



Notes to Consolidated Financial Statements

Brother Industries, Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011 and 2010

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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.

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 ¥83 to \$1, the approximate rate of exchange at March 31, 2011. 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 85 (89 in 2010) subsidiaries at March 31, 2011. The accompanying consolidated financial statements as of March 31, 2011 include the accounts of the Company and its significant 54 (56 in 2010) subsidiaries (together, the "Group"). The remaining 31 (2010 in 33) 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.

(2) Investments in Unconsolidated Subsidiaries and Associated Companies

Investments in 2 unconsolidated subsidiaries (2 in 2010) and 6 associated companies (6 in 2010) 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.

(4) Unification of Accounting Policies Applied to Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments" and ASBJ Practical Issues Task Force (PITF) No.24, "Practical Solution on Unification of Accounting Policies Applied to Associated Companies for the Equity Method." 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. The new task force prescribes 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. The Group applied these accounting standard and task force effective April 1, 2010. The effect of this change was immaterial.

(5) Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the 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 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 of entities under common control and for joint ventures.

In December 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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010. The Group applied this accounting standard effective April 1, 2010.



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(6) 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 and investment trust, all of which mature or become due within three months of the date of acquisition.

(7) 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.

(8) 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.

(9) Property, Plant and Equipment

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

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.

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

(10) Long-lived Assets

The Group reviews 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.

(11) Other investments and assets

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

(12) Bonuses to directors and corporate auditors

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

(13) Warranty Reserve

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

The warranty reserve was included in accrued expenses and amounted to ¥6,023 million (\$72,566 thousand) and ¥7,215 million at March 31, 2011 and 2010, respectively.

(14) 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.

As of October 1, 2009, the Company and certain consolidated subsidiaries switched part of their retirement benefit systems from a contributory funded pension plan to a defined contribution pension plan. In accordance with this conversion, the Company and certain subsidiaries have applied "Accounting for the Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1, January 31, 2002). As a result of applying this accounting standard, the Group recorded a ¥2,985 million loss on revision of benefit plan under other expenses for the year ended March 31, 2010.

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 provide retirement allowances for directors and corporate auditors. Retirement allowances for directors and corporate auditors are 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.

(15) Asset Retirement Obligations

In March 2008, the ASBJ published the 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 was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥94 million (\$1,133 thousand) and income before income taxes and minority interests by ¥627 million (\$7,554 thousand).

(16) 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.

(17) Research and Development Costs

Research and development costs are charged to income as incurred.

(18) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(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 to recognize lease assets and lease obligations in the balance sheet. 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.

(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



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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.

The Group applied the revised accounting standard effective April 1, 2008. 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.

All other leases are accounted for as operating leases.

(19) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No.15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts."

Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. The Group adopted the new accounting standard for construction for the year ended March 31, 2010. This standard is applicable to construction contracts and software development contracts, and effective for fiscal years beginning on or after April 1, 2009. Certain subsidiaries of the Company applied the new accounting standard effective April 1, 2009.

(20) 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.

(21) 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.

(22) 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.

(23) 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 applied for 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.

(24) 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.

(25) New Accounting Pronouncements

Accounting Changes and Error Correction

In December 2009, the ASBJ issued ASBJ Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Business Combinations

Xing Inc., the wholly-owned consolidated subsidiary of the Company, absorbed and merged with BMB Corp., the wholly-owned consolidated subsidiary of the Company, as well, effective as of July 1, 2010.

The entities combined and detail of the business involved, date of the business combination, legal form of the business combination, name of the combined entity and outline of the transaction including objectives of the transaction

a. The entities combined

Xing Inc. and BMB Corp., both wholly-owned consolidated subsidiaries

b. Detail of the business involved

Xing Inc.: Sales of commercial karaoke machine, management of karaoke house and service of karaoke contents

BMB Corp.: Sales and development of commercial karaoke machine, and management of karaoke house

c. Date of the business combination

July 1, 2010

d. Legal form of the business combination

Absorption-type merger in which Xing Inc. was the successor company and BMB Corp. was the absorbed company

e. Name of the combined entity

Xing Inc.

f. Outline of the transaction including objectives of the transaction

The Group started telecommunication karaoke business in 1992 and has been engaged in promoting the new business area, "Network & Contents" business, using the music contents and the networks of Xing Inc. Xing Inc. acquired the whole shares of BMB Corp. on January 20, 2010, in order to reinforce the profit basis of the telecommunication karaoke business and to expand the customer basis in new business area. The Group determined the merger of Xing Inc. and BMB Corp. to accelerate the business combination.

The merger aimed at realizing the synergy effect of business combination, reinforcing the profit basis, and gaining superiority in the karaoke business, by advancing the reorganization of business and the integration of system, and increasing the efficiency of business management.

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Furthermore, the group pursues the growth of the whole group by strengthening the ability of contents development and entering into a new business field, using the expanded customer basis.

Outline of the accounting procedures applied

This transaction is recorded as a transaction under common control, based on the ASBJ Statement No.21, "Accounting Standard for Business Combinations" (December 26, 2008) and the ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (December 26, 2008).

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current:			
Government and corporate bonds	¥ 300	¥ 300	\$ 3,614
Total	¥ 300	¥ 300	\$ 3,614
Non-current:			
Marketable equity securities	¥ 12,759	¥ 13,669	\$ 153,723
Government and corporate bonds	525	525	6,325
Other	223	237	2,687
Total	¥ 13,507	¥ 14,431	\$ 162,735

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

March 31, 2011	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,568	¥ 4,289	¥ (713)	¥ 12,144
Other	139	1	—	140
Held-to-maturity	825	5	—	830

March 31, 2010	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,015	¥ 5,033	¥ (24)	¥ 13,024
Other	139	18	—	157
Held-to-maturity	825	6	—	831

March 31, 2011	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 103,229	\$ 51,675	\$ (8,591)	\$ 146,313
Other	1,676	12	—	1,688
Held-to-maturity	9,939	60	—	9,999

The information of the available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2011			
Available-for-sale:			
Equity securities	¥ 56	¥ 1	¥ (3)
March 31, 2010			
Available-for-sale:			
Equity securities	¥ 0	—	¥ (1)
	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2011			
Available-for-sale:			
Equity securities	\$ 675	\$ 12	\$ 36

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise and Finished products	¥ 49,500	¥ 46,327	\$ 596,385
Work in process	8,067	6,224	97,193
Raw materials and supplies	14,689	12,189	176,976
Total	¥ 72,256	¥ 64,740	\$ 870,554

6. Long-lived Assets

The Group reviewed their long-lived assets for impairment. For the years ended March 31, 2011 and 2010, the Company and domestic consolidated subsidiaries recorded impairment loss of ¥1,473 million (\$17,747 thousand) and ¥315 million, respectively, as other expense, for business assets, idle assets and leased assets. The carrying amounts of these assets were written down to the recoverable amount. The recoverable amount of business assets was measured at the value in use and those of idle assets and leased assets were measured at the net selling price at disposition. The recoverable amount of business assets was measured at value in use and the discount rate used for computation of the present value of future cash flows were from 4.60% to 5.08% for the year ended March 31, 2011.

7. Investment Property

On November 28, 2008, the ASBJ issued ASBJ Statement No.20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No.23, "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and the guidance were applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

The Group owns certain rental properties such as office buildings and land in Nagoya and other areas. The net of rental income and operating expenses for those rental properties was ¥1,230 million (\$14,819 thousand) and ¥1,234 million for the fiscal year ended March 31, 2011 and 2010, respectively.

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In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying amount			Fair value
April 1, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
¥ 10,053	¥ (1,256)	¥ 8,797	¥ 16,862

Millions of Yen			
Carrying amount			Fair value
April 1, 2009	Increase/(Decrease)	March 31, 2010	March 31, 2010
¥ 9,706	¥ 347	¥ 10,053	¥ 19,028

Thousands of U.S. Dollars			
Carrying amount			Fair value
April 1, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
\$ 121,120	\$ (15,132)	\$ 105,988	\$ 203,157

Notes: 1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Fair value of properties as of March 31, 2011 is mainly measured by the Group in accordance with its Real-estate Appraisal Standard.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans principally from banks with weighted average interest rates of 0.56% (0.59% in 2010)	¥ 8,637	¥ 6,337	\$ 104,060

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Fourth unsecured 1.68% domestic bonds, due 2012 *1	¥ 15,000	¥ 15,000	\$ 180,723
Fifth unsecured 1.97% domestic bonds, due 2011 *2	500	500	6,024
Unsecured loans from a bank, due to 2017 with an interest rate of 1.73% (from 1.06% to 2.80% in 2010)	250	5,107	3,012
Lease obligations	5,978	4,530	72,024
Total	21,728	25,137	261,783
Less: current portion	(3,422)	(6,952)	(41,229)
Long-term debt, less current portion	¥ 18,306	¥ 18,185	\$ 220,554

*1 : Issued by the Company

*2 : Issued by Brother Real Estate, Ltd.

Annual maturities of long-term debt at March 31, 2011 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 3,422	\$ 41,229
2013	16,565	199,578
2014	684	8,241
2015	447	5,386
2016 and thereafter	610	7,349
Total	¥ 21,728	\$ 261,783

The carrying amounts of assets pledged as collateral for other long-term liabilities of ¥157 million (\$1,892 thousand) at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures, net of accumulated depreciation	¥ 228	\$ 2,747
Land	123	1,482
Total	¥ 351	\$ 4,229

9. 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 ¥121 million (\$1,458 thousand) and ¥156 million at March 31, 2011 and 2010, respectively, and employees' retirement benefits of ¥7,528 million (\$90,699 thousand) and ¥7,032 million at March 31, 2011 and 2010, 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 Companies Act of Japan.

Certain domestic consolidated subsidiaries recorded liabilities 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 had two types of pension plans for employees: a non-contributory and a contributory funded defined benefit pension plan. The Company and certain domestic subsidiaries applied accounting treatments specified in the guidance as described in Note 2(14). Certain foreign subsidiaries have defined benefit pension plans and defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ (50,134)	¥ (52,374)	\$ (604,024)
Fair value of plan assets	42,447	44,610	511,410
Unrecognized actuarial loss	11,621	14,395	140,012
Unrecognized prior service benefit	1,158	(257)	13,951
Net asset	5,092	6,374	61,349
Prepaid pension cost	12,620	13,406	152,048
Liability for employees' retirement benefits	¥ (7,528)	¥ (7,032)	\$ (90,699)

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The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 1,638	¥ 1,993	\$ 19,735
Interest cost	1,434	1,578	17,277
Expected return on plan assets	(1,517)	(1,448)	(18,277)
Recognized actuarial loss	2,201	1,941	26,518
Amortization of prior service benefit	(274)	43	(3,301)
Additional retirement payments and others	147	164	1,771
Loss on transfer to defined contribution pension plan	—	2,985	—
Benefit cost for past years	—	715	—
Contribution to defined contribution pension plans	1,413	1,022	17,024
Net periodic retirement benefits cost	¥ 5,042	¥ 8,993	\$ 60,747

Assumptions used for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	Principally from 1.5% to 2.0%	Principally from 1.5% to 2.0%
Expected rate of return on plan assets	Principally 3.0%	Principally 3.0%
Recognition period of actuarial gain / loss	Principally from 7 years to 17 years	Principally from 7 years to 17 years
Amortization period of prior service benefit / cost	Principally from 7 years to 16 years	Principally from 7 years to 16 years

10. Asset Retirement Obligations

(a) Outline of asset retirement obligations

The Group's asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements, the restoration of premises to the original condition, and the removal of liquid crystal in the karaoke machines upon the termination of the lease of karaoke house.

(b) Method applied to computation of the asset retirement obligations

The estimated period until the asset retirement obligations are implemented are 1 to 34 years from the acquisition. The discounted rates used for computation of the asset retirement obligations are 0.16% to 3.48%.

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	2011	
	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 1,089	\$ 13,120
Reconciliation associated with passage of time	14	169
Reduction associated with settlement of asset retirement obligations	(81)	(976)
Balance at end of year	¥ 1,022	\$ 12,313

11. 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 that 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.

12. Stock Options

The stock options outstanding as of March 31, 2011 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 (\$0.01)	30 years starting on the following day of stock option grant date
2008 Stock Option	6 directors	65,100 shares	Mar 24, 2008	¥ 1 (\$0.01)	Same as above
2009 Stock Option	5 directors	114,500 shares	Mar 23, 2009	¥ 1 (\$0.01)	Same as above
2010 Stock Option	4 directors 14 executive officers	51,900 shares 49,600 shares	Mar 23, 2010	¥ 1 (\$0.01)	Same as above
2011 Stock Option	4 directors 13 executive officers	43,200 shares 40,300 shares	Mar 23, 2011	¥ 1 (\$0.01)	Same as above

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The stock option activity was as follows:

	2011 Stock Option (shares)	2010 Stock Option (shares)	2009 Stock Option (shares)	2008 Stock Option (shares)	2007 Stock Option (shares)
For the year ended March 31, 2010					
Non-vested					
March 31, 2009 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2010 – Outstanding	—	—	—	—	—
Vested					
March 31, 2009 - Outstanding	—	—	114,500	65,100	46,000
Vested	—	101,500	—	—	—
Exercised	—	—	—	—	—
Canceled	—	—	—	—	—
March 31, 2010 – Outstanding	—	101,500	114,500	65,100	46,000
For the year ended March 31, 2011					
Non-vested					
March 31, 2010 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2011 – Outstanding	—	—	—	—	—
Vested					
March 31, 2010 - Outstanding	—	101,500	114,500	65,100	46,000
Vested	83,500	—	—	—	—
Exercised	—	3,200	—	13,500	14,000
Canceled	—	—	—	—	—
March 31, 2011 – Outstanding	83,500	98,300	114,500	51,600	32,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)
Average stock price at exercise	—	¥ 1,053	—	¥ 921	¥ 1,057
	(—)	(\$ 12.69)	(—)	(\$ 11.10)	(\$ 12.74)
Fair value price at grant date	¥ 1,018	¥ 899	¥ 642	¥ 915	¥ 1,350
(directors)	(\$ 12.27)	(\$ 10.83)	(\$ 7.73)	(\$ 11.02)	(\$ 16.27)
Fair value price at grant date	¥ 1,034	¥ 912	—	—	—
(executive officers)	(\$ 12.46)	(\$ 10.99)	(—)	(—)	(—)

The assumptions used to measure fair value of 2011 Stock Option (directors)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	41.00%
Estimated remaining outstanding period:	10 years
Estimated dividend rate:	1.51%
Interest rate with risk free:	1.23%

The assumptions used to measure fair value of 2011 Stock Option (executive officers)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.06%
Estimated remaining outstanding period:	9 years
Estimated dividend rate:	1.50%
Interest rate with risk free:	1.12%

13. 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 40% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred Tax Assets:			
Inventory	¥ 8,399	¥ 7,645	\$ 101,193
Accrued bonuses	2,548	2,397	30,699
Accrued expenses	1,780	2,206	21,446
Allowance for doubtful accounts	8,105	10,461	97,651
Warranty reserve	1,597	1,553	19,241
Employees' retirement benefits	1,340	1,276	16,145
Write-down of investment securities	3,910	4,444	47,108
Depreciation	3,285	6,169	39,578
Tax loss carryforwards	16,065	7,375	193,554
Other	5,038	6,312	60,698
Less valuation allowance	(24,324)	(26,074)	(293,060)
Total deferred tax assets	¥ 27,743	¥ 23,764	\$ 334,253
Deferred Tax Liabilities:			
Securities withdrawn from retirement benefit trust	¥ (3,262)	¥ (3,262)	\$ (39,301)
Prepaid pension cost	(5,111)	(5,446)	(61,578)
Differences between book and tax bases of property, plant and equipment	(2,381)	(3,131)	(28,687)
Undistributed earnings of foreign subsidiaries	(3,458)	(2,912)	(41,663)
Unrealized gain on available-for-sale securities	(863)	(1,374)	(10,398)
Deferred gain on derivatives under hedge accounting	—	(739)	—
Other	(750)	(710)	(9,036)
Total deferred tax liabilities	¥ (15,825)	¥ (17,574)	\$ (190,663)
Net deferred tax assets	¥ 11,918	¥ 6,190	\$ 143,590

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 years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Normal effective statutory tax rate	40.10%	40.50%
Expenses not deductible for income tax purposes	6.40	1.93
Revenues not recognized for income tax purposes	(1.24)	(0.84)
Lower income tax rates applicable to income in certain foreign countries	(7.36)	(10.30)
Tax credit for R&D expenses	(4.10)	(0.91)
Taxes on dividends from foreign subsidiaries	(0.23)	(0.15)
Net change in valuation allowance	(10.32)	(3.90)
Tax effect not recognized on retained earnings of foreign subsidiaries	1.76	—
Other – net	(0.35)	(0.87)
Actual effective tax rate	24.66%	25.46%

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14. Research and Development Costs

Research and development costs charged to income were ¥36,253 million (\$436,783 thousand) and ¥34,779 million for the years ended March 31, 2011 and 2010, respectively.

15. Leases

(As lessee)

The Group leases certain buildings and structures, 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 ¥4,054 million (\$48,843 thousand) and ¥1,416 million for the years ended March 31, 2011 and 2010, respectively. Sublease payments, in the amount of ¥2,248 million (\$27,084 thousand) and ¥783 million, were included in the amounts for the years ended March 31, 2011 and 2010, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Group applied the ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	March 31, 2011			
	Millions of Yen			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	¥ 170	¥ 2,653	¥ 16	¥ 2,839
Accumulated depreciation	111	1,271	14	1,396
Accumulated impairment loss	16	584	—	600
Net leased property	¥ 43	¥ 798	¥ 2	¥ 843

	March 31, 2010			
	Millions of Yen			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	¥ 2,512	¥ 3,227	¥ 3	¥ 5,742
Accumulated depreciation	83	368	2	453
Accumulated impairment loss	396	487	—	883
Net leased property	¥ 2,033	¥ 2,372	¥ 1	¥ 4,406

	March 31, 2011			
	Thousands of U.S. Dollars			
	Buildings and Structures	Furniture and Fixtures	Machinery and Vehicles	Total
Acquisition cost	\$ 2,048	\$ 31,963	\$ 193	\$ 34,204
Accumulated depreciation	1,337	15,313	169	16,819
Accumulated impairment loss	193	7,036	—	7,229
Net leased property	\$ 518	\$ 9,614	\$ 24	\$ 10,156

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finance leases:			
Due within one year	¥ 1,677	¥ 4,816	\$ 20,205
Due after one year	438	5,126	5,277
Total	¥ 2,115	¥ 9,942	\$ 25,482

Allowance for impairment loss on leased property of ¥227 million (\$2,735 thousand) and ¥590 million as of March 31, 2011 and 2010 is not included in the obligations under finance leases, respectively.

Sublease obligations included in the above table:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finance leases:			
Due within one year	¥ 795	¥ 2,624	\$ 9,578
Due after one year	154	2,105	1,856
Total	¥ 949	¥ 4,729	\$ 11,434

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥ 1,297	¥ 479	\$ 15,627
Interest expense	87	61	1,048
Reversal of allowance for impairment loss on leased property	329	81	3,964
Impairment loss	¥ 172	¥ 7	\$ 2,072

The minimum rental commitments under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Operating leases:			
Due within one year	¥ 974	¥ 1,454	\$ 11,735
Due after one year	3,024	4,226	36,434
Total	¥ 3,998	¥ 5,680	\$ 48,169

(As lessor)

As discussed in Note 2(18), 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 from such finance leases that existed at the transition date and were accounted for as operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finance leases:			
Due within one year	¥ 795	¥ 2,630	\$ 9,579
Due after one year	154	2,105	1,855
Total	¥ 949	¥ 4,735	\$ 11,434

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All revenues in the above table at March 31, 2011 and 2010 arose from sublease transactions.

Expected revenues under noncancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2011	2010	2011	
Operating leases:				
Due within one year	¥ 201	¥ 97	\$	2,421
Due after one year	264	180		3,181
Total	¥ 465	¥ 277	\$	5,602

16. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No.10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts and currency option contracts.

Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Bank loans are mainly used to fund ongoing operations. For the year ended March 31, 2011, the long-term portion of bank loans is borrowed with fixed interest rate. For the year ended March 31, 2010, the long-term portion of bank loans was borrowed with variable interest rates and was exposed to market risks from changes in variable interest rates, however, a part of those risks was mitigated by using derivatives of interest-rate swaps.

The maturities of bonds are a year after the balance sheet date at maximum and are mainly used to fund plant and equipment investment.

Derivatives mainly include forward foreign currency contracts, currency option contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, respectively. In addition, interest-rate swaps were also used to manage exposure to market risks from changes in interest rates of bank loans for the year ended March 31, 2010. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stage. With respect to held-to-maturity financial investments, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 17 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts and currency option contracts. In addition, when foreign cur-

rency trade receivables and payables are expected from a forecasted transaction, forward foreign currency contracts and currency option contracts may be used to hedge foreign exchange risk resulting from the forecasted transaction expected to occur within one year.

For the year ended March 31, 2010, interest-rate swaps were used to manage exposure to market risks from changes in interest rates of loan payables.

The executions and administration of derivatives have been approved by those who are granted authority based on the internal guidelines which prescribe the authority and the limit for each transaction.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk with adequate financial planning by each company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 17 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain
March 31, 2011			
Cash and cash equivalents	¥ 65,101	¥ 65,101	—
Marketable securities	300	300	—
Receivables	62,185	62,185	—
Investment securities	12,809	12,814	¥ 5
Total	¥ 140,395	¥ 140,400	¥ 5
Short-term borrowings	¥ 8,637	¥ 8,637	—
Current portion of long-term debt	3,422	3,431	¥ 9
Payables	47,415	47,415	—
Income taxes payable	7,346	7,346	—
Long-term debt	18,306	18,566	260
Total	¥ 85,126	¥ 85,395	¥ 269
March 31, 2010			
Cash and cash equivalents	¥ 49,031	¥ 49,031	—
Marketable securities	300	300	—
Receivables	68,928	68,869	¥ (59)
Investment securities	13,705	13,710	5
Total	¥ 131,964	¥ 131,910	¥ (54)
Short-term borrowings	¥ 6,337	¥ 6,337	—
Current portion of long-term debt	6,952	6,952	—
Payables	47,903	47,903	—
Income taxes payable	4,368	4,368	—
Long-term debt	18,185	18,511	¥ 326
Total	¥ 83,745	¥ 84,071	¥ 326



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	Carrying amount	Fair value	Unrealized gain
March 31, 2011			
Cash and cash equivalents	\$ 784,349	\$ 784,349	—
Marketable securities	3,614	3,614	—
Receivables	749,217	749,217	—
Investment securities	154,326	154,386	\$ 60
Total	\$ 1,691,506	\$ 1,691,566	\$ 60
<hr/>			
Short-term borrowings	\$ 104,060	\$ 104,060	—
Current portion of long-term debt	41,229	41,337	\$ 108
Payables	571,265	571,265	—
Income taxes payable	88,506	88,506	—
Long-term debt	220,554	223,687	3,133
Total	\$ 1,025,614	\$ 1,028,855	\$ 3,241

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 4.

Receivables and payables

For the year ended March 31, 2011, the carrying values of receivables approximate fair value because of their short maturities.

For the year ended March 31, 2010, the fair value of receivables was calculated as the total of the fair value of notes receivable and the fair value of accounts receivable.

The fair value of notes receivable was measured at the amount to be received at maturity, discounted at the Group's assumed corporate discount rate. On the other hand, the fair value of accounts receivable was the book value of accounts receivable minus allowance for doubtful accounts, since accounts receivable were settled in a short term period and doubtful accounts were estimated based on collectability. The carrying values of payables approximated fair value because of their short maturities.

Short-term borrowings and long-term debt

The carrying values of short-term borrowings approximate fair value because of their short maturities.

The fair value of Company's bonds is measured at the quoted market price of the bond market. The fair value of bonds of certain subsidiaries is determined by the cash flows related to the bond at their assumed corporate borrowing rate.

For the year ended March 31, 2011, the fair value of long-term debt is determined by the cash flows related to the debt at the Group's assumed borrowing rate.

For the year ended March 31, 2010, the carrying amounts of bank loans approximated the fair value because their interest rates were variable rates, which reflected the market rate within short term, and also the Group's credibility had not changed significantly since the borrowing date.

Carrying amounts of lease obligations approximate fair value, because neither the risk free rate nor the Group's credibility has changed significantly since the date of lease inception.

Income taxes payable

The carrying values of income taxes payable approximate fair value because of their short maturities.

Derivatives

The information of the fair value for derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Equity securities that do not have a quoted market price in an active market	¥ 615	¥ 645	\$ 7,410
Investments in limited liability partnerships that do not have a quoted market price in an active market	83	80	999
Investments in unconsolidated subsidiaries and associated companies	16,406	15,838	197,663
Total	¥ 17,104	¥ 16,563	\$ 206,072

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2011	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 65,101	—	—	—
Marketable securities	300	—	—	—
Receivables	62,185	—	—	—
Investment securities				
Held-to-maturity securities	—	¥ 525	—	—
Available-for-sale securities with contractual maturities	15	—	—	—
Total	¥ 127,601	¥ 525	—	—

March 31, 2010	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 49,031	—	—	—
Marketable securities	300	—	—	—
Receivables	68,543	¥ 385	—	—
Investment securities				
Held-to-maturity securities	—	525	—	—
Available-for-sale securities with contractual maturities	16	—	—	—
Total	¥ 117,890	¥ 910	—	—

March 31, 2011	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$ 784,349	—	—	—
Marketable securities	3,614	—	—	—
Receivables	749,217	—	—	—
Investment securities				
Held-to-maturity securities	—	\$ 6,325	—	—
Available-for-sale securities with contractual maturities	181	—	—	—
Total	\$ 1,537,361	\$ 6,325	—	—

Please see Note 8 for annual maturities of long-term debt.

17. 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.

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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.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010

	(Millions of Yen)			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	¥ 711	—	¥ 5	¥ 5
Euro	3,240	—	(103)	(103)
Pound Sterling	401	—	2	2
Thailand Baht	50	—	(1)	(1)
Yen	7,813	—	193	193
Mexican Peso	572	—	(12)	(12)
Korean Won	157	—	4	4
Indonesia Rupiah	203	—	4	4
Taiwan Dollars	124	—	(1)	(1)
India Rupee	30	—	(0)	(0)
Philippine Peso	232	—	2	2
Buying:				
U.S. Dollars	¥ 3,404	—	¥ (69)	¥ (69)
Pound Sterling	67	—	(1)	(1)
Currency option contracts:				
Selling:				
Call				
Euro	¥ 52,113	¥ 1,764	¥ 1,440	¥ (274)
(Option fee)	(1,166)	(40)		
Pound Sterling	1,339	—	22	(3)
(Option fee)	(19)	—		
Swiss Franc	642	—	8	3
(Option fee)	(10)	—		
Buying:				
Call				
Euro	¥ 333	—	¥ 6	¥ (5)
(Option fee)	(10)	—		
Yen	47,567	¥ 1,764	1,013	(165)
(Option fee)	(1,178)	(40)		
Interest rate swaps:	¥ 1,250	¥ 1,250	¥ (29)	¥ (29)
(fixed rate payment, floating rate receipt)				

		(Millions of Yen)			
At March 31, 2010		Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:					
Selling:					
U.S. Dollars	¥	658	—	¥ 29	¥ 29
Euro		1,426	—	23	23
Pound Sterling		668	—	8	8
Thailand Baht		170	—	(4)	(4)
Yen		23,080	—	475	475
Mexican Peso		508	—	1	1
Korean Won		31	—	(0)	(0)
Indonesia Rupiah		58	—	(2)	(2)
Taiwan Dollars		68	—	(0)	(0)
Buying:					
U.S. Dollars	¥	2,142	—	¥ (14)	¥ (14)
Euro		1,456	—	(5)	(5)
Pound Sterling		1,107	—	7	7
Currency option contracts:					
Selling:					
Call					
Euro	¥	14,553	¥ 625	¥ 140	¥ 244
(Option fee)		(384)	(15)		
Swiss Franc		1,499	—	51	(34)
(Option fee)		(17)	—		
Buying:					
Call					
Euro	¥	993	—	¥ 3	¥ (14)
(Option fee)		(17)	—		
Yen		14,553	¥ 625	339	(45)
(Option fee)		(384)	(15)		
Interest rate swaps:	¥	7,444	¥ 1	¥ (395)	¥ (395)
(fixed rate payment, floating rate receipt)					



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	(Thousands of U.S. Dollars)			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	\$ 8,566	—	\$ 60	\$ 60
Euro	39,036	—	(1,241)	(1,241)
Pound Sterling	4,831	—	24	24
Thailand Baht	602	—	(12)	(12)
Yen	94,133	—	2,325	2,325
Mexican Peso	6,892	—	(145)	(145)
Korean Won	1,892	—	48	48
Indonesia Rupiah	2,446	—	48	48
Taiwan Dollars	1,494	—	(12)	(12)
India Rupee	361	—	(0)	(0)
Philippine Peso	2,795	—	24	24
Buying:				
U.S. Dollars	\$ 41,012	—	\$ (831)	\$ (831)
Pound Sterling	807	—	(12)	(12)
Currency option contracts:				
Selling:				
Call				
Euro	\$ 627,867	\$ 21,253	\$ 17,349	\$ (3,301)
(Option fee)	(14,048)	(482)		
Pound Sterling	16,133	—	265	(36)
(Option fee)	(229)	—		
Swiss Franc	7,735	—	96	36
(Option fee)	(120)	—		
Buying:				
Call				
Euro	\$ 4,012	—	\$ 72	\$ (60)
(Option fee)	(120)	—		
Yen	573,096	\$ 21,253	12,205	(1,988)
(Option fee)	(14,193)	(482)		
Interest rate swaps:	\$ 15,060	\$ 15,060	\$ (349)	\$ (349)
(fixed rate payment, floating rate receipt)				

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010

(Millions of Yen)				
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	¥ 6,347	—	¥ (147)
Pound Sterling	Receivables	470	—	3
Korean Won	Receivables	64	—	1
Indonesia Rupiah	Receivables	99	—	2
Taiwan Dollars	Receivables	44	—	1

(Millions of Yen)				
At March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S. Dollars	Receivables	¥ 234	—	¥ 1
Euro	Receivables	21,131	—	1,681
Pound Sterling	Receivables	2,411	—	161
Korean Won	Receivables	104	—	(2)
Indonesia Rupiah	Receivables	114	—	(2)
Taiwan Dollars	Receivables	114	—	(1)
Buying:				
Taiwan Dollars	Investment securities	¥ 88	—	¥ 0
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Current portion of long-term debt	¥ 5,000	—	—

(Thousands of U.S. Dollars)				
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
Euro	Receivables	\$ 76,470	—	\$ (1,771)
Pound Sterling	Receivables	5,663	—	36
Korean Won	Receivables	771	—	12
Indonesia Rupiah	Receivables	1,193	—	24
Taiwan Dollars	Receivables	530	—	12

18. Contingent Liabilities

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for debt of customers	¥ 561	\$ 6,759



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19. Comprehensive Income

For the year ended March 31, 2010

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen 2010
Other comprehensive income (loss):	
Unrealized gain on available-for-sale securities	¥ 3,019
Deferred loss on derivatives under hedge accounting	(2,014)
Foreign currency translation adjustments	(338)
Share of other comprehensive income in associates	109
Total other comprehensive income	¥ 776

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen 2010
Total comprehensive income (loss) attributable to:	
Owners of the parent	¥ 20,511
Minority interests	(179)
Total comprehensive income	¥ 20,332

20. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥ 26,238	267,645	¥ 98.03	\$ 1.18
Effect of dilutive securities				
Stock acquisition rights		328		
Diluted EPS				
Net income for computation	¥ 26,238	267,973	¥ 97.91	\$ 1.18
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥ 19,629	267,652	¥ 73.34	
Effect of dilutive securities				
Stock acquisition rights		228		
Diluted EPS				
Net income for computation	¥ 19,629	267,880	¥ 73.28	

21. Subsequent Events

1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's board of directors' meeting held on May 13, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends of ¥12 (\$0.15) per share	¥ 3,225	\$ 38,855

2) The signing on the construction of new manufacturing facility in Xian, China

On April 28, 2011, Xian government and the Company signed the agreement on the construction of new manufacturing facility in Xian, China.

The Company is aggregating the Group's manufacturing facilities of the industrial sewing machines and machine tools which are currently located in the several areas in Xian, China into a new single factory by 2013 in order to reinforce the manufacturing operations and business efficiency, with aims to meet growing demand in the Chinese market.

The Group started the manufacturing of Industrial sewing machines in China as a joint venture in Xian, 1993. In 2001, the Company established a wholly owned subsidiary in Xian. In April of 2010, the Company merged these two companies and started operation as Brother Machinery Xian Co., Ltd. (hereinafter BMX). In addition to the industrial sewing machine, BMX started manufacturing machine tools at another factory in fall of 2010. Currently BMX is manufacturing both industrial sewing machines and machine tools at three factories.

The demand of Chinese market for both industrial sewing machines and machine tools are expected to grow. In order to respond to this growing demand and to increase the efficiency of business, the Company is aggregating all factories in Xian into a single factory so that it can increase production volume business and reinforce the manufacturing of both businesses.

Xian city officials and representatives of the Company participated at a contract signing ceremony for this project on April 28, 2011 in Xian city. There is no significant impact on profits and losses from this signing.

Outline of the New Factory

Location: Hi-tech industries Development Zone, Xian, Shaanxi, China
No. of Employees: Approximately twelve hundred employees (as of April, 2013)
Total Investment: Approximately 5.3 billion yen
Start date for construction: January 2012
Date of completion: January 2013
Date of start of production: April 2013
Property Space: 79,920m²
Floor space: 51,100m²
Structure / Scale: Steel construction - 3 stories

22. Segment Information

For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group consists of the four segments "Printing & Solutions," "Personal & Home," "Machinery & Solution" and "Network & Contents," in which the Group formulates and implements



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comprehensive strategies of products and services. "Printing & Solutions" consists of sales and production of communication printing device such as printers and multi-function printers, and of sales and production of electronic stationeries. "Personal & Home" consists of sales and production of home sewing machines. "Machinery & Solution" consists of sales and production of industrial sewing machines and machine tools. "Network & Contents" consists of sales and production of online karaoke machine, and of contents distribution services.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of Yen							
	2011							
	Reportable segment				Others	Total	Reconciliation	Consolidated
Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents					
Sales								
Sales to external customers	¥ 340,194	¥ 29,433	¥ 66,412	¥ 52,805	¥ 13,986	¥ 502,830	—	¥ 502,830
Intersegment sales or transfers	—	—	—	—	5,876	5,876	¥ (5,876)	—
Total	¥ 340,194	¥ 29,433	¥ 66,412	¥ 52,805	¥ 19,862	¥ 508,706	¥ (5,876)	¥ 502,830
Segment profit	¥ 27,093	¥ 2,942	¥ 7,490	¥ (2,731)	¥ 1,298	¥ 36,092	—	¥ 36,092
Segment assets	206,559	17,398	54,104	38,427	63,380	379,868	¥ (7,222)	372,646
Other:								
Depreciation	¥ 15,400	¥ 626	¥ 1,371	¥ 5,735	¥ 895	¥ 24,027	—	¥ 24,027
Amortization of goodwill	213	—	20	2,336	—	2,569	—	2,569
Investments in associated companies	422	93	9,575	—	1,375	11,465	—	11,465
Increase in property, plant and equipment and intangible assets	11,078	678	951	3,922	390	17,019	¥ 2,769	19,788

	Millions of Yen							
	2010							
	Reportable segment				Others	Total	Reconciliation	Consolidated
Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents					
Sales								
Sales to external customers	¥ 341,470	¥ 27,948	¥ 31,791	¥ 32,739	¥ 12,321	¥ 446,269	—	¥ 446,269
Intersegment sales or transfers	—	—	—	—	7,909	7,909	¥ (7,909)	—
Total	¥ 341,470	¥ 27,948	¥ 31,791	¥ 32,739	¥ 20,230	¥ 454,178	¥ (7,909)	¥ 446,269
Segment profit	¥ 26,427	¥ 1,797	¥ (2,673)	¥ 573	¥ 513	¥ 26,637	—	¥ 26,637
Segment assets	212,095	17,578	47,358	51,636	82,178	410,845	¥ (44,854)	365,991
Other:								
Depreciation	¥ 15,763	¥ 680	¥ 1,293	¥ 2,560	¥ 732	¥ 21,028	—	¥ 21,028
Amortization of goodwill	213	—	10	486	—	709	—	709
Investments in associated companies	386	69	9,266	—	1,285	11,006	—	11,006
Increase in property, plant and equipment and intangible assets	8,793	531	532	3,180	278	13,314	¥ 4,168	17,482

Thousands of U.S. Dollars								
2011								
	Reportable segment				Others	Total	Reconciliation	Consolidated
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents				
Sales								
Sales to external customers	\$ 4,098,723	\$ 354,614	\$ 800,145	\$ 636,205	\$ 168,506	\$ 6,058,193	—	\$ 6,058,193
Intersegment sales or transfers	—	—	—	—	70,795	70,795	\$ (70,795)	—
Total	\$ 4,098,723	\$ 354,614	\$ 800,145	\$ 636,205	\$ 239,301	\$ 6,128,988	\$ (70,795)	\$ 6,058,193
Segment profit	\$ 326,422	\$ 35,446	\$ 90,241	\$ (32,904)	\$ 15,639	\$ 434,844	—	\$ 434,844
Segment assets	2,488,663	209,614	651,855	462,976	763,615	4,576,723	\$ (87,012)	4,489,711
Other:								
Depreciation	\$ 185,542	\$ 7,542	\$ 16,518	\$ 69,096	\$ 10,784	\$ 289,482	—	\$ 289,482
Amortization of goodwill	2,566	—	241	28,145	—	30,952	—	30,952
Investments in associated companies	5,084	1,120	115,362	—	16,567	138,133	—	138,133
Increase in property, plant and equipment and intangible assets	133,470	8,169	11,458	47,253	4,699	205,049	\$ 33,361	238,410

Notes:

- 1) "Others" consists of real estate, leasing parts and other areas of business.
- 2) Reconciliation of intersegment sales or transfers consists of elimination of itself.
- 3) Reconciliation of segment assets consists of elimination of assets arising from intersegment transactions and corporate assets which are not attributed to any reportable segments. The amounts for the year ended March 31, 2011 and 2010 are ¥58,372 million (\$703,277 thousand) and ¥51,150 million (\$616,265 thousand), and ¥87,819 million and ¥42,965 million, respectively.
- 4) Reconciliation of increase in property, plant and equipment and intangible assets consists of principally corporate assets which are not attributed to any reportable segments.

4. Information about geographical areas

(a) Sales

Millions of Yen						
2011						
Europe	Japan	U.S.A	China	Asia and others	Americas and others	Total
¥ 137,068	¥ 117,787	¥ 116,095	¥ 56,937	¥ 46,000	¥ 28,943	¥ 502,830

Millions of Yen						
2010						
Europe	U.S.A	Japan	Asia and others	Americas and others	Total	
¥ 144,792	¥ 117,944	¥ 88,294	¥ 70,043	¥ 25,196	¥ 446,269	

Thousands of U.S. Dollars						
2011						
Europe	Japan	U.S.A	China	Asia and others	Americas and others	Total
\$ 1,651,422	\$ 1,419,120	\$ 1,398,735	\$ 685,988	\$ 554,217	\$ 348,711	\$ 6,058,193

Note: Sales are classified in countries or regions based on location of customers.

(b) Property, plant and equipment

Millions of Yen						
2011						
Japan	China	Asia and others	Americas	Europe	Total	
¥ 46,676	¥ 7,822	¥ 5,419	¥ 4,963	¥ 3,280	¥ 68,160	



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2010						
Japan	China	Americas	Asia and others	Europe	Total	
¥ 49,964	¥ 8,622	¥ 5,629	¥ 4,841	¥ 3,493	¥ 72,549	

Thousands of U.S. Dollars						
2011						
Japan	China	Asia and others	Americas	Europe	Total	
\$ 562,361	\$ 94,241	\$ 65,289	\$ 59,795	\$ 39,519	\$ 821,205	

5. Information about impairment losses of assets

Millions of Yen						
2011						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	—	—	—	¥ 1,473	—	¥ 1,473

Millions of Yen						
2010						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	¥ 3	¥ 0	¥ 0	¥ 50	¥ 262	¥ 315

Thousands of U.S. Dollars						
2011						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Impairment losses of assets	—	—	—	\$ 17,747	—	\$ 17,747

6. Information about amount of goodwill

Millions of Yen						
2011						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2011	¥ 286	—	¥ 248	¥ 7,525	—	¥ 8,059

Millions of Yen						
2010						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2010	¥ 537	—	¥ 268	¥ 8,343	—	¥ 9,148

Thousands of U.S. Dollars						
2011						
	Printing & Solutions	Personal & Home	Machinery & Solution	Network & Contents	Others	Total
Goodwill at March 31, 2011	\$ 3,446	—	\$ 2,988	\$ 90,662	—	\$ 97,096

For the year ended March 31, 2010

The Group operates in the following industries:

“Printing & Solutions” consists of sales and production of printers, multi-function printers, fax machines, electronic stationeries and typewriters.

“Personal & Home” consists of sales and production of home sewing machines.

“Machinery & Solution” consists of sales and production of industrial sewing machines and machine tools.

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

Information about business segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010 is as follows:

(1) Business Segments

Information about business segments for the year ended March 31, 2010 is summarized as follows:

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

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Others	Eliminations /Corporate	Consolidated
Sales to customers	¥ 341,470	¥ 27,948	¥ 31,791	¥ 45,060	—	¥ 446,269
Intersegment sales	—	—	—	7,909	¥ (7,909)	—
Total sales	341,470	27,948	31,791	52,969	(7,909)	446,269
Operating expenses	315,042	26,151	34,464	51,884	(7,909)	419,632
Operating income (loss)	¥ 26,428	¥ 1,797	¥ (2,673)	¥ 1,085	—	¥ 26,637

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

	Millions of Yen					
	2010					
	Printing & Solutions	Personal & Home	Machinery & Solution	Others	Eliminations /Corporate	Consolidated
Assets:	¥ 211,709	¥ 17,509	¥ 38,092	¥ 109,429	¥ (10,748)	¥ 365,991
Depreciation:	15,528	680	1,293	3,527	—	21,028
Impairment:	3	0	0	312	—	315
Capital expenditures:	8,641	532	534	3,299	4,476	17,482

(Additional information)

Change in business segment classification for the depreciation of assets

As a result of the integration of Printing & Solutions and the headquarter function, the Group changed the business segment classification for the depreciation of assets for the year ended March 31, 2010. The depreciation of Printing & Solutions and Others for the year ended March 31, 2010 would be ¥11,656 million and ¥7,399 million, respectively,

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(2) Geographical Segments

Information about geographical segments for the year ended March 31, 2010 is summarized as follows:

(a) Sales, operating expenses and operating income:

	Millions of Yen						Consolidated
	2010						
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate		
Sales to customers	¥ 103,462	¥ 143,267	¥ 143,295	¥ 56,245	—	¥ 446,269	
Intersegment sales	217,308	1,564	2,575	150,688	¥ (372,135)	—	
Total sales	320,770	144,831	145,870	206,933	(372,135)	446,269	
Operating expenses	316,561	142,214	134,327	200,102	(373,572)	419,632	
Operating income	¥ 4,209	¥ 2,617	¥ 11,543	¥ 6,831	¥ 1,437	¥ 26,637	

(b) Assets:

	Millions of Yen						Consolidated
	2010						
	Japan	Americas	Europe	Asia and Others	Eliminations /Corporate		
Assets:	¥ 152,170	¥ 56,665	¥ 84,107	¥ 81,370	¥ (8,321)	¥ 365,991	

(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 intercompany transactions, total sales to foreign customers amounted to ¥357,975 million for the year ended March 31, 2010.

The following is a breakdown of sales to foreign customers by region for the year ended March 31, 2010:

	Millions of Yen
	2010
Americas	¥ 143,140
Europe	144,792
Asia and Others	70,043
Total	¥ 357,975