

Machinery Business

Business Objectives

- Industrial Sewing Machines: Expand customer base by strengthening sales capacity and ability to provide solutions in Asia
- Industrial Equipment: Expand customer base in the automobile-related market by strengthening the ability to provide solutions
- Industrial Parts: Contribute to strengthening of the business in the industrial area by increasing profit of the reducer and high-precision gear businesses

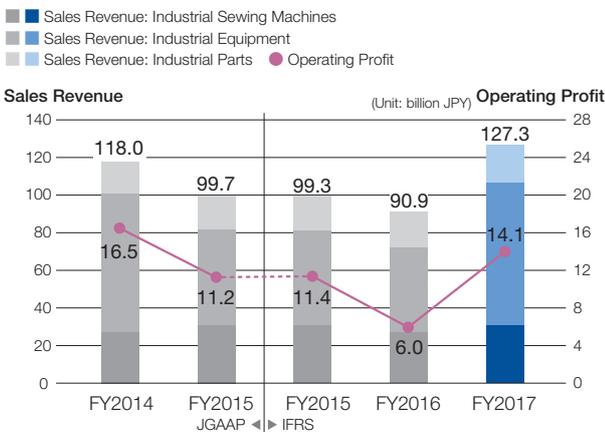
Representative Director & Senior Managing Executive
Officer Head of Machinery Business Division

Tasuku Kawanabe



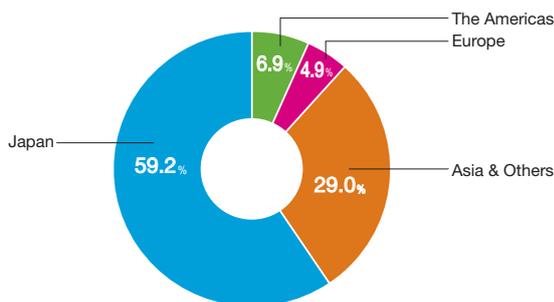
FY2017 Operational Highlights

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

Sales Revenue: 127.3 billion yen (+40.0% y/y)

Industrial Sewing Machines 31.1 billion yen (+16.0% y/y)

Sales of industrial sewing machines increased steadily overall due to recovery of demand in China and Europe, despite weakened demand in the rest of Asia. In addition, sales of the new garment printer, GTX, showed solid increases mainly in Europe and the United States. Consequently, sales revenue of industrial sewing machines increased overall.

Industrial Equipment 76 billion yen (+67.6% y/y)

Sales revenue of machine tools increased significantly due to strong sales increases of products targeting the automobile-related industry, which is the focus of our business, in addition to the large orders received from the IT-related industry.

Industrial Parts 20.2 billion yen (+7.4% y/y)

Sales revenue of industrial parts increased due to larger demand for reducers and gears owing to the rise in the number of capital investments for factory automation.

Operating Profit: 14.1 billion yen (+136.3% y/y)

Operating revenue increased drastically due to strong sales increases mainly of machine tools and garment printers.

Business Summary

Industrial Sewing Machines

< Brother's Strength >

An industrial sewing machine is a product that Brother has been developing, manufacturing and selling since its foundation, and we have continuously been leading the industrial sewing machine industry in fabric (cotton, linen, and so forth) sewing. In 2015, we launched a next-generation sewing machine brand. Also, our lock stitch sewing machine has features that revolutionize the conventional norms of the industry, such as the world's first electronic feeding system, and it is receiving good reviews from users.

By employing its original technologies as a printer manufacturer, Brother also develops and sells garment printers (printers used for garment and fabric printing). In 2017, we released a new garment printer product, GTX, which achieves outstanding productivity with one-third of the printing time compared to other existing printers.

Industrial Equipment

< Brother's Strength >

Brother's industrial equipment was developed through our manufacturing of machine tools needed to make key parts of sewing machines in-house. In 1985, Brother released the CNC Tapping Center. It has been well received by our customers because it is compact in size, but yet offers high productivity and environmental performance for processing parts needed by the automobile and IT industries. After the launch of our next-generation machine tool brand, SPEEDIO, in 2013, we have released models that can process bigger parts and models that are capable of lathe turning processing, and have been entering new markets.

Industrial Parts

< Brother's Strength >

In 2013, Brother acquired Nissei Corporation, which has a high market share for reducers and high-precision gears in Japan, as its consolidated subsidiary, and entered into the industrial parts business, which can give us opportunities to provide high added value for customers. As for gear motors, our core products of reducers, we offer an extensive product lineup, and have the ability to deliver products within a short period of time and handle special order items flexibly, and are responding to various customer demands. As for high-precision gears, we develop and manufacture products used for robots and machine tools mainly. By executing the entire process from product designing to manufacturing consistently within the company, we create high-precision and high-quality products. Thus, our products have a high reputation in the market, especially for our cutting technology for bevel gears*.

* Cone-shaped gears that transmit motion between two intersecting axes

< Market Trend and Brother's Business Strategies >

- Expand sales of lock stitch sewing machines of which Brother has a competitive edge
- Ride the wave of automation and IoT, and develop new products and services
- Expand the garment printer business with an eye to the future

The demand for industrial sewing machines is shifting widely from China to Southeast Asia. In response to such changes in the market, we will market the NEXIO series industrial sewing machines worldwide, and continue to offer new products and services to meet the needs for factory automation and IoT compatibility in sewing plants. As for garment printers, we will pursue business expansion in Asia in addition to Europe and the United States, in which we have been successful, by exploiting the release of our new product, GTX, as an opportunity.

< Market Trend and Brother's Business Strategies >

- Expand sales in the automobile-related market and stabilize Brother's business foundation
- Accelerate business growth by providing solutions, including provision of equipment for a peripheral domain

In the machine tool market, the demand for machine tools for manufacturing of automobile-related products and general machinery remains steady overall.

In such a market environment, Brother will continue to expand its product lineup, and develop machine tools that will encourage users to replace other manufacturers' machine tools which are slightly larger than ours, with our products. We will also make continuous investments to strengthen our sales, marketing and maintenance services to accommodate business expansion mainly in the automobile-related market.

< Market Trend and Brother's Business Strategies >

- Enhance profitability of the core business (reducers, high-precision gears)
- Pursue synergy with other machinery businesses

In the reducer market in Japan, sales increases of low-voltage gear motors and high-precision reducers are expected in addition to the standard models of gear motors, which currently have steady sales increases. In the growing robotics industry, demand for high-precision reducers and high-precision gears from manufacturers inside and outside Japan are expected to expand. Brother will strengthen its profitability continuously through capacity enhancement and improvement of production efficiency, expand its sales channels into the markets outside Japan, and further expand development and sales of products targeting robot manufacturers. As for creation of synergy effects with other machinery businesses, we will strive to boost the competitive edge of our products in the industrial area through efforts such as provision of high-precision reducers for industrial equipment and execution of product co-development within the group.

Machinery Business

Main Product Lineup



Machine Tool



Industrial Sewing Machines



Garment Printer



Reducer



Gear

Brother's Value Creation

SPEEDIO Singularly Provides a Wide Range of Added Value to Customers by Offering Applications that Meet Their Needs

Brother's machine tool, the Compact Machining Center SPEEDIO, is leading the small-size machine tools market by providing various products in its lineup and by offering solutions that meet the respective needs of production facilities.

Particularly, the M140 series is a small-size machine tool that can conduct two separate processing functions, lathe turning and machining, which were conducted by separate machines before, on its own. This produces efficiency in various ways, such as by reducing operational time and manpower and shortening of a production line.

In addition to multiple machining involving lathe turning and machining for items such as automobile parts for which the machine was originally designed, the M140 series can also conduct multi-face machining operations, which allows machining from every direction except for

the direction of the surface where the work is fixed at one setup.

The customers who use one of the M140 series products, the M140X2, gave us an excellent review of the product for the unique product value it creates. They said that the M140X2 allowed them to eliminate certain processes needed to manufacture fixtures and it cut delivery time. It also improves quality because they do not have to change fixtures numerous times.

