

## Business Summary by Segment

### Personal and Home Business

#### Business Objectives

- Maintain the dominant global No. 1 position for the full range of high-end to low-end machines, while stepping up to a new level of “joys of creation”

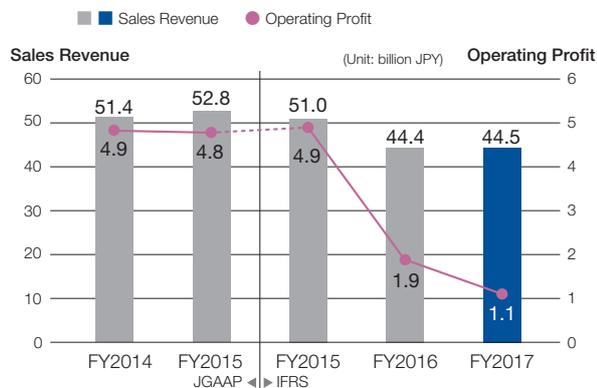
Managing Executive Officer  
Head of Personal and Home Business Division

Mitsuyasu Kyuno



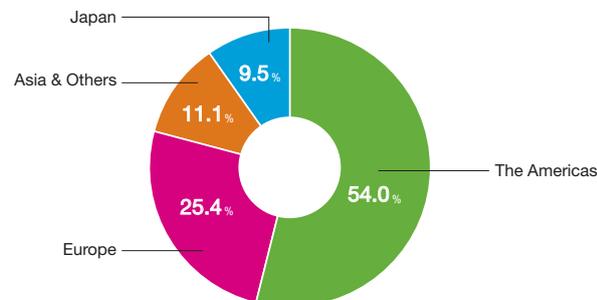
#### FY2017 Operational Highlights

##### Transition of Sales Revenue & Operating Profit



\* The subject names used for IFRS are applied. The subject names based on Japanese GAAP are switched to the subject names indicated below: \* Net sales (JGAAP)/Sales revenue (IFRS)

##### Sales Revenue by Region (FY2017)



\* Classified by region based on the locations of the sales facilities

##### Main Product Lineup



Sewing and Embroidery Machine

##### Sales Revenue: 44.5 billion yen (+0.1% y/y)

Sales revenue remained at a level similar to the previous term's level overall due to factors such as sluggish demand in the Americas and Asia, despite the steady demand in Europe.

##### Operating Profit: 1.1 billion yen (-44.1% y/y)

Business segment profit decreased slightly due partly to the increase of prior investment, including R&D expenditure. Operating profit declined significantly due to the fact that impairment loss related to exchange contracts was reported, in addition to depreciation of the yen from the end-of-period exchange rate.

## Business Summary

### < Brother's Strength >

Brother has leading-edge development capabilities in the home sewing machine industry, which allows it to provide highly functional products with high added value. In particular, we have been leading the market by offering our customers state-of-the-art features that are also easy to operate, utilizing our forte of electronic technologies. As for production, we manufacture a wide range of products from high-end to low-end at our facilities in Vietnam, Mainland China and Taiwan. As for sales, we maintain outstanding visibility in North America. We have established strong ties with powerful, major retailers and close partnerships with our prominent business partners, such as major sewing machine dealers handling high-end machines. Furthermore, our sales facilities around the world provide precise services and education along with superior products, enabling the group to maintain and further enhance the strength of the Brother brand.

### < Market Trend and Brother's Business Strategies >

- Firmly maintain our current position in the home sewing machine market while strengthening profitability
- Firmly maintain our current position in the high-end machine market and expand our share in the mid-range sewing machine market
- Aggressively pursue growth in the craft market

In the home-sewing machine market, the demand in North America appears to be stagnant. However, the demand is increasing steadily on a global basis. In such an environment, Brother will strive to expand its profit by enhancing the customer satisfaction level of its embroidery machines with high added value and mid-grade machines. The market for home cutting machines is expanding mainly in North America. We will promote the value of our scanning functions that no other manufacturers can offer, and pursue development of new sales channels to actualize business expansion.



Sewing Machine



Commercial Embroidery Machine



Home Cutting Machine

#### Brother's Value Creation

**Brother provides product value to a wide range of customers with its entry models of sewing machines and cutting machines.**

'Parie' is a small-size entry model of an embroidery machine with which users can enjoy casual embroidering. We renovated the hardware functionality of our small embroidery machine significantly for the first time in approximately ten years by adding a large, easily viewable color liquid crystal display to enhance its interface and by improving its sewing capacity to enable sewing of thick materials smoothly.

Parie also has built-in embroidery designs which were created in collaboration with a popular embroidery designer.

It provides a new level of fun and joy for craft making to a wide range of customers by offering the features that allow them to express their own style by adding embroidery to off-the-shelf items and to create items that add more color to their lives.

Brother's DesignNCut is a cutting machine that a user can connect to a PC, and so forth, by using a wireless LAN or a USB cable and operate by using a special app.

Our existing products use a stand-alone method which requires a user to operate them by using the liquid crystal screen on the hardware. However, by adopting a new operational method using an app for the first time, we can promote DesignNCut by targeting new clientele.

DesignNCut are being sold through mass craft retailers, and are being used and enjoyed by a larger number of users.

