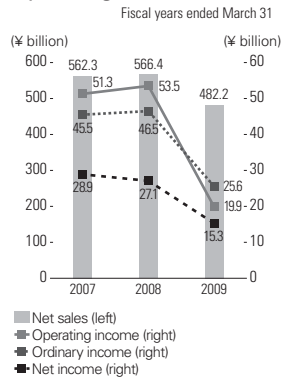


Management's Discussion and Analysis

Operating Results



Income Statement Analysis

During FY2008, a financial crisis grew into a situation that disrupted the global economy, prompting an abrupt decline in economic activity from the second half of the fiscal year. The impact of this crisis spread into real economies worldwide, causing substantial yen appreciation and creating a severe operating environment for the Brother Group.

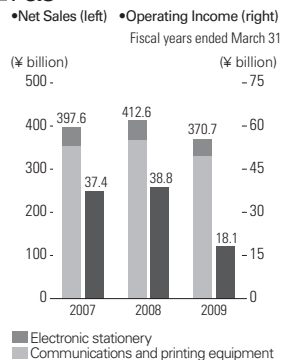
The Brother Group's consolidated operating performance was negatively affected by exchange rate resulting from the stronger yen. These forex difficulties and the sudden deceleration in capital investment caused stagnation in the M&S business, with net sales declining 14.9%, to ¥482,205 million.

Operating income fell 62.8%, to ¥19,901 million, due to exchange rates effects and lower revenues from the M&S business, as well as worsening market conditions and soaring raw materials prices, mainly in the P&S business.

Ordinary income was ¥25,562 million, down 45.1%, although supported by non-operational marginal profits on forward exchange contracts. Although the Group posted gains on the sale of land, losses resulted from the stock revaluation and the impairment of goodwill in subsidiaries. Consequently, net income declined 43.7%, to ¥15,262 million.

Performance by Business Segment (excluding inter-segment sales)

P&S



Printing and Solutions (P&S) Business

Net sales: ¥370,685 million (down 10.2% YoY)

Communications and printing equipment: ¥329,386 million (down 10.4% YoY)

Despite increased laser and inkjet business mainly in the Americas, the negative effect of exchange rates resulted in lower revenue.

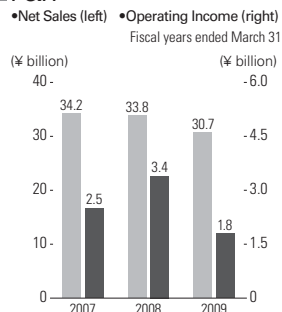
Electronic stationery: ¥41,299 million (down 8.2% YoY)

Despite higher sales in Europe and the Americas, sector sales declined because of the negative effects of exchange rate fluctuations.

Operating income: ¥18,149 million (down 53.2% YoY)

Sales grew on a local currency basis, but the negative effect of exchange rates, deteriorating market conditions, soaring material costs and other expenses contributed to an overall decrease in profit.

P&H



Personal and Home (P&H) Business

Net sales: ¥30,664 million (down 9.3% YoY)

Lower-end sewing machine sales rose, but exchange rates negatively affected revenue.

Operating income: ¥1,765 million (down 48.1% YoY)

On a local currency basis, sales increased, but the sales composition of lower- and middle- to high-end sewing machines fluctuated. This fluctuation, combined with the negative effects of exchange rates, resulted in decreased income.

Machinery and Solution (M&S) Business

Net sales: ¥41,665 million (down 38.6% YoY)

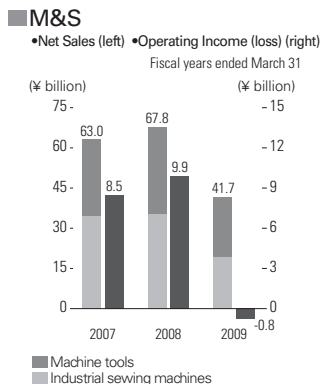
Industrial sewing machines: ¥19,105 million (down 45.8% YoY)

Decreased demand for capital investment in the global garment industry, particularly in China, resulted in significantly lower revenue.

Machine tools: ¥22,560 million (down 30.8% YoY)

The sudden deceleration in capital investment, which became more prominent in the second half, resulted in lower revenues.

M Management's Discussion and Analysis



Operating loss: ¥845 million (down from operating income of ¥9,929 million)

Affected by significantly lower sales, the M&S business recorded operating losses.

Others

Net sales: ¥39,191 million (down 24.9% YoY)

Lower sales in the network karaoke and content business and the dissolution of a sales subsidiary contributed to this decline in revenue.

Operating income: ¥832 million (down 39.2% YoY)

Lower sales resulted in a decline in profits.

Performance by Area (including inter-segment sales)

Japan

Net sales: ¥360,678 million (down 15.7% YoY)

Industrial sewing machine and machine tool sales fell as a result of a worsening market environment and the negative effect of exchange rates owing to the stronger yen.

Operating income: ¥3,698 million (down 87.6% YoY)

Income was significantly lower due to the decline in sales and the negative impact of changes in exchange rates.

The Americas

Net sales: ¥160,363 million (down 9.9% YoY)

Sales of communications and printing equipment increased, but an unfavorable exchange rate situation resulted in lower revenues in this region.

Operating income: ¥2,051 million (down 70.5% YoY)

Intense market competition mainly in the P&S business, as well as increased selling, general and administrative expenses, led to a decrease in income.

Europe

Net sales: ¥169,512 million (down 14.2% YoY)

Sales of communications and printing equipment increased, but the impact of a stronger yen caused revenues to fall.

Operating income: ¥7,959 million (down 36.1% YoY)

Intense market competition mainly in the P&S business, compounded by increased selling, general and administrative expenses, pushed down income.

Asia and Others

Net sales: ¥233,352 million (down 12.5% YoY)

Sales lagged in the region, owing to sluggish industrial sewing machine sales and disadvantageous exchange rates.

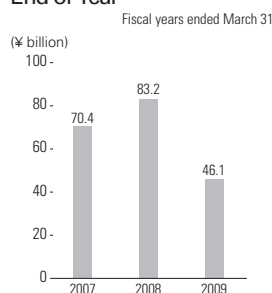
Operating income: ¥2,306 million (down 55.9% YoY)

Lower sales was the primary factor behind the decline in industrial sewing machine sales.

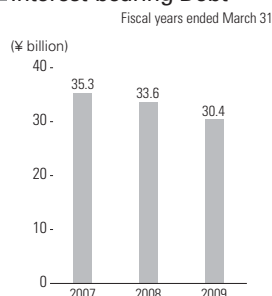
Fund Procurement and Liquidity

The Brother Group's financial policies ensure flexible and efficient funding and maintain an appropriate level of liquidity for operating activities. We have created a cash management system to optimize the groupwide use of cash held by individual companies. We also maintain open lines of credit with multiple banking institutions to complement existing liquidity. By creating this system to correct the uneven distribution of funds, we have succeeded in reducing our borrowing needs.

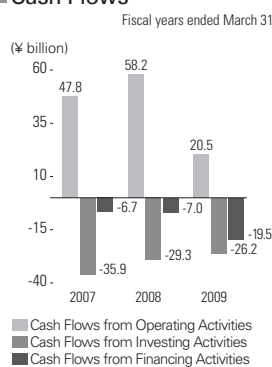
■ Cash and Cash Equivalents, End of Year



■ Interest-bearing Debt



■ Cash Flows



Liquidity Management

The Group's liquidity in hand consists of cash and cash equivalents and the unused portion of open commitment lines of credit. As of March 31, 2009, cash and cash equivalents totaled ¥46,128 million. In addition, the Group maintains commitment lines of credit with several financial institutions. The unused portion of the Group's total ¥30,000 million in open lines of credit was ¥28,886 million. This total plus cash and cash equivalents was ¥75,014 million at fiscal year-end. Taking into consideration changes in seasonal funding requirements, debt payable within one year and business risks, the Group believes it has sufficient liquidity to support operations for one year.

Fund Procurement

As a rule, working capital and other short-term funding is debt payable within one year that is funded with local currency. The basic policy for long-term funding for manufacturing facilities is that funds should come from internal reserves from long-term debt and corporate bonds.

As of March 31, 2009, short-term borrowings was ¥9,858 million, primarily denominated in yen. Long-term debt (including long-term debt payable within one year) totaled ¥5,044 million, with fixed-rate debt denominated in yen. Corporate bonds totaled ¥15,500 million.

As of March 31, 2009, Rating and Investment Information, Inc., assigned the Group's long-term bonds and issuer credit "A" ratings and its commercial paper an "a-1" rating. We consider consistent ratings important in maintaining access to credit and capital markets.

The Brother Group believes that it has sufficient cash for working capital, capital investment and R&D investment to maintain growth through cash flows from operating activities; liquidity on hand, including open lines of credit; and a sound corporate financial structure.

■ Cash Flows

In the period under review, net cash provided by operating activities was ¥20,520 million. Net cash used in investing activities was ¥26,218 million. Net cash used in financing activities was ¥19,522 million. As a result, cash and cash equivalents as of March 31, 2009, amounted to ¥46,128 million, down ¥37,091 million from one year earlier.

Below were the major factors that contributed to cash flows during the period under review:

Cash flows from operating activities

Among cash inflows, income before income taxes and minority interests provided ¥23,613 million, and depreciation and amortization provided ¥23,094 million. In addition to adjustments for non-financial gains and losses, an increase in inventories provided ¥8,717 million. A decrease in trade notes and accounts payable used ¥5,143 million, and income taxes paid used ¥10,126 million. As a result, net cash provided by operating activities was ¥20,520 million.

Cash flows from investing activities

Major uses of cash included the disbursement for purchases of property, plant and equipment of ¥20,835 million, ¥7,122 million in disbursement for purchases of intangible assets, ¥2,818 million in disbursement for purchases of investment securities and a disbursement for purchase of business of ¥1,202 million. Sources of cash included proceeds from sales of property, plant and equipment of ¥5,632 million. The result was ¥26,218 million in net cash used in investing activities.

Cash flows from financing activities

The acquisition of treasury stock required ¥10,011 million in cash. Cash dividends paid including minority interest portion used ¥6,801 million, and the net decrease in short-term borrowings used ¥2,272 million. Owing to these factors, net cash used in financing activities was ¥19,522 million.