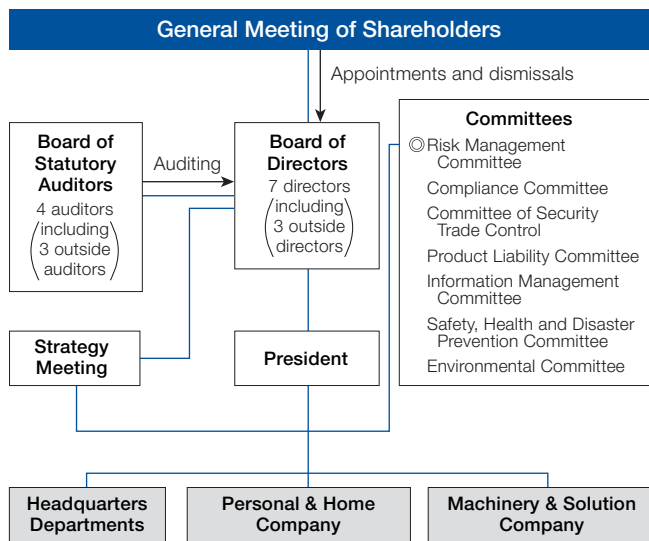


Brother Industries' Corporate Governance

As the basis of our corporate governance, Brother Industries (BIL) adopts a system of statutory auditors whereby auditors audit the executive operations of the Board of Directors.

Meanwhile, BIL has an executive officer system, whereby executive operations and supervision are separated in an effort to ensure swift decision-making and strengthen governance. Executive officers are elected by the Board of Directors, and oversee the executive operations of departments, in-house companies, and group subsidiaries under their supervision.

Governance Structure (As of June 2009)



Internal Control System

As is evident from the May 2006 enforcement of the Company Law of Japan and the requirement placed on businesses to submit reports of their internal controls from the fiscal year ending March 2009, society is demanding that businesses be more transparent and reliable about that financial reporting. The Brother Group has seen this situation as an opportunity to make operations more efficient, strengthen our position against risks, promote group management and, thereby, improve corporate value, and has thus been building a reporting system.

From FY2007 to FY2008, company-wide internal controls, IT-related controls, financial reporting processes and trunk operation processes for “production, purchasing, inventory and sales” were analyzed, improved and documented to visualize processes and put PDCA cycles in place at BIL and group companies. To ensure that the PDCA mechanism works properly, self-checks are implemented by the relevant departments, while audits are conducted by internal auditing departments from an independent viewpoint. Internal controls, which serve as an important framework for supporting management, will continue to be maintained and upgraded to ensure the “transparency and reliability of financial reporting” as demanded by society, and also to guarantee the prosperity of the group now and in the future.

Risk Management

To identify and appropriately manage a diversity of risks associated with business activities, the Brother Group's Risk Management Regulations were adopted and, in April 2007, a Risk Management Committee was formed. A risk manager was appointed in each department, region and group company to rank potential risks on five levels by imaginable impact and frequency of occurrence. These were visualized as a Risk Map to sort out the potential major risks that could seriously impact business and examine measures against these risks. These activities based on PDCA cycles are designed to enhance risk awareness and increase our capacity to deal with risks.

In FY2008, the Risk Management Committee met twice to review major risks, and reported the status of subcommittee activities to the Board of Directors. Their upcoming agenda includes improvements to the initial response framework used in the event of major risks.

Compliance

The Brother Group is absolutely adamant about compliance. Compliance with laws and ethics upholds the foundations of our CSR management and is indispensable to avoiding risks. In ensuring compliance on a group basis, the Codes of Practice of the Brother Group Global Charter determine the standard of behavior of employees with regard to “Ethics and Morality.” BIL formed a Compliance Committee and set up an “Employee Hotline for Compliance Issues” to prevent and take quick action against scandals. In FY2008, an initiative was launched to report important cases (of those reported to the hotline desks at group companies) to BIL's Compliance Committee and take action against risks on a group basis.

On the employee education front, group companies have hosted training sessions since 2003. In FY 2008, training sessions that took advantage of compliance education DVDs/videos and other tools were held on such themes as “insider trading” with the main aim of nourishing a spirit of “awareness.” E-learning materials about compliance have been prepared in Japanese, English and Chinese, and made available at group companies. Also, in FY2009, we will continue these activities with a view to their global development.

Compliance Promotion Structure

