

Machinery Business

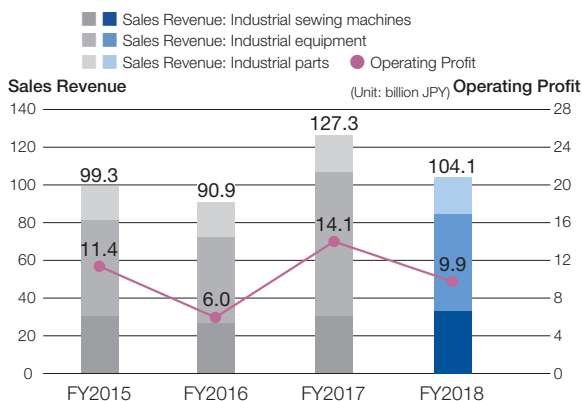
Machinery

Business Objectives

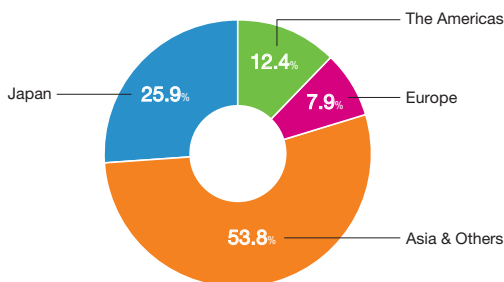
- **Industrial Sewing Machines:**
Develop new products that accommodate customer needs and expand our customer base
- **Industrial Equipment:**
Expand our customer base in the auto/general machine market by enhancing the product lineup and further reinforcing sales/service platforms
- **Industrial Parts:**
Contribute to strengthening of the industrial area by increasing revenue of the reducer and high-precision gear businesses

FY2018 Operational Highlights

Transition of Sales Revenue/Operating Profit



Sales Revenue by Region



Sales Revenue: 104.1 billion yen (-18.2% y/y)

Industrial Sewing Machines 32.6 billion yen (+4.9% y/y)

Sales revenue overall increased due to the robust demand for industrial sewing machines in China and the growing demand for garment printers mainly in Europe and the United States.

Industrial Equipment 51.8 billion yen (-31.9% y/y)

In Japan, the demand for industrial equipment for the auto/general machine-related industries remained steady in the first half of the year, but it became sluggish in the latter half. In China, orders from IT-related industries dropped. Consequently, sales revenue of industrial equipment overall declined significantly.

Industrial Parts 19.7 billion yen (-2.2% y/y)

Sales revenue of industrial parts decreased, attributed to the economic slowdown overseas.

Business Segment Profit: 9.8 billion yen (-32.4% y/y)

Operating Profit: 9.9 billion yen (-29.9% y/y)

Profits decreased due mainly to the decrease in the sales revenue of industrial equipment.

*Sales revenue and operating profit are calculated based on International Financial Reporting Standards (IFRS). Business segment profit is calculated by subtracting cost of sales and selling, general and administrative expenses from sales revenue.

Industrial Sewing Machines

Brother's Strength

Brother has been continuously leading the industrial sewing machine industry in fabric (cotton, linen, and so forth) sewing. In 2018, we launched the NEXIO system, which incorporates Brother's network technologies. This system has been receiving good reviews from users as a service that contributes to productivity improvement in sewing factories. The GTX, a new garment printer of Brother, achieves high printing speed and high-resolution printing quality by employing the inkjet technologies Brother has accumulated through the development of office 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 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, models that are capable of lathe turning processing, and peripheral devices around SPEEDIO machines, such as a rotary table. In this way, we have been exploiting 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

- Develop automated products and strengthen proposal-making capabilities
- Expand the lineup of garment printers

Automation and labor-saving needs have been growing coupled with a rise in production cost. Brother will continuously bring new products that meet such needs to the market and strengthen its ability to make proposals, and thereby help customers improve productivity. The garment printer market has been growing steadily. We will expand our garment printer lineup to meet the needs of high-PV users.

Market Trend and Brother's Business Strategies

- Expand sales in the auto/general machine market and stabilize Brother's business foundation
- Enhance our product lineup and reinforce sales/service platforms

The machine tool market is expected to grow continuously in the medium to long term, driven mainly by the growing demand for machine tools for the manufacturing of automobiles and general machines. In such a market environment, Brother will continue to expand its product lineup, and develop products that respond to labor-saving and automation needs and 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 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, the 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.

Main Product Lineup



Machine Tool



Industrial Sewing Machine



Garment Printer



Reducer



Gear

Brother's Value Creation

Brother's NEXIO system, with its ease of use and real-time visualization capability, helps customers boost productivity

Brother has developed the NEXIO system as a system that directly leads to productivity improvement in sewing lines. With Internet-enabled sewing machines equipped with a Wi-Fi communication module, this system allows real-time checking of production progress from anywhere and

anytime. By using data gained from the sewing machines, it also enables accurate and efficient grasping of the operating status of sewing lines. The NEXIO system is highly appreciated by users for its clear concept, simple and easy features, and ease of installation on-site.