

Network and Contents Business

Business Objectives

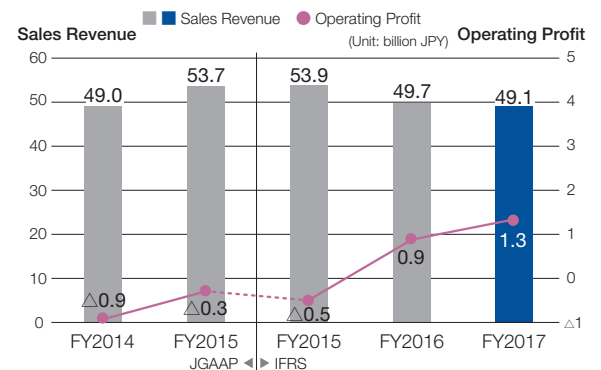
- Shift to a Highly Profitable Business through Every Method of Reformation

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Head of Network and Contents Business Division **Jun Kamiya**



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: 49.1 billion yen (-1.4% y/y)

Both the karaoke business and karaoke club management business basically remained steady, and sales revenue stayed at a level similar to the previous term's.

Operating Profit: 1.3 billion yen (+57.2% y/y)

Business segment profit increased due to cost reduction efforts, and so forth, as well as steady sales growth of the new model of an online karaoke system. Operating profit surged significantly since the temporary expenditure needed for structural reformation for profitability enhancement, which had been reported during the previous term, no longer existed.

Main Product Lineup



JOYSOUND MAX2



JOYSOUND Hibiki



JOYSOUND FESTA2

Online Karaoke Systems

Business Summary

< Brother's Strength >

Xing Inc., Brother Industries, Ltd.'s consolidated subsidiary, has a high reputation for its JOYSOUND MAX2 and JOYSOUND HIBIKI online karaoke systems for business use which offer 285,000 songs (the largest number in the industry) and are compatible with high-resolution audio*1. The company is also valued for its original services linked to smartphones, such as Utasuki*2 which has more than 10 million registered members. Through collaborations with our group companies, Teichiku Entertainment, Inc. and Standard Corporation, we operate a diverse business with the ability to provide consistent services from the upstream business (content business) to the downstream business (karaoke club business) as a diversified music entertainment company.

*1 Voice input from a microphone was sound processed at 24bit/192kHz. As for music, a material's waveform is converted from CD spec to high-resolution audio through sound processing.

*2 A membership-only karaoke SNS operated by Xing Inc., which is linked with an online karaoke system, JOYSOUND.

< Market Trend and Brother's Business Strategies >

- Strive to maximize operating profit
- Optimize investments to ensure cash generation

The number of karaoke users and the number of karaoke clubs, which had been declining since the peak period, are continuing to bottom out. Thus, we are aiming at stimulating the market with sales expansion of two models that have high product appeal as our main strategy. We have also released JOYSOUND FESTA2, a new model of a karaoke system containing musical healing content for the elderly called 'Kenko Okoku,' which targets the health care market. Furthermore, we are actively developing services to launch on new platforms, such as a full-fledged home karaoke service for Nintendo Switch*3 by Nintendo. Through these approaches, we are striving to differentiate our services from our competitors and expand our profits.

*3 Nintendo Switch is a trademark of Nintendo.