

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Brother Industries, Ltd. and Consolidated Subsidiaries  
For the Years ended March 31, 2009 and 2008

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which BROTHER INDUSTRIES, LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### (1) Consolidation

The Company has 77 (71 in 2008) subsidiaries at March 31, 2009. The accompanying consolidated financial statements as of March 31, 2009 include the accounts of the Company and its significant 53 (52 in 2008) subsidiaries (together, the "Group"). The remaining 24 unconsolidated subsidiaries' combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group.

Details of significant consolidated subsidiaries at March 31, 2009 are listed as follows:

	Equity ownership percentage at March 31, 2009		Capital in thousands of local currency
	Directly	Indirectly	
Brother International Corporation (Japan)	100.0%	—	¥ 630,000
Brother Real Estate, Ltd.	100.0	—	¥ 300,000
Xing Inc.	89.0	—	¥ 2,122,649
Brother Sales, Ltd.	100.0	—	¥ 3,500,000
Bellezza Club Japan Inc.	100.0	—	¥ 90,250
Brother International Corporation (U.S.A.)	100.0	—	US\$ 7,034
Brother International Corporation (Canada) Ltd.	—	100.0%	C\$ 11,592
Brother International De Mexico, S.A. De C.V.	—	100.0	MEX\$ 75,260
Brother Industries (U.S.A.) Inc.	—	100.0	US\$ 14,000
Brother International Corporation Do Brazil, Ltda.	—	100.0	R\$ 49,645
Brother International De Chile, Ltda.	—	100.0	CH\$ 2,801,966
Brother International Europe Ltd.	—	100.0	Stg.£ 26,500
Brother Holding (Europe) Ltd.	100.0	—	Stg.£ 87,013
Brother U.K. Ltd.	—	100.0	Stg.£ 17,400
Brother Internationale Industriemachinen G.m.b.H	—	100.0	EURO 9,000
Brother France S.A.S.	—	100.0	EURO 12,000
Brother International G.m.b.H. (Germany)	—	100.0	EURO 25,000
Brother Italia S.p.A.*	—	100.0	EURO 3,700
Brother International (Denmark) A/S	—	100.0	DKr. 32,000
Brother Industries (U.K.) Ltd.	100.0	—	Stg.£ 9,700
Brother Finance (U.K.) Plc	100.0	—	Stg.£ 2,500
Taiwan Brother Industries, Ltd.	100.0	—	NT\$ 242,000
Zhuhai Brother Industries, Co., Ltd.	100.0	—	US\$ 7,000
Xian Typical Brother Industries, Co., Ltd.	60.0	—	US\$ 20,000
Brother Corporation (Asia) Ltd.	100.0	—	US\$ 11,630
Brother Industries Technology (Malaysia) Sdn. Bhd.	100.0	—	MR 21,000
Brother International (Aust.) Pty. Ltd.	100.0	—	A\$ 2,500
Brother International Singapore Pte. Ltd.	—	100.0	US\$ 9,527
Brother Sewing Machine Xian Co., Ltd.	100.0	—	US\$ 11,000
Brother Industries (Shenzhen) Ltd.	—	100.0	US\$ 27,000
Brother (China) Ltd.	100.0	—	US\$ 20,500
Brother Industries (Vietnam) Ltd.	100.0	—	US\$ 50,000
Brother Technology (Shenzhen) Ltd.	—	100.0	US\$ 15,000

\*Renamed from Brother Office Equipment S.P.A. (ITALY) on April 1, 2008.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The fiscal year-end of certain subsidiaries differs from that of the Company.

Accounts of 9 consolidated subsidiaries with fiscal year-end of December 31 are included in the accompanying consolidated financial statements with the reporting period ending March 31.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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## (2) Investments in Unconsolidated Subsidiaries and Associated Companies

Investments in 2 unconsolidated subsidiaries (2 in 2008) and 6 associated companies (6 in 2008) are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If these companies had been consolidated or accounted for by the equity method, the effect on the consolidated financial statements would not have been material.

Accordingly, income from the unconsolidated subsidiaries and associated companies is recognized when the Group receives dividends. Unrealized inter-company profits, if any, have not been eliminated in the consolidated financial statements.

## (3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

On May 17, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

Effective April 1, 2008, the Group adopted the new task force. The effect of the adoption was not material.

## (4) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposits, money management funds and free financial funds, all of which mature or become due within three months of the date of acquisition.

## (5) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average method by the Company and consolidated manufacturing subsidiaries. The consolidated sales subsidiaries determine cost by using the average method or the first-in, first-out method.

In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. There was no impact on the consolidated statement of income for the year ended March 31, 2009.

## (6) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

- i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings,
- ii) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost, and
- iii) available-for-sale securities with market values, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

#### **(7) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method.

Effective April 1, 2008, the Company and several domestic consolidated subsidiaries shortened the useful lives of certain machinery after reviewing the expected useful lives following a change in statutory useful life of machinery under the revised corporate tax law of 2008.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2009 by ¥426 million (\$4,347 thousand).

The range of useful lives was principally from 3 to 50 years for buildings and structures, from 4 to 12 years for machinery and vehicles and from 2 to 20 years for furniture and fixtures in the year ended March 31, 2009.

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

#### **(8) Long-lived Assets**

The Company and its domestic subsidiaries review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

#### **(9) Bond Issuance Cost**

Bond issuance costs are charged to income as incurred.

#### **(10) Research and Development Costs**

Research and development costs are charged to income as incurred.

#### **(11) Other Investments and Assets**

Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method.

Goodwill is amortized over its recoverable period, unless deemed immaterial and charged to income.

#### **(12) Leases**

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued on June 17, 1993.

##### **(Lessee)**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized, however, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized.

##### **(Lessor)**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

Effective April 1, 2008, the Group adopted the revised accounting standard for lease transactions. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of the adoption was not material.

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## (13) Warranty Reserve

The Group provided a warranty reserve for repair service to cover all repair expenses based on the past warranty experience.

Warranty reserve included in accrued expenses was ¥4,848 million (\$49,469 thousand) and ¥7,229 million at March 31, 2009 and 2008, respectively.

## (14) Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

## (15) Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

## (16) Liability for Retirement Benefits

(i) Employees' Retirement Benefits — The Company has a contributory funded pension plan and a defined contribution pension plan covering substantially all of its employees. Certain consolidated subsidiaries have non-contributory funded pension plans or unfunded retirement benefit plans. Also, certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Certain small subsidiaries apply the simplified method to state the liability at the amount which would be paid if employees retired, less plan assets at the balance sheet date.

(ii) Retirement Benefits for Directors and Corporate Auditors — Certain domestic consolidated subsidiaries provided retirement allowances for directors and corporate auditors. Retirement allowances for directors and corporate auditors were recorded to state the liability which would be paid at the amount if they retired at each balance sheet date. The retirement benefits for directors and corporate auditors are paid upon the approval of the shareholders.

## (17) Business Combination

In October 2003, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The Group adopted the new accounting pronouncements effective April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations for entities under common control and for joint ventures.

## (18) Stock Options

The ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied this accounting standard for stock options to those granted on and after May 1, 2006.

## (19) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the

statements of income to the extent that they are not hedged by forward exchange contracts.

## **(20) Foreign Currency Financial Statements**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of the equity and included in minority interests.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the year.

## **(21) Derivative and Hedging Activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and currency option contracts are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and
- b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency contracts and currency option contracts employed to hedge foreign exchange exposures are measured at fair value and unrealized gains (losses) are recognized in income.

Foreign currency forward contracts and currency option contracts used to hedge forecasted (or committed) transactions are also measured at fair value but the unrealized gains (losses) are deferred until the underlying hedged transactions are completed.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

## **(22) Per Share Information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

## **(23) New Accounting Pronouncements**

### ***Business Combinations***

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

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## **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**

The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

## **Asset Retirement Obligations**

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

## **3. Marketable and Investment Securities**

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Government and corporate bonds	¥ 301	¥ 300	\$ 3,071
Total	¥ 301	¥ 300	\$ 3,071
Non-current:			
Marketable equity securities	¥ 9,147	¥ 11,324	\$ 93,337
Government and corporate bonds	525	525	5,357
Other	238	234	2,428
Total	¥ 9,910	¥ 12,083	\$ 101,122

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2009</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 7,933	¥ 1,916	¥ (1,091)	¥ 8,758
Other	123	—	(20)	103
Held-to-maturity	826	2	(29)	799

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2008</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,088	¥ 4,324	¥ (2,487)	¥ 10,925
Other	151	36	(0)	187
Held-to-maturity	825	2	(20)	807

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2009</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 80,949	\$ 19,551	\$ (11,133)	\$ 89,367
Other	1,255	—	(204)	1,051
Held-to-maturity	8,428	21	(296)	8,153

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥ 389	¥ 399	\$ 3,970
Investments in limited liability partnerships	111	47	1,132
Other	24	—	245
Total	¥ 524	¥ 446	\$ 5,347

The carrying values of debt securities and others by contractual maturity for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Held to Maturity	Held to Maturity	Held to Maturity	Held to Maturity
<b>March 31, 2009</b>				
Due in one year or less	¥ 301		\$ 3,071	
Due after one year through five years		525		5,357
Total	¥ 826		\$ 8,428	

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## 4. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Merchandise and Finished products	¥ 56,491	¥ 59,744	\$ 576,439
Work in process	2,603	2,223	26,561
Raw materials and supplies	12,897	12,646	131,602
Total	¥ 71,991	¥ 74,613	\$ 734,602

## 5. Long-lived Assets

The Company and domestic consolidated subsidiaries reviewed their long-term assets for impairment. For the years ended March 31, 2009 and 2008, the Company and domestic consolidated subsidiaries recorded impairment loss of ¥2,535 million (\$25,867 thousand) and ¥28 million, respectively, as other expense for goodwill due to decline in value, and leased land and idle assets due to decline in market prices. The carrying amounts of these assets were written down to the recoverable amount. The recoverable amount of leased land and idle assets was measured at the net selling price at disposition. The recoverable amount of goodwill was measured at its value in use and the discount rate used for computation of present value of future cash flow was 3.6%.

## 6. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans principally from banks with weighted average interest rates of 1.28% (3.53% in 2008)	¥ 9,858	¥ 12,618	\$ 100,592

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Fourth 1.52% mortgage bonds due 2008 *2	—	¥ 350	—
Fourth unsecured 1.68% domestic bonds due 2012 *1	¥ 15,000	15,000	\$ 153,061
Fifth unsecured 1.97% domestic bonds due 2011 *2	500	500	5,102
Loans principally from banks, due serially to 2011 with interest rates ranging from 1.26% to 2.24% (from 1.39% to 2.24% in 2008):			
Unsecured	5,044	5,132	51,470
Lease obligations	9	—	91
Total	20,553	20,982	209,724
Less: Current portion	(49)	(438)	(500)
Long-term debt, less current portion	¥ 20,504	¥ 20,544	\$ 209,224

\*1 : Issued by the Company

\*2 : Issued by Brother Real Estate, Ltd.

Annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 49	\$ 500
2011	5,003	51,051
2012	501	5,112
2013	15,000	153,061
Total	¥ 20,553	\$ 209,724

The carrying amounts of assets pledged as collateral for other long-term liabilities of ¥261 million (2,663 thousand) at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures, net of accumulated depreciation	¥ 258	\$ 2,633
Land	123	1,255
Notes and accounts receivable	18,953	193,398
Total	¥ 19,334	\$ 197,286

## 7. Retirement and Pension Plans

The liability for retirement benefits in the accompanying consolidated balance sheets consisted of retirement allowances for directors and corporate auditors of ¥285 million (\$2,908 thousand) and ¥192 million at March 31, 2009 and 2008, respectively, and employees' retirement benefits of ¥5,860 million (\$59,796 thousand) and ¥6,546 million at March 31, 2009 and 2008, respectively.

### **Retirement Allowances for Directors and Corporate Auditors**

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Companies Act.

Certain domestic consolidated subsidiaries recorded a liability for their unfunded retirement allowance plan covering all of their directors and corporate auditors.

### **Employees' Retirement Benefits**

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The Company and certain domestic subsidiaries have two types of pension plans for employees: a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, applied by the Company and established under the Japanese Welfare Pension Insurance Law, covered a substitutional portion of the government and a corporate portion established at the discretion of the Company. The Company transferred the substitutional portion of the pension obligations and related assets to the government in March 2006. The Company and certain domestic subsidiaries implemented a defined contribution pension plan in fiscal 2005 by which a part of the former contributory and non-contributory defined benefit pension plan was terminated. The Company and certain domestic subsidiaries applied accounting treatments specified in the guidance issued by the Accounting Standard Board of Japan. Certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

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The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥ (54,490)	¥ (58,387)	\$ (556,021)
Fair value of plan assets	40,552	51,783	413,796
Unrecognized actuarial loss	19,220	10,531	196,122
Unrecognized prior service benefit	(355)	(409)	(3,622)
Net asset	4,927	3,518	50,275
Prepaid pension cost	10,787	10,064	110,071
Liability for employees' retirement benefits	¥ (5,860)	¥ (6,546)	\$ (59,796)

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 2,173	¥ 2,808	\$ 22,173
Interest cost	1,710	1,529	17,449
Expected return on plan assets	(1,822)	(2,043)	(18,592)
Recognized actuarial loss	897	589	9,153
Amortization of prior service benefit	(78)	(58)	(796)
Prior retirement benefits cost in foreign subsidiaries	—	192	—
Additional retirement payments and others *	430	83	4,388
Contribution to defined contribution pension plans	774	1,037	7,898
Net periodic retirement benefits cost	¥ 4,084	¥ 4,137	\$ 41,673

\*Includes special termination benefits of ¥327 million (\$3,337 thousand) paid by a certain consolidated subsidiary.

Assumptions used for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Periodic recognition of projected benefit obligation	<b>Straight-line method</b>	Straight-line method
Discount rate	<b>Principally from 1.5% to 2.0%</b>	Principally from 1.5% to 2.0%
Expected rate of return on plan assets	<b>Principally 3.0%</b>	Principally 3.0%
Recognition period of actuarial gain / loss	<b>Principally from 7 years to 16 years</b>	Principally from 7 years to 15 years
Amortization period of prior service benefit / cost	<b>Principally from 7 years to 14 years</b>	Principally from 7 years to 14 years

## 8. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

**(b) Increases / decreases and transfer of common stock, reserve and surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 9. Stock Options

The stock options outstanding as of March 31, 2009 were as follows:

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	6 directors	46,000 shares	Mar 19, 2007	¥ 1 (\$0.010)	30 years starting on the following day of stock option grant date
2008 Stock Option	6 directors	65,100 shares	Mar 24, 2008	¥ 1 (\$0.010)	Same as above
2009 Stock Option	5 directors	114,500 shares	Mar 23, 2009	¥ 1 (\$0.010)	Same as above

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The stock option activity was as follows:

	2009 Stock Option (shares)	2008 Stock Option (shares)	2007 Stock Option (shares)
<b>For the year ended March 31, 2008</b>			
<b>Non-vested</b>			
March 31, 2007 – Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2008 – Outstanding	—	—	—
<b>Vested</b>			
March 31, 2007 - Outstanding	—	—	46,000
Vested	—	65,100	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2008 – Outstanding	—	65,100	46,000
<b>For the year ended March 31, 2009</b>			
<b>Non-vested</b>			
March 31, 2008 – Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2009 – Outstanding	—	—	—
<b>Vested</b>			
March 31, 2008 - Outstanding	—	65,100	46,000
Vested	114,500	—	—
Exercised	—	—	—
Canceled	—	—	—
March 31, 2009 – Outstanding	114,500	65,100	46,000
Exercise price	¥ 1 (\$ 0.010)	¥ 1 (\$ 0.010)	¥ 1 (\$ 0.010)
Average stock price at exercise	¥ — (\$ —)	¥ — (\$ —)	¥ — (\$ —)
Fair value price at grant date	¥ 642 (\$ 6.551)	¥ 915 (\$ 9.337)	¥ 1,350 (\$ 13.776)

## The assumptions used to measure fair value of 2008 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	38.62%
Estimated remaining outstanding period:	9 years
Estimated dividend rate:	1.24%
Interest rate with risk free:	1.09%

## The assumptions used to measure fair value of 2009 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	43.17%
Estimated remaining outstanding period:	10 years
Estimated dividend rate:	1.34%
Interest rate with risk free:	1.29%

## 10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 41% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred Tax Assets:			
Inventory	¥ 7,407	¥ 8,724	\$ 75,581
Accrued bonuses	1,902	2,292	19,408
Accrued expenses	2,385	2,855	24,337
Allowance for doubtful accounts	6,891	7,048	70,316
Warranty reserve	906	1,427	9,245
Employees' retirement benefits	1,121	1,226	11,439
Write-down of investment securities	3,703	2,368	37,786
Depreciation	4,178	3,498	42,633
Tax loss carryforwards	1,578	1,208	16,102
Other	3,870	3,467	39,490
Less valuation allowance	(12,540)	(8,615)	(127,959)
Total deferred tax assets	21,401	25,498	218,378
Deferred Tax Liabilities:			
Securities withdrawn from retirement benefit trust	(3,261)	(3,262)	(33,276)
Prepaid pension cost	(4,354)	(4,051)	(44,429)
Differences between book and tax bases of property, plant and equipment	(2,955)	(1,871)	(30,153)
Undistributed earnings of foreign subsidiaries	(2,679)	(6,272)	(27,337)
Unrealized gain on available-for-securities	(247)	(724)	(2,520)
Deferred gain on derivatives under hedge accounting	(2,120)	(619)	(21,633)
Other	(837)	(666)	(8,541)
Total deferred tax liabilities	(16,453)	(17,465)	(167,889)
Net deferred tax assets	¥ 4,948	¥ 8,033	\$ 50,489

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 was as follows:

	2009
Normal effective statutory tax rate	40.50%
Expenses not deductible for income tax purposes	4.45
Revenues not recognized for income tax purposes	(1.06)
Lower income tax rates applicable to income in certain foreign countries	(6.48)
Tax credit for R&D expenses	(2.01)
Taxes on dividends from foreign subsidiaries	(1.20)
Net change in valuation allowance	19.19
Tax effect not recognized on retained earnings of foreign subsidiaries	(16.73)
Other – net	1.03
Actual effective tax rate	37.69%

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2008 was not disclosed because the difference was not material.

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## 11. Research and Development Costs

Research and development costs charged to income were ¥36,859 million (\$376,112 thousand) and ¥34,117 million for the years ended March 31, 2009 and 2008, respectively.

## 12. Leases

(As lessee)

The Group leases certain furniture and fixtures, machinery and vehicles.

Total rental expense of finance leases, except for those cases in which the ownership of the leased assets is transferred to the lessee, amounted to ¥79 million (\$806 thousand) and ¥222 million for the years ended March 31, 2009 and 2008, respectively. Sub-lease payments, in the amount of ¥63 million (\$643 thousand) and ¥96 million, were included in the amounts for the years ended March 31, 2009 and 2008, respectively.

As discussed in Note 2(12), the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such finance leases which existed at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	March 31, 2009		
	Millions of Yen		
	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	¥ 1	¥ 144	¥ 145
Accumulated depreciation	1	138	139
Net leased property	¥ 0	¥ 6	¥ 6

  

	March 31, 2008			
	Millions of Yen			
	Furniture and Fixtures	Machinery and Vehicles	Others	Total
Acquisition cost	¥ 31	¥ 510	¥ 6	¥ 547
Accumulated depreciation	31	441	6	478
Net leased property	¥ 0	¥ 69	—	¥ 69

  

	March 31, 2009		
	Thousands of U.S. Dollars		
	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	\$ 10	\$ 1,469	\$ 1,479
Accumulated depreciation	10	1,408	1,418
Net leased property	\$ 0	\$ 61	\$ 61

Obligations under finance leases which existed at the transition date and do not transfer ownership and operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finance leases:			
Due within one year	¥ 53	¥ 109	\$ 541
Due after one year	20	93	204
Total	¥ 73	¥ 202	\$ 745
Operating leases:			
Due within one year	¥ 1,237	¥ 1,209	\$ 12,622
Due after one year	4,336	3,575	44,245
Total	¥ 5,573	¥ 4,784	\$ 56,867

Sublease obligations included in the above table at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Finance leases:				
Due within one year	¥ 48	¥ 65	\$ 490	
Due after one year	19	68	194	
Total	¥ 67	¥ 133	\$ 684	

Depreciation expense, which was computed by the straight-line method and not reflected in the accompanying consolidated statements of income, was ¥16 million (\$163 thousand) and ¥126 million for the years ended March 31, 2009 and 2008, respectively.

The amount of obligations under finance leases includes the imputed interest expense portion.

(As lessor)

Consolidated subsidiaries lease certain furniture and fixtures, machinery, vehicles and intangible assets.

As discussed in Note 2(12), the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Expected revenues including interest revenue portion from such finance leases existed at the transition date and operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Finance leases:				
Due within one year	¥ 55	¥ 70	\$ 562	
Due after one year	21	76	214	
Total	¥ 76	¥ 146	\$ 776	
Operating leases:				
Due within one year	¥ 1	¥ 0	\$ 10	
Due after one year	0	—	0	
Total	¥ 1	¥ 0	\$ 10	

Sublease revenues included in the above table at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Finance leases:				
Due within one year	¥ 55	¥ 70	\$ 562	
Due after one year	21	76	214	
Total	¥ 76	¥ 146	\$ 776	

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 13. Derivatives

The Group enters into foreign currency forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions with high credit ratings, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The Group had the following derivative contracts outstanding at March 31, 2009 and 2008:

	<b>March 31, 2009</b>		
	Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
<b>Forward exchange contracts:</b>			
<b>Selling:</b>			
U.S. Dollars	¥ 773	¥ 778	¥ (5)
Euro	39,955	33,636	6,319
Pound Sterling	3,778	3,793	(15)
Thailand Baht	69	71	(2)
Yen	10,832	10,898	(66)
Mexican Peso	388	397	(9)
<b>Buying:</b>			
U.S. Dollars	¥ 539	¥ 539	¥ 0
Euro	6,443	6,333	(110)
Pound Sterling	2,554	2,528	(26)
<b>Currency option contracts</b>			
<b>Selling:</b>			
Call			
Euro	¥ 30,383	¥ 1,458	¥ (524)
(option fee)	(934)		
Swiss Franc	1,909	13	28
(option fee)	(41)		
<b>Buying:</b>			
Call			
Euro	¥ 1,272	¥ 45	¥ 4
(option fee)	(41)		
U.S. Dollars	48	1	(3)
(option fee)	(4)		
Yen	30,383	678	(256)
(option fee)	(934)		
<b>Interest rate swaps:</b>	¥ 14,368	¥ (584)	¥ (584)
(fixed rate payment, floating rate receipt)			

	March 31, 2008		
	Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
<b>Forward exchange contracts:</b>			
<b>Selling:</b>			
U.S. Dollars	¥ 3,366	¥ 3,232	¥ 134
Euro	74,889	73,950	939
Pound Sterling	2,971	2,552	419
Yen	8,208	8,329	(121)
Mexican Peso	226	229	(3)
<b>Buying:</b>			
U.S. Dollars	¥ 4,662	¥ 5,041	¥ 379
Euro	1,849	1,873	24
Pound Sterling	4,210	4,206	(4)
Yen	1,481	1,585	104
Australian Dollars	9	9	(0)
<b>Currency option contracts</b>			
<b>Selling:</b>			
Call			
Euro	¥ 1,566	¥ 45	¥ (31)
(option fee)	(14)		
<b>Buying:</b>			
Call			
Euro	¥ 1,044	¥ 5	¥ (8)
(option fee)	(14)		
<b>Interest rate swaps:</b>	¥ 17,323	¥ (356)	¥ (356)
(fixed rate payment, floating rate receipt)			

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	<b>March 31, 2009</b>		
	Thousands of U.S. Dollars		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
<b>Forward exchange contracts:</b>			
<b>Selling:</b>			
U.S. Dollars	\$ 7,888	\$ 7,939	\$ (51)
Euro	407,704	343,224	64,480
Pound Sterling	38,551	38,704	(153)
Thailand Baht	704	724	(20)
Yen	110,531	111,204	(673)
Mexican Peso	3,959	4,051	(92)
<b>Buying:</b>			
U.S. Dollars	\$ 5,500	\$ 5,500	\$ 0
Euro	65,745	64,622	(1,123)
Pound Sterling	26,061	25,796	(265)
<b>Currency option contracts</b>			
<b>Selling:</b>			
Call			
Euro	\$ 310,031	\$ 14,878	\$ (5,347)
(Option fee)	(9,531)		
Swiss Franc	19,480	132	286
(Option fee)	(418)		
<b>Buying:</b>			
Call			
Euro	\$ 12,980	\$ 459	\$ 41
(Option fee)	(418)		
U.S. Dollars	490	10	(31)
(Option fee)	(41)		
Yen	310,031	6,918	(2,612)
(Option fee)	(9,530)		
<b>Interest rate swaps:</b>	<b>\$ 146,612</b>	<b>\$ (5,959)</b>	<b>\$ (5,959)</b>
(fixed rate payment, floating rate receipt)			

Note: Amounts for forward exchange contracts in the column entitled "Fair Value" represent the notional amounts of the contracts at the March 31 forward currency rates. The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

## 14. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 15,262	268,774	¥ 56.79	\$ 0.579
Effect of dilutive securities				
Stock acquisition rights		113		
Diluted EPS				
Net income for computation	¥ 15,262	268,887	¥ 56.76	\$ 0.579
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥ 27,110	275,353	¥ 98.46	
Effect of dilutive securities				
Stock acquisition rights		47		
Diluted EPS				
Net income for computation	¥ 27,110	275,400	¥ 98.44	

## 15. Contingent Liabilities

At March 31, 2009, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans for customers' housing loans	¥ 4	\$ 41

## 16. Segment Information

The Group operates in the following business.

"Printing and Solutions" consists of sales and production of fax machines, printers, MFCs (multi-function centers), electronic stationeries and typewriters.

"Personal and Home" consists of sales and production of domestic sewing machines.

"Machinery and Solution" consists of sales and production of industrial sewing machines and machine tools.

"Others" consists of network karaoke services, information distribution services for cellular phones, real estate, leasing parts and other areas of business.

Information about business segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 is as follows:

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## (1) Business Segments

Information about business segments for the years ended March 31, 2009 and 2008 is summarized as follows:

(a) Sales, operating expenses and operating income (loss) :

Millions of Yen						
2009						
	Printing and Solutions	Personal and Home	Machinery and Solution	Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 370,685	¥ 30,664	¥ 41,665	¥ 39,191	—	¥ 482,205
Intersegment sales	—	—	—	13,173	¥ (13,173)	—
Total sales	370,685	30,664	41,665	52,364	(13,173)	482,205
Operating expenses	352,536	28,899	42,510	51,532	(13,173)	462,304
Operating income (loss)	¥ 18,149	¥ 1,765	¥ (845)	¥ 832	—	¥ 19,901

Millions of Yen						
2008						
	Printing and Solutions	Personal and Home	Machinery and Solution	Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 412,614	¥ 33,790	¥ 67,825	¥ 52,150	—	¥ 566,379
Intersegment sales	—	—	—	12,312	¥ (12,312)	—
Total sales	412,614	33,790	67,825	64,462	(12,312)	566,379
Operating expenses	373,807	30,392	57,896	63,093	(12,312)	512,876
Operating income	¥ 38,807	¥ 3,398	¥ 9,929	¥ 1,369	—	¥ 53,503

Thousands of U.S. Dollars						
2009						
	Printing and Solutions	Personal and Home	Machinery and Solution	Others	Eliminations /Corporate	Consolidated
Sales to customers	\$ 3,782,500	\$ 312,898	\$ 425,153	\$ 399,908	—	\$ 4,920,459
Intersegment sales	—	—	—	134,418	\$ (134,418)	—
Total sales	3,782,500	312,898	425,153	534,326	(134,418)	4,920,459
Operating expenses	3,597,306	294,888	433,776	525,836	(134,418)	4,717,388
Operating income (loss)	\$ 185,194	\$ 18,010	\$ (8,623)	\$ 8,490	—	\$ 203,071

(b) Total assets, depreciation, impairment loss and capital expenditures:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Assets:</b>			
Printing and Solutions	¥ 214,862	¥ 230,912	\$ 2,192,469
Personal and Home	18,071	18,604	184,398
Machinery and Solution	35,967	44,068	367,010
Others	67,559	96,099	689,378
Subtotal	336,459	389,683	3,433,255
Elimination/Corporate	1,208	2,576	12,327
Total	¥ 337,667	¥ 392,259	\$ 3,445,582
<b>Depreciation:</b>			
Printing and Solutions	¥ 14,127	¥ 13,177	\$ 144,153
Personal and Home	881	734	8,990
Machinery and Solution	1,068	1,027	10,898
Others	7,018	7,289	71,612
Total	¥ 23,094	¥ 22,227	\$ 235,653
<b>Impairment:</b>			
Printing and Solutions	¥ 41	—	\$ 418
Personal and Home	—	—	—
Machinery and Solution	14	—	143
Others	2,480	¥ 28	25,306
Total	¥ 2,535	¥ 28	\$ 25,867
<b>Capital expenditures:</b>			
Printing and Solutions	¥ 12,630	¥ 14,258	\$ 128,878
Personal and Home	1,003	808	10,235
Machinery and Solution	2,485	438	25,357
Others	1,739	6,429	17,745
Subtotal	17,857	21,933	182,215
Elimination/Corporate	9,312	9,672	95,020
Total	¥ 27,169	¥ 31,605	\$ 277,235

As discussed in Note 2(7), effective April 1, 2008, the useful lives for machinery were changed. The effect of this treatment was to increase depreciation of Printing and Solutions by ¥312 million (\$3,184 thousand) and Others by ¥115 million (\$1,173 thousand), and to decrease operating income of Printing and Solutions by ¥308 million (\$3,143 thousand) and Others by ¥113 million (\$1,153 thousand), respectively, for the year ended March 31, 2009. The impacts on depreciation and operating income of Personal and Home, and Machinery and Solution were not material.

## (2) Geographical Segments

Information about geographical segments for the years ended March 31, 2009 and 2008 is summarized as follows:

(a) Sales, operating expenses and operating income:

	Millions of Yen					
	2009					
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 105,191	¥ 158,900	¥ 166,008	¥ 52,106	—	¥ 482,205
Interarea sales	255,487	1,463	3,504	181,246	¥ (441,700)	—
Total sales	360,678	160,363	169,512	233,352	(441,700)	482,205
Operating expenses	356,980	158,312	161,553	231,046	(445,587)	462,304
Operating income	¥ 3,698	¥ 2,051	¥ 7,959	¥ 2,306	¥ 3,887	¥ 19,901

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Millions of Yen						
2008						
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 130,668	¥ 175,843	¥ 193,743	¥ 66,125	—	¥ 566,379
Interarea sales	297,354	2,089	3,904	200,583	¥ (503,930)	—
Total sales	428,022	177,932	197,647	266,708	(503,930)	566,379
Operating expenses	398,314	170,978	185,183	261,473	(503,072)	512,876
Operating income	¥ 29,708	¥ 6,954	¥ 12,464	¥ 5,235	¥ (858)	¥ 53,503

  

Thousands of U.S. Dollars						
2009						
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate	Consolidated
Sales to customers	<b>\$ 1,073,378</b>	<b>\$ 1,621,428</b>	<b>\$ 1,693,959</b>	<b>\$ 531,694</b>	—	<b>\$ 4,920,459</b>
Interarea sales	<b>2,607,010</b>	<b>14,929</b>	<b>35,755</b>	<b>1,849,449</b>	<b>\$ (4,507,143)</b>	—
Total sales	<b>3,680,388</b>	<b>1,636,357</b>	<b>1,729,714</b>	<b>2,381,143</b>	<b>(4,507,143)</b>	<b>4,920,459</b>
Operating expenses	<b>3,642,653</b>	<b>1,615,429</b>	<b>1,648,500</b>	<b>2,357,612</b>	<b>(4,546,806)</b>	<b>4,717,388</b>
Operating income	<b>\$ 37,735</b>	<b>\$ 20,928</b>	<b>\$ 81,214</b>	<b>\$ 23,531</b>	<b>\$ 39,663</b>	<b>\$ 203,071</b>

(b) Assets:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Japan	¥ 144,771	¥ 170,687	\$ 1,477,255
Americas	59,251	65,816	604,602
Europe	92,381	112,821	942,663
Asia and Others	68,673	78,945	700,745
Subtotal	365,076	428,269	3,725,265
Corporate/Elimination	(27,409)	(36,010)	(279,683)
Total	¥ 337,667	¥ 392,259	\$ 3,445,582

As discussed in Note 2(7), effective April 1, 2008, the useful lives for machinery were changed. The effect due to the change was to decrease operating income of Japan by ¥426 million (\$4,347 thousand) for the year ended March 31, 2009.

### (3) Sales to Foreign Customers

The Group's sales to foreign customers consisted of export sales by the Company, and its domestic consolidated subsidiaries and sales by overseas consolidated subsidiaries. After offsetting internal transactions, total overseas sales amounted to ¥400,556 million (\$4,087,306 thousand) and ¥468,410 million for the years ended March 31, 2009 and 2008, respectively.

The following is a breakdown of overseas sales by region for the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Americas	¥ 160,244	¥ 176,831	\$ 1,635,142
Europe	167,706	196,530	1,711,286
Asia and Others	72,606	95,049	740,878
Total	¥ 400,556	¥ 468,410	\$ 4,087,306

## 17. Subsequent Events

### Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's board of directors' meeting held on May 15, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends of ¥12 (\$0.122) per share	¥ 3,225	\$ 32,908