractive financial rewards	<ul style="list-style-type: none"> <li>Build systems and environments in which diverse human resources can demonstrate their abilities</li> <li>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</li> <li>Establish various systems, including homeworking and family-care leave systems, to support the work-life balance of employees</li> <li>Institute a target management system to provide fair evaluation and compensation</li> <li>Establish talent development systems, such as manager development and trainee programs</li> <li>Conduct an employee awareness survey annually to grasp and improve conditions, mainly to ensure employees are working energetically</li> </ul>
Business partners	Act fairly with business partners and build strong, respectful working relationships for mutual growth	<ul style="list-style-type: none"> <li>Make the Brother Group's "Procurement Policy" and "CSR Procurement Standards" publicly available to share the Group's CSR procurement concept with suppliers</li> <li>Operate the "CSR Procurement Level-up Program" and continuously conduct CSR questionnaires to suppliers and improvement requests and monitoring based on the results</li> <li>Recognize outstanding CSR efforts by suppliers</li> </ul>
Shareholders	Effectively utilize capital from shareholders to drive sustainable growth in corporate value and have regular, open communication	<ul style="list-style-type: none"> <li>Provide the latest information to shareholders and investors through general meetings of shareholders and financial results briefings</li> </ul>
Local communities	Share our social, economic and cultural resources in all the communities where the Brother Group operates	<ul style="list-style-type: none"> <li>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)"</li> <li>Contribute to society through activities autonomously conducted by the Group facilities in a way tailored to their local communities</li> <li>Provides support during large-scale disasters and pandemics</li> </ul>
Environment	Help society achieve sustainable development, by positively and continuously considering the environmental impact of all aspects of our business operations	<ul style="list-style-type: none"> <li>Create eco-conscious products</li> <li>Recover and recycle consumables and products</li> <li>Promote CO<sub>2</sub> emissions and waste reduction</li> <li>Properly manage chemicals and discharged water</li> <li>Implement environmental communication</li> </ul>
Governance	Respect the culture, rules and spirit of laws, in all countries and regions where the Brother Group operates  Act with the highest integrity  Expect our associates to be positive members of society	<ul style="list-style-type: none"> <li>Establish and strengthen governance in line with the "Brother Group Basic Policies on Corporate Governance"</li> <li>Conduct self-assessments by respective facilities and audits by the internal audit department to check the effectiveness of internal control</li> <li>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</li> <li>Establish a framework for information management by setting up the Group Information Management Regulation, which is compliant with the Information Security Management System (ISMS)</li> </ul>

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

# 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 CO<sub>2</sub> emissions reduction target that we set in the Environmental Vision. As for CO<sub>2</sub> emissions reduction, we aim to achieve carbon neutrality\*1 in all our business activities and minimize CO<sub>2</sub> 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 CO<sub>2</sub> 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
<b>Reduction of CO<sub>2</sub> emissions</b>	Aim to achieve carbon neutrality*1 in all business operations and minimize CO <sub>2</sub> 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.
<b>Resource circulation</b>	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.
<b>Biodiversity conservation</b>	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 <sub>2</sub> emissions, and promotion of resource circulation

\* Achieve overall zero CO<sub>2</sub> emissions from the Brother Group.

#### Mid-term Target for FY2030

<b>Reduction of CO<sub>2</sub> emissions</b>	<ul style="list-style-type: none"> <li>•[Scopes 1 and 2] Achieve 65% reduction from the FY2015 level</li> <li>•[Scope 3 Categories 1, 11, and 12] Achieve 30% reduction from the FY2015 level</li> </ul>
<b>Resource circulation</b>	<ul style="list-style-type: none"> <li>•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</li> <li>•The Group's manufacturing facilities continuously endeavor to ensure efficient use of water resources and proper treatment of wastewater</li> </ul>
<b>Biodiversity conservation</b>	<ul style="list-style-type: none"> <li>•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</li> <li>•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</li> </ul>

### 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

<b>1</b>	We will set environmental targets in all areas (manufacturing, production, and service) and continuously improve their environmental aspects.	<b>5</b>	While respecting voluntary activities by each company of the Brother Group, we will also exercise our environmental duties as a united group.
<b>2</b>	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.	<b>6</b>	We will enhance the environmental understanding and awareness of all employees through activities such as environmental education and PR.
<b>3</b>	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.	<b>7</b>	We will actively disclose our environmental efforts to our customers, local communities, and other interested parties to further foster understanding.
<b>4</b>	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.	<b>8</b>	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 CO<sub>2</sub> 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.

<b>FY2019</b>	Laser multi-function printers, Inkjet multi-function printers
<b>FY2020</b>	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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 <sub>2</sub> emissions by FY2030, and implement planned activities to achieve these targets
	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 •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"> <li>•Implement preliminary surveys on regulatory trends and early response</li> <li>•Implement activities to improve the usage rate of recycled plastics and reduce the amount of Styrofoam used with printing equipment</li> <li>•Implement activities to reduce the use of new resources</li> </ul>
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"> <li>•Implement specific measures against natural disasters</li> <li>•Implement risk countermeasures through multi-site production for some models</li> <li>•Strategically consider parts suppliers and their upstream suppliers</li> </ul>

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 <sub>2</sub> emissions	Increased demand for energy-efficient products and low-carbon products
	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	Secure business opportunities through the expansion of cyclical businesses

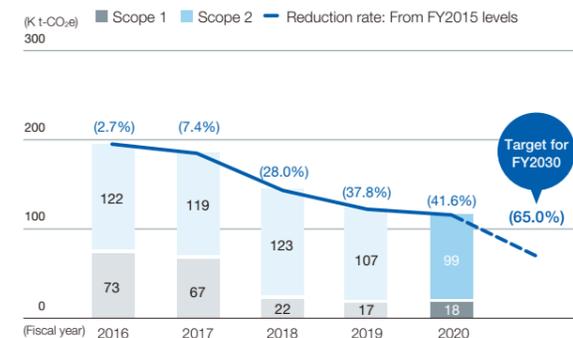
**Metrics and Targets**

Under the Brother Group Environmental Vision 2050, in the reduction of CO<sub>2</sub> emissions, the Brother Group will aim to achieve carbon neutrality\* in all business operations and minimize CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> in the value chain.

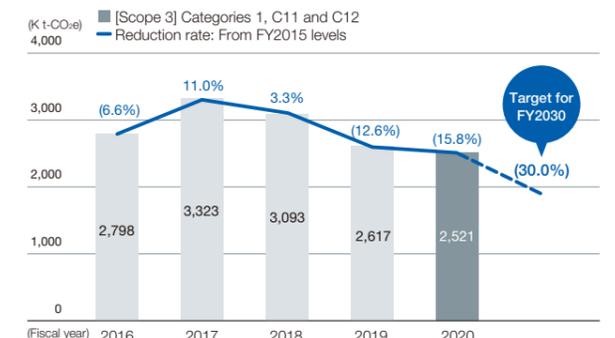
In order to achieve the mid-term target for reducing CO<sub>2</sub> emissions in line with the Brother Group Environmental Vision 2050, the Brother Group is undertaking a number of efforts. These include reducing the use of solvents containing greenhouse gases used in production processes, stepping up 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 CO<sub>2</sub> emissions from the Brother Group.

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



**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
<b>Procurement Policy and CSR Procurement Standards</b>		Established in 2008	
<b>Green Procurement</b>		Started in 2001	
<b>Supplier meeting</b>	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
<b>CSR questionnaire</b>	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/)

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

## Message from the Representative Director & Chairman



**Toshikazu Koike**  
Representative Director &  
Chairman  
Chairperson of the Board

### 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

#### 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.

#### 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)



**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)  
Jun. 2018 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)



**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)



**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  
Jun. 2012 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)



**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)



**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



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)

**Kazuyuki Ogawa**  
 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)

**Keizo Obayashi**  
 Standing Corporate Auditor



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)

**Akira Yamada**  
 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)

**Masaaki Kanda**  
 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)

**Kazuya Jono**  
 Corporate Auditor  
 Independent Officer

## 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 Ito**  
 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>

## 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.

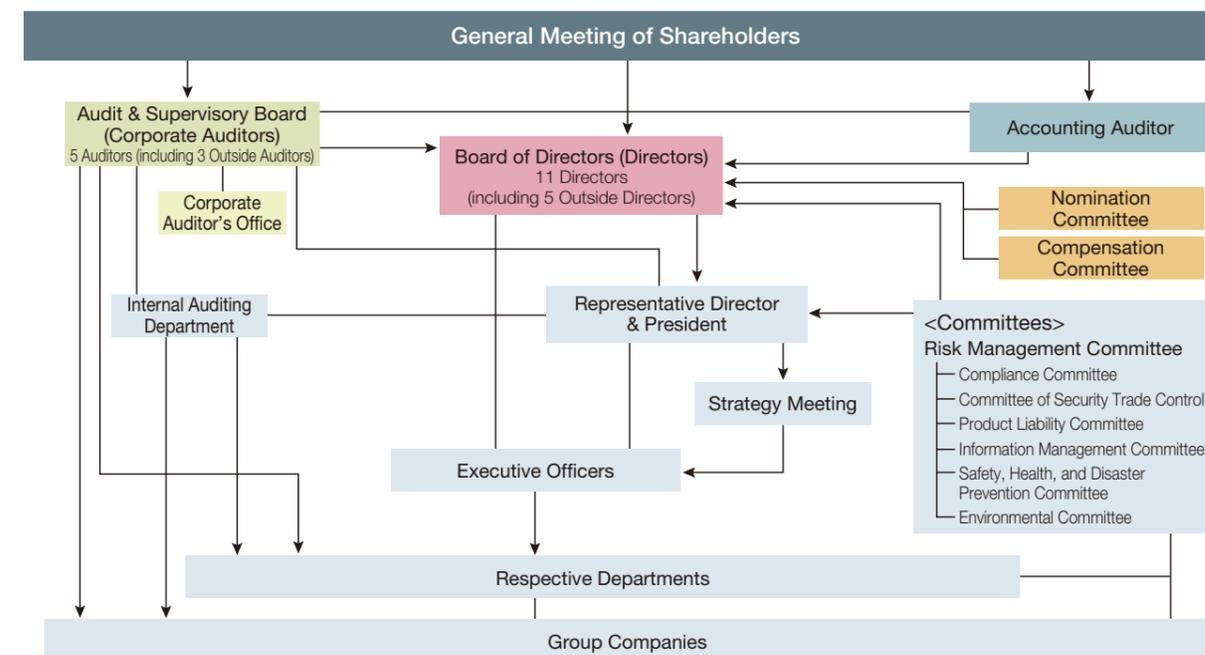
### <Main Activities>

- 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>

### Major Activities by Outside Directors (FY2020)

Name (Attendance)	Exhibition of Expertise and State of Activities
<b>Koichi Fukaya*</b> (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.
<b>Keisuke Takeuchi</b> (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.
<b>Aya Shirai</b> (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.
<b>Kazunari Uchida</b> (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 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.
<b>Naoki Hidaka</b> (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.

### 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.

## Effectiveness of the Board of Directors

### Conducting Evaluations of the Effectiveness of the Board of Directors

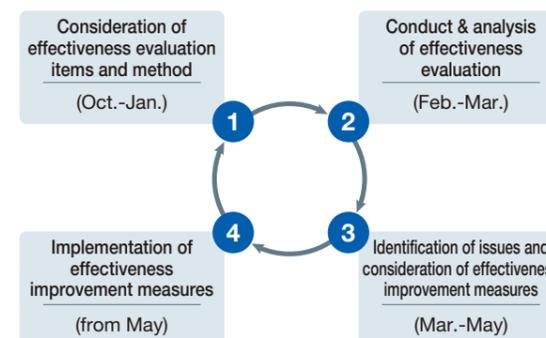
At BIL, the respective Directors and Auditors evaluate the effectiveness of the Board of Directors every year and report the results to the Board of Directors. Based on this evaluation, the Board of Directors analyzes and assesses the effectiveness of the entire Board of Directors and discloses a summary 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
<b>Basic remuneration</b>	All Directors	Fixed remuneration (based on position as defined in BIL's Director Remuneration Rules, etc.)
<b>Performance-based remuneration</b>	All Directors, except Outside Directors and part-time Directors	Reflect responsibilities for achievement in year-on-year business performance
<b>Stock option for a stock-linked compensation plan</b>	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)
<b>1 Representative Directors</b>	Consolidated revenue on a Group basis (50%) Consolidated profit for the year on a Group basis (50%)
<b>Non-Representative Directors</b>	
<b>2 Heads of Business Executive Officers or Directors serving as Executive Officers responsible for the business</b>	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%)
<b>3 Directors other than the above</b>	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)
<b>Group-wide</b>	631,812 / 560,000	24,520 / 25,000
<b>Network &amp; Contents</b>	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:

<b>Total amount of stock options (based on a fair evaluation amount at the time of determining issuance)</b>	Up to 130 million yen per year (based on a fair evaluation amount in corporate accounting at the time of determining each issuance)
<b>Number of stock options</b>	Up to 1,300 per year
<b>Types, details, and number of shares underlying stock options</b>	Up to 130,000 common shares
<b>Amount to be paid in upon the exercise of stock options</b>	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
<b>Period to exercise stock options</b>	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
<b>Conditions to exercise stock options</b>	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
<b>Matters related to transfer of stock options</b>	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		
			Base Remuneration (Millions of yen)	Performance-based Remuneration (Millions of yen)	Stock Options for the Stock-linked Compensation Plan (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

- The amount of remuneration paid to Directors does not include the employee salary of employees who also serve as Directors.
- 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
<b>Representative Director &amp; Chairman</b> <b>Representative Director &amp; President</b>	Return 20% of base remuneration (for one year from July 2020)
<b>Director (head of N&amp;C Business for FY2020)</b>	Return 20% of base remuneration (for one year from July 2020)

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

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

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

### 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

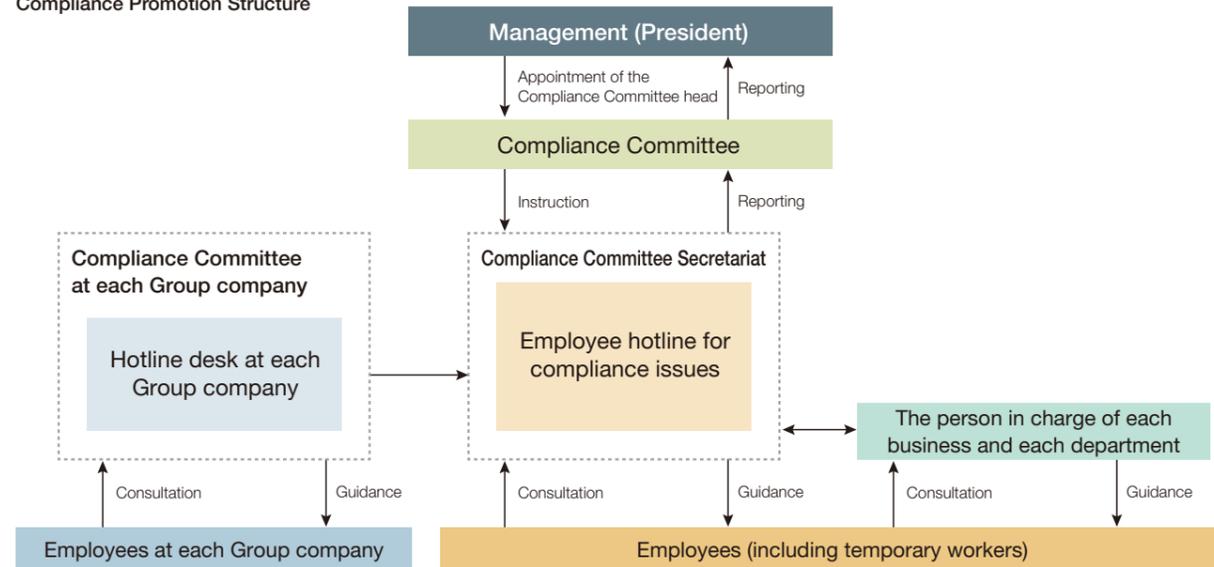
BIL established the Compliance Committee and set up the Employee Hotline for Compliance issues to prevent violations, take prompt action in the event of a violation, and prevent reoccurrence. In addition, each Group company, including those overseas, has established its own Compliance Committee and employee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

<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.