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Brother Industries, Ltd.

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The corporate governance of Brother Industries, Ltd. (hereafter referred to as the Company) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

The Brother Group (hereafter referred to as the Group) has established the Brother Group Global Charter (hereafter referred to as the Global Charter) as the basis of all of its activities conducted worldwide, and sets enhancement of its corporate value over the long term by optimizing management resources and creating customer value, development of long-term trustful relationships with its shareholders by enhancement of corporate transparency through active provision of corporate information to shareholders, etc. as the fundamental ideas of the Group's corporate governance.

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]

The Company complies with all of the principles set forth in the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4 Cross-Shareholdings]
The Company holds shares of other listed companies (hereafter referred to as cross-shareholdings) when building good business relationships with such companies is considered likely to improve its corporate value over the mid to long-term. The Board of Directors also examines the appropriateness of its cross-shareholdings on an annual basis and expedites reduction of holdings determined deficient in meaning.
As a result of examining the purpose of holding shares, dividend yield, market value, other benefits and risks for individual share at the Board of Directors meeting held in November 2019, it was decided to reduce the holding of shares determined deficient in meaning.
In general, the Company exercises its voting rights for its cross-shareholdings. The Company approves an agenda item after carefully examining its contents, except when it potentially harms the Company's mid to long-term economic interest and when it is obvious that the shareholder value will be damaged (such as by antisocial acts by listed companies or the management of listed companies).

[Principle 1-7 Related Party Transactions]
In cases in which Directors are processing a transaction that could potentially create business competition with the Company or result in a conflict of interest with the Company, they must receive approval from the Board of Directors in accordance with the procedure stipulated in the internal rules.

[Principle 2-6 Fulfilling the Function as an Asset Owner of Corporate Pension]
The corporate pension plan of the Group consists of a defined benefit pension plan that manages funds and contributions under the Brother Pension Fund and a defined contribution pension plan under which funds and contributions are managed by employees themselves.
For the Brother Pension Fund, the Company has implemented personnel and operational measures such as the measures below so that the Fund can fulfill its expected function as the asset owner.
(1) In operating the Brother Pension Fund, the Company appoints persons with appropriate background and aptitude to become Directors of Investment, and has them participate in various workshops to improve their expertise in fund management.
(2) The Company contains an Asset Management Committee, which consists of managerial personnel from the finance and personnel departments (department head and above) as well as officers of labor unions, that convenes on a quarterly basis to confirm investment performance. With regard to an asset management trustee whose performance has not been satisfactory for a certain period of time, the Asset Management Committee may examine, together with an external consultant, the necessity for a replacement and select a specific alternative asset management trustee.
(3) Conflicts of interest that may arise between beneficiaries of the Brother Pension Fund and the Company are appropriately managed by adapting a resolution for any important operational matter of the Fund at a conference of delegates, half of whom are employees as beneficiaries under the fund agreement, and entering into a discretionary agreement with the asset management trustee with regard to the selection of individual companies invested in and exercise of voting rights.

[Principle 3-1 Full Disclosure]
(i) The Global Charter consists of the basic policies and code of practice concerning daily decision making and actions of the Company and the Group's Directors, Executive Officers, employees, etc., and sets forth their relationships with the stakeholders. The Global Charter can be found on the Group's official website (https://global.brother/en/corporate/principle).
In addition, the Company's Mid-Term Business Strategy is disclosed on the Group's official website (https://global.brother/en/corporate/csb).

(ii) The Company's basic views with respect to corporate governance are described in "I. 1. Basic Views."
The fundamental policy is described in "Brother Group Basic Policies on Corporate Governance" (https://global.brother/en/corporate/governance/policy).

(iii) The Company believes that remunerations of Directors and Executive Officers must be appropriate, fair and balanced in such a way that they contribute to further enhancement of the motivation of Directors and Executive Officers concerned to maximize the corporate value of the Company.
In addition to the basic remunerations provided to all Directors, the remunerations of Directors also consist of performance-based remunerations reflecting their responsibilities and achievements in the Group's year-on-year business performance. Stock options for a stock-linked compensation plans for Directors are also offered as an incentive for long-term improvement of corporate value. These are given as the remunerations provided to Directors who are not Outside Directors. The remunerations of Executive Officers consist of basic remunerations, performance-based remunerations, and stock options for a stock-linked compensation plan for Executive Officers.
The remunerations of Directors must be calculated in accordance to the internal rules, discussed and reported by the Compensation Committee as an arbitrary advisory committee to the Board of Directors, and approved by the Board of Directors. The remuneration of Executive Officers must be calculated in accordance with the internal rules, discussed and reported by the Compensation Committee, and approved by the Board of Directors or President.
In the case in which the Compensation Committee reports on the amount of remunerations of Directors and Executive Officers, it must refer to the standards for remunerations, etc. of other, comparable companies and review the appropriateness of the remuneration amount.
The Company shall disclose the sum of remunerations paid to its Directors in an appropriate manner.

(iv) The Company's policy and procedures to appoint or remove candidates for Directors and Corporate Auditors are as follows.
The Company believes that Directors must possess a fine personality, insight and an ability to execute their duties as Director appropriately. The Company also believes that an Outside Director must possesses considerable experience in corporate management and comply with the standards stipulated in Principle 4-9 below (hereafter referred to as the Independence Standards), in addition to meeting the above-mentioned qualifications. A candidate for Director is decided by the Board of Directors through the procedure taken by the Nomination Committee as an arbitrary advisory committee to the Board of Directors.
The Company believes that an Executive Officer must possess a fine personality, insight, be acquainted with the business and operation of which they take charge of and must retain the ability to pursue their duties as Executive Officer properly. An Executive Officer is appointed by the Board of Directors through the procedure taken by the Nomination Committee.
The Nomination Committee must deliberate on the agenda items of the General Shareholder Meeting that concern the appointment or removal of Directors and the agenda items of the Board of Directors concerning the appointment or removal of Executive Officers in a fair, transparent and strict manner before the agenda items concerned are finalized, and report the outcome to the Board of Directors.

The Company believes that a Corporate Auditor must possess a fine personality, insight and the ability to pursue their duties as a Corporate Auditor properly. The Company also believes that an Outside Auditor must comply with Independence Standards, in addition to meeting the above-mentioned qualifications. A candidate for Corporate Auditor is decided by the Board of Directors with approval from the Audit & Supervisory Board. The Company further believes that at least one Corporate Auditor must have sufficient expertise in finance and accounting.

(v) The Company must disclose the reasons for its selection of candidates for Directors and Auditors in the notice of convocation at the general meeting of shareholders.
The Company disclosed the reasons for its selection of candidates for Directors and Corporate Auditors in the notice of the 128th Ordinary General Shareholder Meeting held on June 24, 2020.

[Principle 4-1 The Roles and Responsibilities of the Board of Directors]
Supplementary Principle 4-1(1)
The Company has implemented an Executive Officer System, whereby executive operations by Executive Officers and supervision by the Board of Directors are separated in an effort to ensure swift decision-making and strengthen its corporate governance.
The Board of Directors holds the responsibility to deliberate and make decisions on important executive operations that are stipulated by laws, the Articles of Incorporation and internal rules, and oversees Directors and Executive Officers as to the execution of their duties.
The Board of Directors shall delegate items other than the ones that require a decision making on an executive operation by the Board of Directors, as defined above to representative Directors, Executive Directors or Executive Officers.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]
The Company believes that an Outside Director must possesses considerable experience in corporate management and comply with the Company's Independence Standards. The Company's Independence Standards is described in "Matters relating to Independent Officers" under "II.1. [Independent Officers]" of this report.

[Principle 4-11 Conditions Precedent to Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board]
Supplementary Principle 4-11(1)

The Board of Directors must not exceed eleven members, as stipulated in the Articles of Incorporation, and include an adequate number of Outside Directors, needed to oversee important administrative decision-making and implement executive operations with the Board of Directors. In addition, the Board of Directors shall consist of a diverse group of members with dissimilar backgrounds, knowledge and experience, whereby they can contribute to the global business operations of the Group.

Supplementary Principle 4-11(2)
The Company discloses the status as to holding of concurrent posts of Outside Directors and Outside Auditors (hereafter collectively refer to Outside Officers) annually in the notice of convocation at the general meeting of shareholders and the Company's Annual Securities Report.

Supplementary Principle 4-11(3)
Respective Directors and Corporate Auditors shall conduct evaluations of the Board of Directors' effectiveness, etc. annually and submit their findings to the Board of Directors. Based on the evaluations submitted, the Board of Directors shall analyze and evaluate the effectiveness of the entire Board of Directors, and disclose the summary of its results in a timely and appropriate manner.

1. Based on the evaluation of the previous year, 2019, the following measures were taken:
   • Increasing opportunities to report the progress of the mid-term plan "CS B2021" for the purpose of managing the progress of "CS B2021" and enriching discussions on business and risks;
   • Increasing audit reporting from once a year to twice a year for the purpose of enhancing reporting from Corporate Auditors to the Board of Directors; and
   • Holding "Outside Officers meetings," members of which are Outside Officers only, for the purpose of strengthening cooperation between Outside Directors and Outside Auditors.

2. During February 2020, the Board of Directors was evaluated by all Directors and Corporate Auditors through responses to questionnaires prepared with advice from an external consultant.
   The Company requested that the external consultant should collect the questionnaires and analyze the result to ensure an objective analysis, and the Company's Board of Directors Secretariat made an analysis using the aggregated data.
   The results from the questionnaires were discussed at the Board of Directors meeting held in May 2020, and it was confirmed that the Company's Board of Directors was functioning effectively.
   Questionnaire items were as follows:
   (Composition and operation of the Board of Directors)
   - Composition and diversity of the Board of Directors
   - Selection of agendas
   - Enrichment of the content and amount of materials, and explanations
   - Provision of opportunities for acquiring knowledge
   - Holding of orientations for new Officers
   - Easy speaking at Board of Directors meetings
   - Workability of the Nomination Committee and the Compensation Committee

   (Management strategies and business strategies)
   - Provision of necessary information for deliberating on plans, such as management plans
   - Enrichment of deliberations on plans such as management plans, and confirmation of those plans' progress
   - Capital cost-conscious management
   - Cross-shareholdings policy

   (Corporate ethics and risk management)
   - Review of fostering the corporate philosophy, etc.
   - Construction of the risk management process
   - Response to individual risks
   - Statement of opinion by a Corporate Auditor to the Board of Directors and the management

   (Performance monitoring, and evaluation and compensation of the management)
   - Consistency between group governance and subsidiary management
   - Conformity between the compensation scheme and management plans
   - CEO candidate succession planning

   (Discussions with shareholders and other stakeholders)
   - Decision-making by the Board of Directors and stakeholder value improvement
   - Feedback to the Board of Directors with regard to the content of discussions with shareholders

   (Look-back on measures taken in fiscal 2019)
   - Look-back on measures taken in fiscal 2019 for effective improvement

   (Other free comments)

3. Opinions about requests and room for improvement, such as the following items, were expressed through the evaluation of the Board of Directors:
   • Acceleration of advance provision of materials, and improvement of formats
   • Systemization of officer training and further improvement

• Appropriate sharing of information on the content of deliberations at meetings of the Nomination Committee and the Compensation Committee
• Appropriate involvement in the execution of group company operations, etc.
Based on these opinions, the Board of Directors will make further efforts to improve its effectiveness.

[Principle 4-14 Trainings for Directors and Corporate Auditors]
Supplementary Principle 4-14(2)
The Company believes that Directors and Corporate Auditors must collect information related to the Company's business plans, legal compliance, corporate governance and other issues actively, and continue to acquire knowledge and skills in order to fulfill their roles.
Newly appointed Outside Officers must be briefed on the Company's management strategies, business plans and other critical issues by the President, or someone appointed by the President.
The Company shall provide its Directors and Corporate Auditors with opportunities to attending training using the evaluation, etc. stipulated in Supplementary Principle 4-11(3) as reference (Outside Officers are also given opportunities to obtain knowledge about the Group's business plans).

[Principle 5-1 Policy for Constructive Discussions with Shareholders]
The basic policies concerning the establishment of organizational structures and measures aimed at promoting constructive discussions between the Company and its shareholders are as follows.

1. Basic Views
   By increasing the number of opportunities to provide shareholders and investors with information and conveying the latest information in a clearly understandable manner, strive to enhance corporate transparency and build long-term relationships of trust.
2. An Individual in Charge of Presiding over Discussions with Shareholders
   Assign an Executive Officer to be in charge of holding constructive discussions with shareholders and investors, and allow that executive officer to collaborate with the relevant in-house departments, supporting the convening of discussions on a daily basis.
3. The Ways to Hold Discussions and the System to Utilize Feedback
   a) In addition to organizing briefings, telephone conferences, etc. for analysts and institutional investors after the announcements of year-end and quarterly consolidated results, provide information via the Group's official website and various other documents such as shareholder newsletters.
   b) The Company shall strive to properly share opinions from shareholders obtained through the discussions with the Directors.
4. Management of Insider Information in Discussions with Shareholders
   In compliance with the internal rules concerning information management, establish a proactive system to prevent the divulging of insider information

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name/Company name	Number of Shares Held	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,089,100	6.95
SSBC CLIENT OMNIBUS ACCOUNT	13,793,187	5.30
Japan Trustee Services Bank, Ltd. (Trust account)	12,393,200	4.76
Nippon Life Insurance Company	11,798,179	4.53
Sumitomo Mitsui Banking Corporation	6,728,681	2.59
Japan Trustee Services Bank, Ltd. (Trust account No. 5)	4,983,000	1.92
Sumitomo Life Insurance Company	4,499,000	1.73
Brother Employees Shareholding Plan	4,372,882	1.68
JP MORGAN CHASE BANK 385151	4,154,822	1.60
JP Morgan Securities Japan Co., Ltd.	3,804,561	1.46

Controlling Shareholder (excluding Parent Company)	—
Parent Company	None

Supplementary Explanation
The status of major shareholders is as of March 31, 2020. The percentage of shares held was calculated based on the total number of shares outstanding excluding the number of treasury shares.

3. Corporate Attributes

Listed Stock Market and Market Section	First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange
Fiscal Year-End	March
Type of Business	Electric Equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policies on Measures to Protect Minority Shareholders in Conducting Transactions with the Controlling Shareholder

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5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

The Company has one listed subsidiary, Nissei Corporation.
The Company believes that the ownership of Nissei Corporation will contribute to expanding the Company Group's FA and machinery business and stabilizing its business portfolio, and eventually to improving the Company Group's consolidated performance.
The Company respects the independence of Nissei Corporation, which makes its regular managerial decisions and executes business operations independently.
To ensure the protection of general shareholders of and independent decision-making in Nissei Corporation, three Outside Directors, who account for more than one-third of the eight Directors of Nissei Corporation, are Independent Officers as defined by the Tokyo Stock Exchange, Inc.

II Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairman (except when concurrently serving as President)
Number of Directors	11
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Officers among Outside Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j	k
Koichi Fukaya	From another company								○			
Keisuke Takeuchi	From another company											
Aya Shirai	From another company											
Kazunari Uchida	From another company								△			
Naoki Hidaka	From another company											

*** Categories for "Relationship with the Company"**

*** "○" when the Director presently falls or has recently fallen under the category; "△" when the Director fell under the category in the past**

*** "●" when a close relative of the Director presently falls or has recently fallen under the category; "▲" when a close relative of the Director fell under the category in the past**

a. Executive of the Company or its subsidiaries
b. Executive or Non-Executive Director of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accounting specialist or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as Director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (only for Directors)
i. Executive of a company, between which and the Company Outside Officers are mutually appointed (only for Directors)
j. Executive of a company or organization that receives a donation from the Company (only for Directors)
k. Others

Outside Directors' Relationships with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Koichi Fukaya	○	Mr. Fukaya served as the Chairman of Tokai Japan-China Trade Center Association, Inc., an unincorporated association, until June 2016, of which the Company is a member and pays both membership fees and advertisement fees. The total payment for such fees in fiscal 2019 did not exceed 2 million yen. The Company is a member of the Environmental Partnership Organizing Club (EPOC), of which Mr. Fukaya served as Chairman until March 2010. The Company's total payment for the EPOC membership fee in fiscal 2019 did not exceed 1 million yen. The Company is also a member of the Aichi Institute of Invention and Innovation, of which Mr. Fukaya serves as the Chairman. The Company's total payment for the membership fee in fiscal 2019 did not exceed 1 million yen.	Mr. Fukaya has been involved in the management of a global group of companies through his experience as President and CEO of DENSO Corporation and in the overseas manufacturing facilities of DENSO Corporation. Through his extensive experience, insight and achievements, he can provide advice regarding the Company Group's management, make important decisions and supervise the execution of business, as an Outside Director of the Company independent of the managing executives. In addition, since he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, and the relationship explained in the column to the left does not affect the independence of Mr. Fukaya, considering the nature of the organization and the amount and nature of the payment, the Company deems Mr. Fukaya as an Independent Officer who would have no possible conflict of interest with general shareholders.
Keisuke Takeuchi	○	-	Mr. Takeuchi has been involved in the management of a global group of companies through his experience as Representative Director and President and Representative Director and Chairman of JGC Corporation (currently JGC Holdings Corporation). Through his extensive experience, insight and achievements, he can provide advice regarding the Company Group's management, make important decisions and supervise the execution of business, as an Outside Director of the Company independent of the managing executives. In addition, since he does not fall under any one of the items listed in a. to k. above, and he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, the Company deems Mr. Takeuchi to be an Independent Officer who would have no possible conflict of interests with general shareholders.
Aya Shirai	○	-	Ms. Shirai has been engaged in the management of various manufacturing companies for years through her experience as an outside director. She has also been engaged in the top management of a local government and actively promoted the diversification of organizations. Through her extensive experience, insight and achievements, she can provide advice regarding the Company Group's management, make important decisions and supervise the execution of business, as an Outside Director of the Company independent of the managing executives. In addition, since she does not fall under any one of the items listed in a. to k. above, and she satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, the Company deems Ms. Shirai to be an Independent Officer who would have no possible conflict of interests with general shareholders.

Kazunari Uchida	○	Mr. Uchida served as a member of an independent advisory committee, established based on a Policy toward Large-scale Purchases of Brother Shares, until June 2018. The Company has remunerated Mr. Uchida for his services.	Mr. Uchida has been involved in corporate management through his broad expertise as Japan Representative of Boston Consulting Group. He has also been engaged in the management of various companies for years through his experience as an outside director and an outside auditor. Through his extensive experience, insight and achievements, he can provide advice regarding the Company Group's management, make important decisions and supervise the execution of business, as an Outside Director of the Company independent of the managing executives. In addition, since he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, and the relationship explained in the column to the left does not affect the independence of Mr. Uchida considering the nature of this relationship, the Company deems Mr. Uchida as an Independent Officer who would have no possible conflict of interests with general shareholders.
Naoki Hidaka	○	-	Mr. Hidaka has been involved in the management of a global group of companies through his experience as Executive Vice President of Sumitomo Corporation and in the overseas offices of Sumitomo Corporation. Through his extensive experience, insight and achievements, he can provide advice regarding the Company Group's management, make important decisions and supervise the execution of business. In addition, since he does not fall under any one of the items listed in a. to k. above, and he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, the Company deems Mr. Hidaka to be an Independent Officer who would have no possible conflict of interests with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established

Committee's Name, Composition and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-Time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Committee	7	0	2	5	0	0	Outside Director
Committee Corresponding to Compensation Committee	Compensation Committee	7	0	2	5	0	0	Outside Director

Supplementary Explanation

The Company has established the Nomination Committee and Compensation Committee as arbitrary advisory committees to the Board of Directors, in order to enhance the independence and objectivity of the functions of the Board of Directors regarding the appointment or removal and remuneration of Directors and Executive Officers. Each Committee consists of all Outside Directors (Mr. Koichi Fukaya, Mr. Keisuke Takeuchi, Ms. Aya Shirai, Mr. Kazunari Uchida, and Mr. Naoki Hidaka), Representative Director and Chairman (Mr. Toshikazu Koike) and Representative Director and President (Mr. Ichiro Sasaki)*, and an Outside Director chairs each Committee.
The Nomination Committee must deliberate on the agendas of the General Shareholder Meeting concerning appointment or removal of Directors and the agendas 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 to the Board of Directors the outcome of such deliberations, as well as the details of the Independence Standards and plans of successors to the management such as Chief Executive Officer. Matters to be examined by the Nomination Committee are mainly those such as matters concerning the appointment of management members such as Directors and Executive Officers and related matters. In the period from April 1, 2019, to March 31, 2020, meetings of the Nomination Committee were held four times and all members attended all the meetings.
The Compensation Committee must discuss the details of the internal rules concerning the standard for calculating the remuneration for Directors and Executive Officers, and the details of remuneration by individual, and report the outcome to the Board of Directors. Matters to be examined by the Compensation Committee are mainly those such as the details of remuneration for management members such as Directors and Executive Officers, calculation methods, individual payment amounts and comparisons with other companies. In the period from April 1, 2019, to March 31, 2020, meetings of the Compensation Committee were held twice and all members attended all the meetings.
* As of June 26, 2020

[Corporate Auditors]

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	5

Cooperation among Corporate Auditors, Accounting Auditors and Internal Auditing Departments

The Corporate Auditors receive reports from Deloitte Touche Tohmatsu LLC, the Company's Accounting Auditor, and the Company's Internal Auditing Department on a regular and timely basis. The Company cooperates with the Company's Accounting Auditor and Internal Auditing Department in conducting audits, through exchanging opinions and sharing information, as necessary.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Independent Officers among Outside Auditors	3

Outside Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akira Yamada	Lawyer										△			
Masaaki Kanda	Others													
Kazuya Jono	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the Corporate Auditor presently falls or has recently fallen under the category; "△" when the Corporate Auditor fell under the category in the past

* "●" when a close relative of the Corporate Auditor presently falls or has recently fallen under the category; "▲" when a close relative of the Corporate Auditor fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-Executive Director or accounting advisor of the Company or its subsidiaries
c. Executive or Non-Executive Director of a parent company of the Company
d. Corporate Auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accounting specialist or legal professional who receives a large amount of monetary consideration or other property from the Company besides their compensation as Corporate Auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (only for Corporate Auditor)
k. Executive of a company, between which and the Company Outside Officers are mutually appointed (only for Corporate Auditor)
l. Executive of a company or organization that receives a donation from the Company (only for Corporate Auditor)
m. Others

Outside Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Yamada	○	Mr. Yamada served as a member of an independent advisory committee, established based on a Policy toward Large-scale Purchases of Brother Shares, until June 2018. The Company has remunerated Mr. Yamada for his services.	Mr. Yamada, who has been involved in domestic and international corporate legal affairs as a lawyer for many years, is deemed able to carry out the duties of Outside Auditor of the Company and audit the Company's business operations from a perspective independent from the Company's management, based on his considerable experience, achievements and knowledge acquired as a lawyer. In addition, since he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, and the relationship explained in the column to the left does not affect the independence of Mr. Yamada considering the nature of this relationship, the Company deems Mr. Yamada as an Independent Officer who would have no possible conflict of interest with general shareholders.
Masaaki Kanda	○	-	In addition to his professional career as an attorney at law, Mr. Kanda has been engaged in the administrative operations of local governments for years. He has also been involved in the management of a private corporation as an outside director. Through his extensive experience, insight and achievements, he can provide auditing over the operation of the Company, as an Outside Auditor of the Company independent of the managing executives. In addition, since he does not fall under any one of the items listed in a. to m. above, and he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, the Company deems Mr. Kanda to be an Independent Officer who would have no possible conflict of interests with general shareholders.
Kazuya Jono	○	Sumitomo Mitsui Banking Corporation, for which Mr. Jono served as Director and Senior Managing Executive Officer until March 2012, is one of the Company's correspondent banks and the Company borrows funds from and conducts other transactions with the bank.	Mr. Jono has been involved in the management of financial institutions for years. Through his extensive experience, insight and achievements he can provide auditing over the operation of the Company, as an Outside Auditor of the Company independent of the managing executives. In addition, since he satisfies the requirements for independent officers as specified by the Tokyo Stock Exchange, Inc., as well as the Company's Independence Standards for Outside Officers, and more than eight years have elapsed since his resignation from the bank and Sumitomo Mitsui Financial Group, Inc., the parent company of the bank, the Company deems Mr. Jono to be an Independent Officer who would have no possible conflict of interest with general shareholders in terms of the relationship explained in the column to the left. Both of the companies mentioned above are not major shareholders of the Company, and the Company has conducted transactions with several financial institutions including the said bank on a continuous basis; therefore, the relationship between the bank and the Company does not affect decisions made by the Company.

[Independent Officers]

Number of Independent Officers	8

Matters relating to Independent Officers

All Outside Directors who are qualified to be Independent Officers are designated as Independent Officers.

The Company's Independence Standards for Outside Officers are as follows.
<The Brother Industries, Ltd. Independence Standards for Outside Officers>

1. The Company determines that an individual who applies to one of the following does not hold independence from the Company.
   (1) An incumbent or past Director, Executive Officer, manager or employee (including Executive Officer) of the Company and its subsidiaries (hereafter collectively referred to as the Company, etc.).
   (2) An individual who is currently serving or has served within the past five years as a business executor (*1) of a corporation or any other organization (hereafter referred to as a corporation, etc.) that applies to one of the following:
   - A corporation, etc. which is the major shareholder (*2) of the Company
   - A corporation, etc. of which the Company, etc. is the major shareholder
   - A corporation, etc., which paid the Company, etc. an amount of money that is more than 2% of the consolidated net sales of the Company during the business year concerned
   - A corporation, etc. which received either 10 million yen of annual payment or a payment equal to 2% of the consolidated net sales of the said corporation, etc., whichever is larger, from the Company, etc. during the relevant business year
   - A corporation/organization, etc. which obtained more than 10 million yen of annual payment, or a payment more than 2% of the gross income or recurring revenue of the said corporation/organization, etc., whichever is larger, from the Company, etc. as a donation or grant during the relevant business year
   (3) An individual who currently serves or served within the past five years as a business executor of a company, at which an individual from the Company, etc. serves as its Director.
   (4) A certified public accountant who currently serves or served within the past five years as an Accounting Auditor of the Company, etc., or currently belongs or belonged within the past five years to an auditing firm, which serves as the Accounting Auditor of the Company, etc.
   (5) A consultant, accounting specialist, or a legal expert who currently receives or received within the past five years either a payment of more than 2% of the net sales of the business year or 10 million yen, whichever is higher, from the Company, etc. (excluding the remuneration of officers). (In the case of which the recipient of the said compensation is an organization, such as a corporation or guild, this applies to a consultant, accounting specialist or legal expert who belongs to the organization concerned.)
   (6) An individual who is currently a close relative (*3) or was a close relative within the past five years of the individuals mentioned in (1) through (5) above respectively (excluding individuals who are not considered as important individuals (*4)).
2. In selecting nominees for Outside Officers, the Nomination Committee and Board of Directors must confirm their independence.

*1: A business executor is a Director in charge of executing a business operations or an Executive Officer of a corporation or any other organization, an officer or employee in charge of executing a business operation of any other corporation, etc., those who fulfill the duty stipulated in the Article 598, Paragraph 1 of the Japanese Companies Act or any other individual that has a similar responsibility: employees, Directors (excluding Outside Directors), a manager who has a similar responsibility, or those who execute the tasks of employees, etc.
*2: Refers to a shareholder who holds more than 10% of voting rights.
*3: As to 1. (1) through 1. (3) above, an important individual means Director, Executive Officer, or an employee who is a department manager or at a higher position (including Executive Officer). As to 1. (4) above, it refers to certified public accountants belonging to respective auditing firms. As for 1. (5) above, it means Director, Executive Officer, an employee who is a department manager or at a higher position (including Executive Officer), certified public accountants belonging to respective auditing firms, or attorneys belonging to respective law firms.
*4: Refers to relatives within the second degree of kinship.

[Incentives]

Incentive Policies for Directors	Performance-based Remunerations/Stock Options

Supplementary Explanation Updated

[Performance-based remunerations]
Recipients: Directors (excluding Outside Directors and part-time Directors)
Regarding the method of determining the payment amount, the payment amount for each individual is based on the base amount by position provided in the internal rules, the director remuneration rules and their detailed rules (hereinafter referred to as the “Director Remuneration Rules”), and an amount taking into account the target attainment level of the performance index for the fiscal year is added. The payment amount for respective Directors, except for the Representative Directors, is an amount taking into account the qualitative evaluation by the Representative Directors in addition to the payment amount above.

The indices used for the assessment of performance-based remuneration and their weights are as follows. These indices were selected so as to give well-balanced incentives for both the Group’s growth and improving profitability. In view of the importance of commitment to shareholders and investors, the expected values for business performance released at the beginning of the fiscal year are used as the target values for these indices in principle.

Target	Types of indices (weight in assessment)
① Representative Directors	Consolidated revenue on a group basis (50%) Consolidated profit for the year on a group basis (50%)
Non-Representative Directors ② Head of Business Executive Officers or Directors serving as executive officers responsible for the business	Consolidated revenue on a group basis (30%) Consolidated profit for the year on a group basis (30%) Consolidated revenue of the business field (15%) Consolidated operating profit of the business field (15%) Qualitative evaluation by the Representative Directors (10%)

③ Directors other than the above

Consolidated revenue on a group basis (45%)
Consolidated profit for the year on a group basis (45%)
Qualitative evaluation by the Representative Directors (10%)

The payment amount of performance-based remuneration for each individual is calculated in accordance with the Director Remuneration Rules, etc. based on the results of business performance for the fiscal year. The Compensation Committee as an arbitrary committee then verifies the individual payment amount and the validity and appropriateness of the total payment amount. The total payment amount of the performance-based remuneration is approved at the Ordinary General Shareholder Meeting. A Board of Directors meeting is held immediately after the Ordinary General Shareholder Meeting to determine the individual payment amount by recipient.

[Stock options for the stock-linked compensation plan]
Recipients: Directors (excluding Outside Directors and part-time Directors)
Limit: At the 114th Ordinary General Shareholder Meeting held on June 23, 2006 (the number of Directors at that time was eight), it was resolved as 130 million yen a year.
The details and main conditions, etc. of the stock options for the stock-linked compensation plan (stock options) paid to directors (excluding Outside Directors and part-time Directors) are as follows.

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

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

Recipients of Stock Options	Directors excluding Outside Directors/Employees

Supplementary Explanation

Stock options for the stock-linked compensation plan were adopted to enhance their accountability for long-term improvement of business performance and corporate value. The Company believes that such incentives will be most useful when adopted for Directors (excluding Outside Directors and part-time Directors) and Executive Officers, whose operational results directly affect the Group's business performance.

[Directors' Remuneration]

Disclosure of Individual Directors' Remuneration	Not Disclosed Individually

Supplementary Explanation

The Company discloses total remuneration of Outside Directors, separately from total remuneration of all Directors, in its Annual Securities Report and Business Reports. The total remuneration by type is also disclosed.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

The Company's policy is to establish an objective and transparent remuneration system based on the managerial responsibility clearly defined for Officers, and to pay the appropriate amount of remuneration, taking into consideration the level of remuneration at other companies as well as the level of compensation and employee benefits.

The remuneration for Directors of the Company consists of ① "basic remuneration," ② "performance-based remunerations," and ③ "stock options for the stock-linked compensation plan." The composition ratio of remuneration for Directors (excluding Outside Directors and part-time Directors) is "basic remuneration" : "performance-based remuneration" : "stock options for the stock-linked compensation plan" = roughly 6 : 2 : 2. The ratio of remuneration other than the basic remuneration somewhat increases in line with promotion.

① Basic remuneration

The basic remuneration is provided to all Directors as fixed remuneration. The fixed remuneration is determined for each position based on the Director Remuneration Rules, etc. established by the Board of Directors.

② Performance-based remuneration

The performance-based remuneration is provided to Directors excluding Outside Directors and part-time Directors. It reflects the responsibilities to achieve the Group's year-on-year business performance.

③ Stock options for the stock-linked compensation plan

The stock options for the stock-linked compensation plan are provided to Directors excluding Outside Directors and part-time Directors. They are offered as incentives to match the measures for long-term improvement of corporate value with the Company's stock price.

On the other hand, the remunerations of Corporate Auditors are as provided in the corporate auditor remuneration rules established by the Audit & Supervisory Board, and as the types of remuneration, the basic remuneration only is paid to all Corporate Auditors.

[Supporting System for Outside Directors and/or Outside Auditors]

Supporting System for Outside Directors: Dedicated secretaries are available and the required materials and information can be provided at any time.

Supporting System for Outside Auditors: Dedicated staff is available and the required materials and information can be provided at any time.

[Status of persons retired from Representative Director and President, etc.]

Names, etc., of advisors ("sodanyaku," "komon," etc.) who have formerly served as Representative Director and President, etc.

Name	Title/Position	Activity Description	Working Arrangement/ Conditions (Full-time / Part-time, Compensation	Date of Retirement from President, etc.	Term
Yoshihiro Yasui	Honorary *Sodanyaku*	External activities such as CSR activities	Working Arrangement: Part-Time Compensation: Nil	June 23, 2009	Annual

Total number of advisors ("sodanyaku," "komon," etc.) who have formerly served as Representative Director and President, etc.	1 person

Other matters

• The Company provides in its internal rules that an honorary title may be granted to a person who served as Representative Director and President and made particularly significant contributions to the Company, with the approval of the Nomination Committee and the Board of Directors.

• Honorary *Sodanyaku* will not be involved in the management, business, personnel affairs, organizations or other matters of the Company or any of the group companies.

2. Matters on Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Business Execution

The Company believes that the objective and neutral management supervisory function from an external point of view is crucial to corporate governance. The Board of Directors, which consists of eleven members (including five Outside Directors), decides on important management matters and supervises executive operations at monthly Board of Directors meetings and extraordinary Board of Directors meetings held as necessary. In fiscal 2019 (from April 1, 2019 to March 31, 2020), meetings of the Board of Directors were held 12 times and all Directors and all Corporate Auditors attended all the meetings.

In addition, the Company has implemented an Executive Officer System, whereby executive operations and supervision are separated in an effort to ensure swift decision-making and to strengthen corporate governance. Executive Officers are appointed by the Board of Directors and are responsible for executive operations of business, departments and group subsidiaries, of which the Executive Officer oversees or is in charge.

Strategy meetings, which mainly consist of titled Executive Officers, are also held each month. These meetings, with the President as a Chairman, develop the strategies concerning the operations covered by the Group as a whole and executive operations are deliberated upon.

2. Auditing and Supervision

The Audit & Supervisory Board consists of five Corporate Auditors (including three Outside Auditors). In accordance with the auditing standards defined by the Audit & Supervisory Board, Corporate Auditors audit the performance of duties by Directors by attending and providing advice at various important meetings including the Board of Directors meetings, by exchanging information with the Internal Auditing Department, and by having four auditing staff* investigate the operations and status of property.

The Company established the Internal Auditing Department and appointed 11 staff* to examine the status of measures to manage risk and report to the Representative Director & President and the Corporate Auditors.

The Company has entered into an audit contract with Deloitte Touche Tohmatsu LLC being its Accounting Auditor, and established the environment in which the Accounting Auditor would be able to receive accurate management information and conduct the audit from a fair and unbiased perspective. The Accounting Auditor conducts the audit by exchanging opinions through regular meetings with, and in coordination with the Corporate Auditors. The certified public accountants who conducted the audit of the Company are Motoyuki Suzuki, Satoshi Kawashima and Hirohito Kitaoka. In addition to the above, the auditing team includes 23 other certified public accountants* and 20 other staff*.
*The number of persons as of June 26, 2020

3. Details of Limited Liability Contract
In accordance with Article 427, Paragraph 1 of the Japanese Companies Act as well as the Articles of Incorporation, the Company has entered into contracts with each Outside Director and Outside Auditor, to limit their liabilities for damages with respect to the acts mentioned in Article 423, Paragraph 1 of the same Act. These contracts limit the amount of liabilities for damages to the amount set forth by laws and regulations. However, the aforementioned liability limitation shall be applied only in cases where such Outside Director or Outside Auditor performed their duties in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

The Company believes that supervision by more than one Independent Director is appropriate as a framework to strengthen management supervisory function, in addition to the audit by the Corporate Auditors. Therefore, there are currently five Outside Directors among eleven Directors.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of convocation of the 128th Ordinary General Shareholder Meeting held on June 24, 2020 was mailed out on June 8, 2020. Prior to mailing out the notice of convocation, the contents of the notice were posted on the Company's website and the website of the Tokyo Stock Exchange on May 29, 2020.
Scheduling General Shareholder Meeting to Avoid the Peak Day	The Ordinary General Shareholder Meeting was scheduled and held on June 24, 2020, in order to avoid the peak date for the convenience of shareholders.
Allowing Electronic Exercise of Voting Rights	Shareholders may exercise voting rights through the website (via PC, smartphones or cellphones).
Participation in Electronic Voting Platform and Other Measures to Enable Institutional Investors to Vote with Greater Convenience	The Company has been participating in an electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Notice of Convocation (Summary) in English	The notice of convocation is available in English on the Company's website for overseas investors, ICJ platform as well as the websites of the Tokyo Stock Exchange and the Nagoya Stock Exchange.
Other	The Company posts an electronic notice of convocation on its website. The Company has been using a full-color format since the notice of convocation of the 125th Ordinary General Shareholder Meeting held on June 23, 2017, highlighting the face photographs of the candidates for Directors as well as product photos and graphs.

2. IR Activities Updated

	Supplementary Explanations	Presentation by President
Development and Announcement of Disclosure Policy	The Company's disclosure policy in Japanese and English text is available for investors on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors on a quarterly basis. In fiscal 2020, all the briefings were held online.	Yes
Posting of IR Materials on Website	Investor information such as quarterly financial information, timely disclosure material and information on the General Shareholders Meeting is available in Japanese and English in the IR section of our website.	
Establishment of Department and/or Manager in Charge of IR	Department in charge of IR: CSR & Corporate Communication Department Contact person in charge: Kazufumi Ikeda, Managing Executive Officer	

3. Measures to Ensure Due Respect for Shareholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The corporate behavior charter, Brother Group Global Charter, sets forth the Company's basic policies on their relationship with stakeholders (customers, employees, business partners, shareholders, local communities and the environment).
Implementation of Environmental Activities, CSR Activities, etc.	In April 2006, the Company formed a new CSR Promotion Department (currently CSR & Corporate Communication Department) for the purpose of "promotion and establishment of CSR management." CSR Reports (in Japanese and English) are available on the Company's website. In February 2020, the Company expressed its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on the TCFD recommendations, the Company will analyze and reflect into its management strategies any business risks and opportunities caused by climate change, and also strive to disclose related information.
Development of Policies on Information Provision to Stakeholders	The Company's policy is to timely provide information to stakeholders by preparing shareholder newsletters, distributing e-mails on IR information and posting corporate information (in Japanese and English*) on its website.

Other	[Promotion of Health and Productivity Management] The Brother Group aims to create superior value through the manufacturing and delivery of products and services to customers around the world. With this purpose in mind, all employees in the group play every day an active role on the global stage. As stipulated in the Brother Group Global Charter, the Group places importance on every employee's health management so that they can strive to achieve their goals, and ultimately, contribute to our success. In September 2016, the Company established the Brother Group Health & Productivity Management Philosophy (hereafter referred to as the "Health & Productivity Management Philosophy"). Under the Chief Health Officer (CHO), the Group strategically undertook various activities based on the Health & Productivity Management Philosophy, which were evaluated, and accordingly, the Company was selected among the "2021 Health & Productivity Stock Selection," as jointly selected by the Ministry of Economy, Trade and Industry, and Tokyo Stock Exchange, Inc. This is the Company’s third consecutive selection, and its fourth selection overall. In March 2020, the Company received first prize from the Minister of Health, Labour and Welfare in the inaugural award for organizations and businesses promoting a campaign informing people of things they should know when receiving health care services, sponsored by the Ministry of Health, Labour and Welfare to encourage and promote good approaches that lead to improvements in ways of receiving medical care. This prize is granted to the organization evaluated as taking the best approach. The Brother Group is committed to maintaining and enhancing the health of its employees, which is an important resource for a corporation, and to further promoting health and productivity management that will increase corporate value.

IV Matters relating to the Internal Control System

1. Basic Views on Internal Control System and the Status of Establishment

Based on the corporate behavior charter, Brother Group Global Charter, and the Group's ideas for CSR management, the Company has established the following basic policies to ensure the appropriateness of the Group's operations, in order to continually enhance its corporate value and to establish the foundation of a corporate group that is held in high esteem by all stakeholders. These basic policies shall be revised according to the changes in the business environment and constantly reviewed for continuous improvement, for the purpose of establishing a more appropriate and efficient system.

1. Compliance System
   (1) With respect to the compliance with laws by officers and employees, the Company established the corporate behavior charter and the Brother Group Principles of Social Responsibility. In addition, the Company established a system to ensure the duties performed by Directors and employees to comply and be consistent with laws and regulations and the Articles of Incorporation, through setting forth the rules on the Board of Directors and other internal rules.

   (2) The Company formed a Compliance Committee, chaired by the Representative Director & President (or an Executive Officer nominated by the President), and appointed a person in charge of compliance, who supervises the compliance activities (education programs and activities, operation of an Employee Hotline for Compliance Issues) of the Group.

   (3) The Company provides compliance joint trainings for officers and employees at group companies, in order to further raise their awareness about compliance.

   (4) The Compliance Committee operates an Employee Hotline for Compliance Issues, which receives calls for consultation from officers and employees at group companies and takes action according to the degree of importance and urgency. In addition, when a compliance risk that would have material impact on the Group's business operations arises or is expected to arise, the Compliance Committee discusses and determines the policy for the actions to be taken and quickly executes these actions.

   (5) The basic policies on elimination of anti-social groups or organizations are provided in the compliance code of conduct, and a system is in place to confront unjustified demands in a resolute manner with help from external experts.

   (6) The Company has designated Legal Departments and persons in charge of legal affairs at major group subsidiaries, in addition to the applicable departments at its head office, and also conducts education programs and activities on compliance as necessary for Directors and employees, etc.

2. System for the Storage and Management of Information on the Execution of Duties by Directors
   Information on the execution of duties by Directors is stored in the form of documents, etc. (including electronic data), and the Information Management Committee appropriately stores and manages such documents, etc. in accordance with internal rules. In addition, such documents, etc. may be examined or copied by the Corporate Auditors or Internal Auditing Department upon request.

3. Risk Management System
   (1) The Risk Management Committee is headed by the Representative Director & President and was formed to establish a comprehensive risk management system for the Group. In addition, the status of its implementation is reported to the Board of Directors on a regular basis.

   (2) The Company has built a system to evaluate and respond to business risks by each department and by each person in charge of risk management at the group subsidiaries. In addition, the Risk Management Committee evaluates and manages the status of measures against major risks related to the whole Group.

   (3) Under the Risk Management Committee, the Company has established subcommittees for individual risks such as compliance, product safety, export management, information management, the environment, as well as safety, health, and disaster prevention. In the Company's risk management system, the subcommittees, for which the Representative Director & President (or an Executive Officer nominated by the President) is responsible in responding to, identifying and mitigating the risk, and also for taking measures when the risk event occurs.
   In particular, with regard to product safety, the Company has established the Basic Product Safety Policies and Voluntary Action Plans on Product Safety in order to deliver safer products to customers.

   (4) The Company has built a crisis-management system to be able to respond flexibly under the instruction of the chairman of the Risk Management Committee, in the event of an unforeseen situation that would have a material effect on the Company's operations.

(5) Under the instruction of the Representative Director & President, the Internal Auditing Department verifies the status of measures against risks at each of the Company's departments and group subsidiaries, and reports the results to the Representative Director & President and the Corporate Auditors.

4. System to Ensure the Efficient Execution of Duties by Directors

(1) The Company has established the Executive Officer System, whereby executive operations and supervision are separated in an effort to strengthen governance. The Company also has adopted a department system to ensure swift decision-making and executive operations.

(2) The Board of Directors decides on important management matters and supervises executive operations at monthly Board of Directors meetings and extraordinary Board of Directors meetings held as necessary. Strategy meetings, which mainly consist of Executive Officers with titles, are also held semimonthly and as necessary. Strategy meetings, which mainly consist of titled Executive Officers, are also held each month. Strategy meetings are for developing the management strategies and budgets of the Brother Group, and for flexibly deliberating on important executive operations.

(3) The Company ensures the efficient execution of duties by Directors, by setting forth the rules on the Board of Directors and other internal rules and by making clear the delegation of authority and scope of duties.

(4) By setting forth the internal rules and the group regulations, the Company ensures the efficient execution of duties by Directors of the group subsidiaries by defining the matters to be submitted for prior approval and to be reported by group subsidiaries.

5. Group Governance System

(1) The Company has set forth the corporate behavior charter, the group regulations and the internal rules to ensure a uniform group governance system, and put in place a system that the administrative department can use to keep track of the status of important operations executed by the respective group subsidiaries.

(2) In order to ensure the reliability of financial reporting of consolidated financial statements, the Company promotes the establishment of frameworks and operations at the Group level. The Company also continues to maintain and improve such frameworks and operations on an annual basis.

(3) The Company manages and oversees group subsidiaries through assigning the Company's officers, Executive Officers and employees, etc. as the officers of major group subsidiaries.

(4) The Company has built a system where the Corporate Auditors and Internal Auditing Department conduct regular audits of group subsidiaries.

(5) In order to establish a governance system at group subsidiaries, the Company requires them to establish an organization and to set forth the internal rules.

6. Matters relating to Employees who Support the Duties of the Audit & Supervisory Board

The Company designated the Corporate Auditors' Office and several employees under direct control of the Corporate Auditors to, upon request, support the duties of the Audit & Supervisory Board.

7. Matters relating to Employees' Independence from Directors Mentioned in the Preceding Provision and Matters relating to the Effectiveness of Instructions to Employees Mentioned in the Preceding Provision

Any decision on the Corporate Auditors' Office's personnel affairs requires prior consent of the Corporate Auditors, and the assessment of such employees by the Corporate Auditors.

8. Systems to Ensure Reporting to the Corporate Auditors and to Ensure that Reporting Persons are not Subject to Unfair Treatment because of Such Reporting

The Company shall timely report to the Corporate Auditors on wrongful acts, violation of laws or the Articles of Incorporation and the facts indicating such acts of the Directors and employees, etc., as well as other matters that the Audit & Supervisory Board considers that it should receive a report for in order to fulfill its duties. In addition, the Company ensures that the reporting persons are not subject to unfair treatment because of such reporting.

9. Matters relating to Expenses Arising from the Execution of Duties by the Corporate Auditors

Expenses are paid in advance or reimbursed by the Company as appropriate, according to the budget plan for expenses necessary to undertake the auditing activities developed by the Corporate Auditors. When an expense exceeding the amount in the budget plan is required, the appropriate amount will be added upon request from the Corporate Auditors to Representative Director & President or the Board of Directors.

10. Other Systems to Ensure Effective Auditing by the Corporate Auditors

(1) Standing Corporate Auditors attend strategy meetings as well as other important meetings and committees.

(2) The Corporate Auditors regularly exchange opinions with the Representative Director & President and other Directors and Executive Officers, as well as the Accounting Auditor and Internal Auditing Department. They also regularly hold communication meetings and timely exchange information with the Corporate Auditors of the group subsidiaries.

2. Basic Views on Elimination of Anti-social Forces and Status of Establishment

<Basic Views on Elimination of Anti-social Forces>

The Company's compliance code of conduct contains a provision on the "prohibition of involvement in anti-social acts," which stipulates that "The Company will resolutely reject and avoid any dealings with any anti-social forces and organizations that threaten the order and safety of a civil society."

<Status of Establishment for Elimination of Anti-social Forces>

The Company has designated the Law, Environment Department and General Affairs Department responsible for ensuring the appropriate handling of anti-social forces. The Company collects information from the applicable administrative agencies on an ongoing basis, prepares the response manual and shares it with the persons concerned. In addition, the Company appropriately provides information to the internal persons concerned and educates its officers and employees. In the event of any possible dealing with anti-social forces, the Company closely communicates with the applicable administrative agencies and legal experts to quickly take measures.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	—

Supplementary Explanation
Not applicable.

2. Other Matters relating to Corporate Governance System

The Company receives advice from Japanese or international law firms as necessary, in order to prevent or resolve problems.

The Company established the Risk Management Committee chaired by the Representative Director & President as an independent executive management organization that identifies, assesses, and gives instructions to take proper actions for risks in the Group. Through the Committee, the Company promotes the improvement of internal controls and risk management structures including crisis management.
The Company also established the following individual risk subcommittees as subordinate organizations of the Risk Management Committee to control critical risks of the Group in a comprehensive and systematic fashion, overseeing their activities and responding to their respective risks. A risk that is assessed as the highest crucial effect if it occurs is deemed to be the "crisis response phase" and be responded with priority.

- Compliance Committee
The Compliance Committee makes the workforce further aware of the importance of compliance through education programs and awareness activities for compliance with laws and business ethics. The Committee also strives to prevent the occurrence and recurrence of violations.

- Committee of Security Trade Control
The Committee of Security Trade Control ensures proper management of export transactions and technological support based on laws and regulations. The Committee of Security Trade Control is also working to maintain and improve management standards by staging meetings to discuss important matters every time laws are amended, implementing internal audits, and offering guidance and education to group companies.

- Product Liability Committee
The Product Liability Committee holds regular meetings and makes systematic efforts to ensure product safety in all phases of planning, research and development, design, manufacture, selling, use, repair and after-sales service, and disposal of products.

- Information Management Committee
To cope with risks such as those associated with information leaks, the Information Management Committee determines a suitable policy for managing information on customers and other aspects of the business retained by the Company, and deploys it throughout the Group.

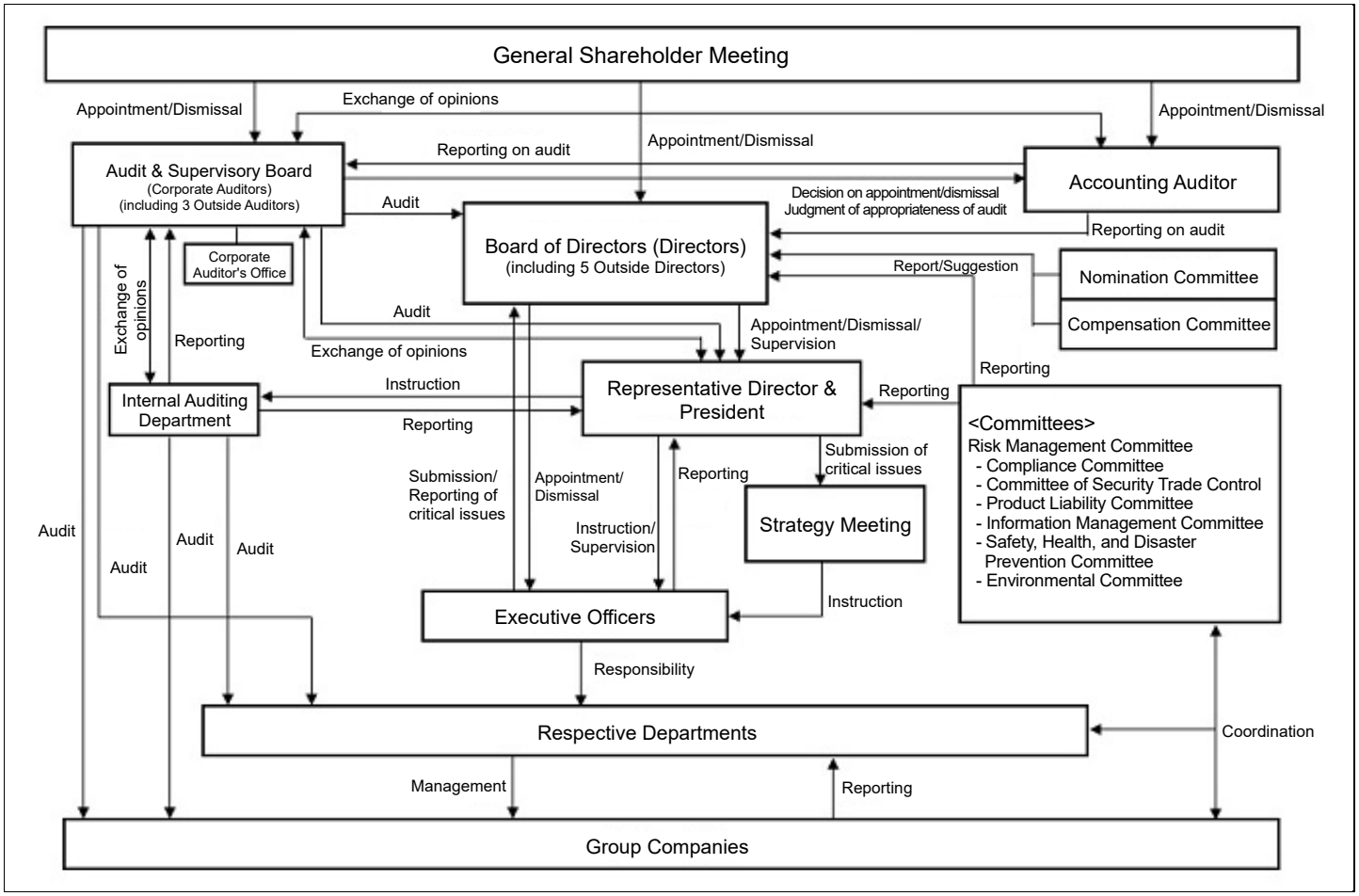
- Safety, Health, and Disaster Prevention Committee
The Safety, Health, and Disaster Prevention Committee discusses annual plans, devises and implements measures, and conducts awareness activities for the purpose of ensuring employee safety and health, preventing disasters, and minimizing the damage from such disasters.

- Environmental Committee
The Environmental Committee regularly holds meetings chaired by the Officer in charge of environmental issues and attended by Officers each in charge of an area related to development, technology, manufacture or general affairs and other top management members to discuss and determine measures for environmental issues that must be dealt with by the whole Group, such as climate change, environmental laws and regulations related to products and environmental pollution regulations in offices.

<Overview of System for Timely Disclosure>
1. The Company's System for Information Disclosure
Based on the internal rules, disclosed information (insider information and information for timely disclosure) of the Company and its subsidiaries are promptly disclosed through the department in charge of information disclosure under the instruction of a person in charge of managing the information, following the decisions on important matters by the decision-making organization or person.

2. Ensuring the Appropriateness of the System for Information Disclosure
Based on the internal rules, disclosed information shall be communicated to the decision-making organization or person. If any question arises in judging whether the information should be disclosed, a department in charge of making this decision consults with appropriate departments and makes judges whether the information should be disclosed.

3. Enhancement of the System for Information Disclosure
Whenever the applicable laws and regulations related to disclosed information are revised, the Company shall revise its internal rules, review its internal system and inform the parties and persons concerned.


General Shareholder Meeting
Appointment/Dismissal
Exchange of opinions
Appointment/Dismissal
Reporting on audit
Appointment/Dismissal
Audit & Supervisory Board
(Corporate Auditors)
(including 3 Outside Auditors)
Accounting Auditor
Audit
Decision on appointment/dismissal
Judgment of appropriateness of audit
Reporting on audit
Board of Directors (Directors)
(including 5 Outside Directors)
Corporate Auditor's Office
Report/Suggestion
Nomination Committee
Compensation Committee
Exchange of opinions
Reporting
Audit
Exchange of opinions
Appointment/Dismissal/
Supervision
Reporting
Instruction
Representative Director &
President
Reporting
Internal Auditing
Department
Reporting
<Committees>
Risk Management Committee
- Compliance Committee
- Committee of Security Trade Control
- Product Liability Committee
- Information Management Committee
- Safety, Health, and Disaster
Prevention Committee
- Environmental Committee
Submission of
critical issues
Submission/
Reporting of
critical issues
Appointment/
Dismissal
Reporting
Strategy Meeting
Audit
Audit
Audit
Audit
Instruction/
Supervision
Instruction
Executive Officers
Responsibility
Respective Departments
Coordination
Management
Reporting
Group Companies