



Avex Inc.
Earnings Results for FY 2020 Q2
(Fiscal year ending March 31st, 2021)

November, 5th, 2020

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Financial Highlights

The suspension of live events and concerts due to prevention measures in spreading of Novel Coronavirus (COVID-19) contributed to the decrease in Net Sales and Operating Income.

- Net Sales: 34.2 billion yen (-26.9 billion yen YoY)
- Operating Income: -2.2 billion yen (-1.5 billion yen YoY)
- Net Income Attributable to Owners of Parent: -3.2 billion yen (-1.5 billion yen YoY)

(billions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	61.1	34.2	-26.9	-44.0%
Operating Income	-0.6	-2.2	-1.5	—
Net Income Attributable to Owners of Parent	-1.7	-3.2	-1.5	—

Net Sales decreased by 26.9 billion yen (-44.0%)
primarily due to suspension of live concerts and events

Net Sales by Segment				(billions of yen)
	FY 2019 Q2	FY 2020 Q2	YoY	rate
Music	43.9	18.4	-25.4	-58.0%
Anime & Visual Content	6.5	4.8	-1.7	-26.0%
Digital Platform	17.1	11.8	-5.3	-31.0%
Others	2.1	2.7	+0.6	+30.5%
Adjustment	-8.6	-3.6	+4.9	—
Total	61.1	34.2	-26.9	-44.0%

Operating Income decreased by 1.5 billion yen
primarily due to decrease in Digital Platform Business

Operating Income by Segment				(billions of yen)
	FY 2019 Q2	FY 2020 Q2	YoY	rate
Music	-2.1	-2.2	-0.0	—
Anime & Visual Content	0.2	0.1	-0.1	-62.0%
Digital Platform	1.8	0.8	-0.9	-53.7%
Others	-0.7	-0.9	-0.1	—
Adjustment	0.1	-0.0	-0.1	—
Total	-0.6	-2.2	-1.5	—

Net Income Attributable to Owners of Parent decreased by 1.5 billion yen primarily due to decrease in Operating Income and cost related to the Novel Coronavirus (COVID-19), and reporting of extraordinary loss

Net Income Attributable to Owners of Parent				(billions of yen)
	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Income Attributable to Owners of Parent	-1.7	-3.2	-1.5	—

Extraordinary Loss / Extraordinary Income

- Extraordinary Loss of 0.8 billion yen occurred due to loss in suspension of live concerts and events, with wage compensation due to temporary closure (Loss due to Disaster)
- Extraordinary Income of 0.2 billion yen occurred due to Employment Adjustment Subsidies

Consolidated Results

(millions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	61,189	34,279	-26,910	-44.0%
Cost of Sales	44,658	23,060	-21,597	
Gross Profit	16,531	11,218	-5,312	-32.1%
Gross Profit Margin	27.0%	32.7%	+5.7pt	
Personnel Expenses	5,647	5,360	-286	
Sales promotion & Advertising Expenses	3,948	2,330	-1,618	
General Expenses	7,624	5,756	-1,867	
Total SG&A Expenses	17,220	13,447	-3,772	
Operating Income	-688	-2,229	-1,540	—
Operating Margin	—	—	—	
Non-operating Income	67	52	-14	
Non-operating Expenses	565	380	-185	
Ordinary Income	-1,187	-2,557	-1,369	—
Extraordinary Income	132	263	+131	
Extraordinary Loss	174	826	+651	
Income before Income Taxes	-1,230	-3,120	-1,890	—
Total Income and Other Taxes	196	-210	-406	
Net Income Attributable to Non-controlling Interest	335	379	+43	
Net Income Attributable to Owners of Parent	-1,762	-3,289	-1,527	—

(millions of yen)

	March 31st, 2020	September 30th, 2020			March 31st, 2020	September 30th, 2020
Current Assets	54,432	43,744		Current Liabilities	64,449	59,772
Cash and Deposits	17,956	18,447		Notes & Accounts Payable-trade, etc.	1,470	1,411
Notes & Accounts Receivable-trade	18,100	10,872		Short-term Debt, etc.	19,065	29,070
Inventories	5,531	5,401		Accounts Payable-Other	21,824	11,140
Others	12,843	9,023		Provision for Sales Return	3,244	2,945
				Others	18,844	15,203
Noncurrent Assets	65,981	69,345		Noncurrent Liabilities	6,515	6,115
Tangible & Intangible Assets	50,823	50,428		Long-term Debt	4,563	3,101
Investment, etc.	15,158	18,916		Others	1,952	3,014
Investment Securities	7,490	10,227		Total Liabilities	70,964	65,887
Others	7,667	8,689		Total Net Assets	49,449	47,201
Total Assets	120,414	113,089		Total Liabilities & Net Assets	120,414	113,089

(millions of yen)

		FY 2019 Q2	FY 2020 Q2	YoY
	Net Cash provided by Operating Activities	-4,961	-4,998	-36
	Net Cash provided by Investing Activities	-1,702	-1,362	+339
	Net Cash provided by Financing Activities	3,308	6,857	+3,549
Consolidated Cash Flow		-3,356	496	+3,852
Effect of exchange rate change on cash and cash equivalents		-89	-5	+84
Net increase in cash and cash equivalents		-3,446	490	+3,937
Cash and cash equivalents at beginning of period		22,832	17,956	-4,876
Cash and cash equivalents at end of period		19,386	18,447	-939

Results by Segment: Music Business

Net Sales decreased primarily due to suspension of Live Concerts and Events and decrease in Package Sales, while Operating Income remain same level YoY due to decrease in SG&A expenses (millions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	43,945	18,454	-25,490	-58.0%
Cost of Sales	33,898	12,232	-21,666	
Gross Profit	10,046	6,222	-3,824	-38.1%
Gross Profit Margin	22.9%	33.7%	+10.8pt	
Personnel Expenses	2,837	2,432	-405	
Sales Promotion & Advertising Expenses	2,657	1,628	-1,029	
General Expenses	3,436	2,122	-1,313	
GMF*	3,287	2,256	-1,030	
Total SG&A Expenses	12,219	8,440	-3,779	
Operating Income	-2,173	-2,218	-44	—
Operating Margin	—	—	—	

Net Sales by Sub-Segment				(millions of yen)
	FY 2019 Q2	FY 2020 Q2	YoY	rate
Live	16,486	1,421	-15,065	-91.4%
Merchandising	4,035	954	-3,080	-76.3%
Management	5,148	2,969	-2,178	-42.3%
Music Package	9,420	5,221	-4,199	-44.6%
Digital Music Distribution	5,550	5,408	-142	-2.6%
Music Publishing	1,576	1,480	-96	-6.1%
Others	2,240	1,251	-989	-44.2%

Results by Segment: Anime & Visual Content Business

Net Sales and Operating Income decreased due to decrease in number of Package sales and Events

(millions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	6,572	4,864	-1,708	-26.0%
Cost of Sales	4,583	3,310	-1,273	
Gross Profit	1,988	1,553	-434	-21.9%
Gross Profit Margin	30.3%	31.9%	+1.6pt	
Personnel Expenses	435	425	-9	
Sales Promotion & Advertising Expenses	487	304	-182	
General Expenses	299	233	-66	
GMF*	492	486	-6	
Total SG&A Expenses	1,714	1,449	-265	
Operating Income	274	104	-169	-62.0%
Operating Margin	4.2%	2.1%	-2.1pt	

*GMF=Group Management Fee

Net Sales by Sub-Segment				
	FY 2019 Q2	FY 2020 Q2	YoY	rate
Anime Non-Package	4,235	3,215	-1,020	-24.1%
Anime Package	2,341	1,864	-477	-20.4%

Results by Segment: Digital Platform Business

Net Sales and Operating Income decreased due to decrease in sales from E-Commerce

(millions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	17,179	11,860	-5,318	-31.0%
Cost of Sales	12,743	8,904	-3,838	
Gross Profit	4,435	2,955	-1,480	-33.4%
Gross Profit Margin	25.8%	24.9%	-0.9pt	
Personnel Expenses	530	543	+13	
Sales Promotion & Advertising Expenses	761	336	-424	
General Expenses	378	315	-63	
GMF*	930	910	-20	
Total SG&A Expenses	2,600	2,105	-495	
Operating Income	1,835	849	-985	-53.7%
Operating Margin	10.7%	7.2%	-3.5pt	

*GMF=Group Management Fee

※E-Commerce and Fan Club sub-segments have been moved from Music Business to Digital Platform Business from FY 2020.

Net Sales by Sub-Segment				
	FY 2019 Q2	FY 2020 Q2	YoY	(millions of yen) rate
Digital Streaming	7,423	6,212	-1,211	-16.3%
E-Commerce	5,789	3,418	-2,371	-41.0%
Fan Club	3,160	1,955	-1,204	-38.1%
Others	806	294	-511	-63.4%

Music Business: Indicators for Fan Club			
		FY 2019 Q2	FY 2020 Q2
Fan Club	Subscribers (in ten thousand)	90.0	82.6

Results by Segment: Other Businesses

Net Sales increased due to increase in sales related to new businesses, while
Operating Income decreased due to increase in SG&A expenses

(millions of yen)

	FY 2019 Q2	FY 2020 Q2	YoY	rate
Net Sales	2,122	2,770	+647	+30.5%
Cost of Sales	1,486	1,773	+286	
Gross Profit	635	996	+360	+56.7%
Gross Profit Margin	30.0%	36.0%	+6.0pt	
Personnel Expenses	545	765	+220	
Sales Promotion & Advertising Expenses	55	73	+17	
General Expenses	435	584	+149	
GMF*	396	532	+136	
Total SG&A Expenses	1,433	1,956	+523	
Operating Income	-797	-959	-162	—
Operating Margin	—	—	—	

Regarding the FY 2020 Consolidated Earnings and Year-end Dividend Guidance

The Company is unable to perform reasonable and proper calculation of the effect from the Novel Coronavirus (COVID-19) and determine the number of voluntary retirement applicants at this point, the Consolidated Earnings and Year-end Dividend Guidance for FY 2020 have yet to be determined.

■ FY 2020 Consolidated Earnings and Year-end Dividend Guidance: To be determined

<Note>

FY 2020 Interim Dividend: 25 yen per share

<Voluntary Retirement Initiative>

1. Qualifying Applicants: Employees over 40 of age, in parts of divisions in Music Business and other related divisions. (443 employees as of Oct. 31, 2020)
2. Number of Applicants: around 100
3. Application Period: From December 10th, 2020 to December 21st, 2020
4. Date of Retirement: March 31st, 2020
5. Incentives: special severance package. Assistance in re-employment if desired.

【Reference】 Highlights as of FY 2020 Q2 and from FY 2020 Q3

Major
Press Releases

- Apr. 13 Notice regarding the shift from a Company with a Board of Auditors to a Company with an Audit and Supervisory Committee
- May 7 Avex Inc. announced to implement support to artists, talents and creators affected by COVID-19
- Jun. 5 Announcement of the first international E-sports tournament “RAGE ASIA 2020” on August 29th and 30th, 2020
- Jun. 18 Notice of the summer music festival “a-nation” to be held online for the first time
- Jun. 25 Announcement regarding Commitment Credit Line Agreement
- Jun. 26 Notice of establishment of subsidiary, Avex Creative Factory Inc.
- Jul. 3 A service catering to different needs in talent casting “avex management cloud”, a one-stop casting service is online
- Jul. 30 Avex Technologies announces the first anime made using “AniCast Maker,” a tool that lets anyone make anime in VR, produced under full remote working condition
- Jul. 31 “Bridge.” a crowdfunding service specializing in entertainment industry begins with project development, promotion, creative support, etc.
- Aug. 12 Avex will team up with the world-class dancer artist RIEHATA leading “avex ROYALBRATS” and join the “D.LEAGUE,” a profession dance league originated in Japan
- Sept. 10 Notification of a basic agreement for the conclusion of a strategic partnership with HYPEBEAST, the world-leading fashion media organization for young people

Live

- Music Business
- Jun. “RAGE 2020 Summer powered by AQUOS” ※Online Live
 - Jul. - Sept. Da-iCE “Da-iCE × ABEMA ONLINE LIVE TOUR 2020-THE Da-iCE-” ※Online Live
 - Aug. “Bang Dream! 8th☆LIVE”
 - Yu Serizawa “M.S.S Project presents VIRTUAL Natsu Matsuri THEATER” ※Online Live
 - “a-nation online 2020” ※Online Live
 - “RAGE VALORANT JAPAN TOURNAMENT powered by GALLERIA” ※Online Live
 - “RAGE ASIA 2020” ※Online Live
 - “V-RAGE 2020” ※Online Live
 - Sept. “RAGE Shadowverse 2020 Autumn powered by AQUOS GRAND FINALS” ※Online Live
 - Sept. -Dec. KODA KUMI “KODA KUMI 20th ANNIVERSARY TOUR 2020 MY NAME IS...”



KODA KUMI



Da-iCE



a-nation online 2020



RAGE ASIA 2020

Package

Music Business

- Apr. FANTASTICS from EXILE TRIBE “Hey, darlin” CD+DVD (Single)
J SOUL BROTHERS III from EXILE TRIBE “Movin’ on” CD+DVD (Single)
EXILE ATSUSHI/RED DIAMOND DOGS “EXILE ATSUSHI SPECIAL NIGHT” DVD/Blu-ray
EMPIRE “EMPIRE’S GREAT REVENGE LIVE” DVD/Blu-ray
GENERATIONS from EXILE TRIBE「ヒラヒラ」CD+DVD(シングル)
THE RAMPAGE from EXILE TRIBE「INVISIBLE LOVE」CD+DVD(シングル)
UNO MISAKO (AAA) “UNO MISAKO LIVE TOUR 2019 -Honey Story-” DVD/Blu-ray
- May V.A. “avex revival trax” CD (Album)
Ayaka “Yu-on Club ~2nd grade~” CD+DVD (Album)
- Jun. V.A. “ HEISEI HITS avex” CD (Album)
- Jul. RYUJI IMAICHI / HIROOMI TOSAKA
“LDH PERFECT YEAR 2020 SPECIAL SHOWCASE RYUJI IMAICHI / HIROOMI TOSAKA”
DVD/Blu-ray
BiSH “FOR LIVE -BiSH BEST-” CD (Album)
FILM “HiGH&LOW THE WORST” DVD/Blu-ray
BiSH “LETTERS” CD+DVD/Blu-ray (Album)
V.A. “LDH PERFECT YEAR 2020 COUNTDOWN LIVE 2019→2020 ‘RISING’” DVD/Blu-ray
- Aug. Da-iCE “DREAMIN’ ON” CD+DVD (Single)
- Sept. Kis-My-Ft2 “ENDLESS SUMMER” CD+DVD (Single)
V6 “It’s my life/PINEAPPLE” CD+DVD (Single)



BiSH



Kis-My-Ft2



V6



「HiGH&LOW THE WORST」



「LDH PERFECT YEAR 2020 COUNTDOWN LIVE 2019→2020 “RISING”」

Anime & Visual Content Business

Package

- Apr. “STAGE FES 2019” DVD/Blu-ray
“Stage Osomatsu-san on STAGE ～SIX MEN'S SHOW TIME3～” DVD/Blu-ray
“The Case Files of Jeweler Richard Vol. 2” DVD/Blu-ray
- May “The Case Files of Jeweler Richard Vol. 3”DVD/Blu-ray
- Jun. KING OF PRISM SUPER LIVE Shiny Seven Stars!J DVD/Blu-ray
“Stage KING OF PRISM -Shiny Rose Stars-” DVD/Blu-ray
“Fruit Basket 2nd season Vol.1” DVD/Blu-ray
“The Case Files of Jeweler Richard Vol. 4” DVD/Blu-ray
“PriPara & Kiratto Pri☆Chan AUTUMN LIVE TOUR 2019 ～ Kiratto! Idol hajimeru jikan dayo!～”Blu-ray
- Jul. “KING OF PRISM ALL STARS -Prism Show☆Best Ten- Prism no chikai BOX” DVD/Blu-ray
Osomatsu-san on STAGE F6 2nd LIVE TOUR “FANTASTIC ECSTASY” Deluxe ECSTASY Edition” DVD/Blu-ray
- Aug. “Fruit Basket 2nd season Vol.2” DVD/Blu-ray
- Sept. “Fruit Basket 2nd season Vol.3 “ DVD/Blu-ray



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Major Press Releases	Oct. 30	Establishment of “muchoo,” an agency specializing in YouTuber in Music genre, a first for Avex
	Oct. 30	Joint Venture Establishment between Sanrio Co., Ltd. and Avex Asia Pte. Ltd. for Southeast Asia Expansion Management and Expansion of Licensing Business in Southeast Asia
	Nov. 5	Regarding the Voluntary Retirement Initiative
Live	Music Business	
	Dec. ~Jan. 2021	Ayumi Hamasaki “ayumi hamasaki COUNTDOWN LIVE 2020-2021 A (Logo)~MUSIC for LIFE~J
	Jan. ~Mar. 2021	MISAKO UNO “ UNO MISAKO Live Tour 2021 ‘Sweet Hug’”
	Jan. ~Mar. 2021	Da-iCE “Da-iCE ARENA TOUR 2021”
Package	Music Business	
	Oct.	Snow Man “KISSIN' MY LIPS/ Stories” CD+DVD (Single)
		NCT “The 2nd Album RESONANCE Pt.1” CD (Album)
	Dec.	EXILE “SUNSHINE” CD+DVD (Single)
	Jan. 2021	Snow Man “Untitled” CD (Single)
	Anime & Visual Content Business	
	Dec.~Mar. 2021	“Osomatsu-san 3rd Season” Vol. 1~4 DVD/Blu-ray



UNO MISAKO



Da-iCE



Snow Man



“Osomatsu-san”
3rd Season

Disclaimers

The guidance for operating results and other information contained in this release were prepared by management based on currently available data and information. Therefore, the document includes potential risks and uncertain elements. In particular, in Avex Inc.'s business domain, there are factors other than general economic conditions that may affect its performance. Please note that actual results may greatly differ from guidance.

Inquiries

Avex Inc.

Corporate Planning

<https://avex.com/jp/ja/contact/ir/>

or E-mail: stock@av.avex.co.jp





Really! Mad+Pure