

Network and Contents Business

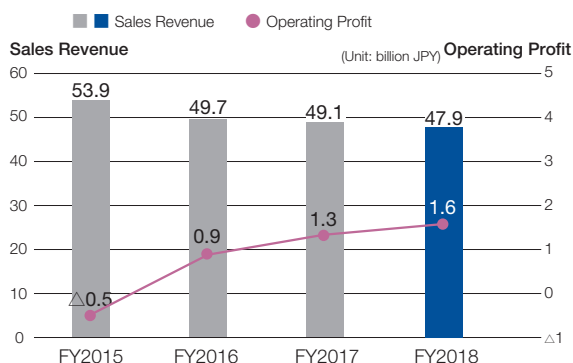


Business Objective

- Position CS B2021 as a regrowth stage and focus on business model transformation and expansion

FY2018 Operational Highlights

Transition of Sales Revenue/Operating Profit



Sales Revenue: 47.9 billion yen (-2.3% y/y)

Sales revenue declined because the demand for the JOYSOUND MAX2, a new model released in FY2017, slowed down and the ratio of rental transactions increased compared to the previous term, in which our activities were mainly centered around sales transactions.

Business Segment Profit: 1.8 billion yen (-33.2% y/y)

Operating Profit: 1.6 billion yen (+18.6% y/y)

Business segment profit decreased significantly as a result of the sales revenue decline. Operating profit increased because the impairment loss that had been reported during the previous term no longer existed.

*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.

Business Summary

Brother's Strength

Xing Inc., a consolidated subsidiary of Brother, has a high reputation for its JOYSOUND MAX GO series and JOYSOUND HIBIKI series, the online karaoke systems for business use which offer 300,000 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 the Utasuki^{*2}, which has more than 10 million registered members. Through collaborations with the group companies Teichiku Entertainment, Inc. and Standard Corp., Xing Inc. operates 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 is sampled at 24bit/192kHz. As for music, a material's waveform is converted from CD spec to high-resolution audio through sampling.

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

Market Trend and Brother's Business Strategies

- Increase profitability in core business
- Develop new revenue models

The number of karaoke users and karaoke clubs, which had been declining since the peak period, are continuing to bottom out. Thus, we are aiming at stimulating the market mainly by expanding the sales of two models, which are a flagship model with high product value and a market-specific model. We also aim to increase the sales of the JOYSOUND FESTA2, a model containing musical healing content called "Kenko Okoku," which targets the growing health care market. Furthermore, we will strive to expand the existing business to diversify into a new business area and develop and establish new revenue models by maximizing synergy among the Xing Group companies.

Main Product Lineup



JOYSOUND MAX GO



JOYSOUND HIBIKI II



JOYSOUND FESTA2