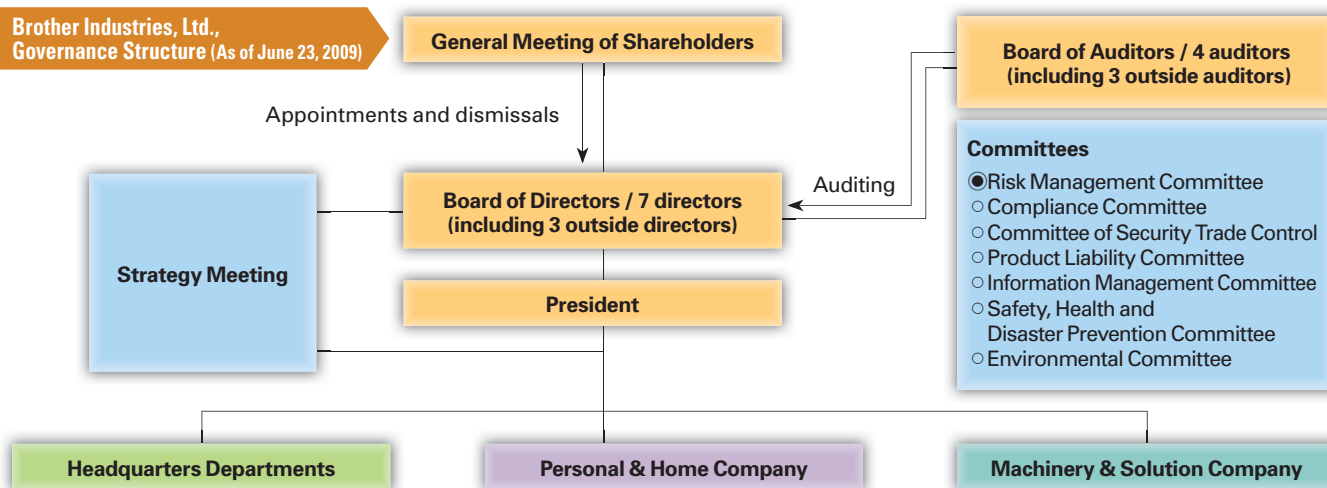


# Corporate Governance

Brother Industries, Ltd., has a system of statutory auditors who oversee the executive operations of the Board. In addition to the Board of Directors, the Board of Auditors and accounting auditors, the Strategy Meeting is attended by executive officers and various committees reinforce the internal audit function as well as the internal control and risk management systems. Brother has a corporate executive officer system.



## Corporate Mechanism and Internal Control System

The Board of Directors comprises seven members (including three outside directors) and meets regularly each month and in special situations as necessary to determine important management issues and to oversee the executive operations.

Brother has established a corporate executive officer system that separates business operations and supervising in an attempt to strengthen governance and facilitate quick decision-making. Executive directors are selected by the Board of Directors from among directors and employees and are assigned posts in departments where they are responsible for business operations. Certain executive directors are chosen as executive officers, and devise strategies and provide guidance with their supervised departments of operations. The Strategy Meeting, attended by executive officers meets twice per month and as necessary in special situations. The representative director and president chairs this meeting, which plans strategies for the Group and deliberates matters related to the execution of business operations.

To prevent and resolve problems, lawyers within and outside of Japan provide advice as necessary.

As part of the Group's risk management structure, to identify, evaluate and appropriately respond to risks affecting the Brother Group, the Risk Management Committee, with the representative director and president as the committee's chairman, acts as an independent management control organization that implements internal controls and crisis management. Subordinate to the Risk Management Committee are six committees—the Compliance Committee; Committee of Security Trade Control; Product Liability Committee; Information Management Committee; Safety, Health and Disaster Prevention Committee; and Environmental Committee—that manage specific risks and link into the overall Group management structure.

### **Compliance Committee**

The Compliance Committee conducts compliance education designed to inform employees about laws and regulations as well as enlighten them about business ethics. The committee also acts as a channel for compliance consultation to prevent violations.

### **Committee of Security Trade Control**

The Committee of Security Trade Control ensures that export trade is conducted in accordance with laws and regulations, overseeing appropriate export transactions and managing technological offerings. The committee convenes to deliberate legal revisions and other important items. The committee also conducts semiannual internal audits and provides direction and training for Group companies. Through such efforts, the committee works to sustain and improve the management level of the overall Brother Group.

### **Product Liability Committee**

The Product Liability Committee makes an effort to ensure the manufacturing of safe products, as well as to take swift and appropriate action in the event of product-related accidents. The committee meets as necessary and disseminates product safety information to the Group.

### **Information Management Committee**

The Information Management Committee works to curtail the risk of information leaks, developing appropriate policies to protect information retained by the Company on customers and other aspects of its business.

### **Safety, Health and Disaster Prevention Committee**

The Safety, Health and Disaster Prevention Committee maintains the safety and health of employees and aims to prevent accidents and minimize injury from natural disasters. The committee formulates an annual plan, decides various policies and conducts educational activities.

### **Environmental Committee**

The Environmental Committee deliberates and determines measures related to environmental issues that must be dealt with by the whole Brother Group.

### **■ Auditor Inspection and Internal Auditing**

The Board of Auditors has four auditors, including three outside auditors. These auditors, following the auditing standards defined by the Board of Auditors, attend and provide opinions at Board of Directors and other important meetings. They exchange ideas with the internal auditing department and, with their four auditing staff members, investigate business affairs and financial conditions, and oversee the execution of duties by the managing director.

Having established an internal auditing function, the internal auditing staff (nine members) under the direction of the representative director and president, inspect risk-related conditions affecting the headquarters, internal and Group companies and report directly to the representative director and president as well as to the corporate auditors.