



Avex Inc.
Earnings Results for FY 2020 Q3
(Fiscal year ending March 31st, 2021)

February 4th, 2021

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Financial Highlights

The suspension of live events and concerts due to prevention measures against COVID-19 contributed to the decrease in Net Sales and Operating Income.

- Net Sales: 54.7 billion yen (-45.6 billion yen YoY)
- Operating Income: -3.6 billion yen (-5.9 billion yen YoY)
- Net Income Attributable to Owners of Parent: -4.2 billion yen (-4.3 billion yen YoY)

(billions of yen)

	FY 2019 Q3	FY 2020 Q3	YoY	rate
Net Sales	100.3	54.7	-45.6	-45.5%
Operating Income	2.3	-3.6	-5.9	—
Net Income Attributable to Owners of Parent	0.0	-4.2	-4.3	—

Net Sales decreased by 45.6 billion yen (-45.5%)
primarily due to suspension of live concerts and events

Net Sales by Segment				
	FY 2019 Q3	FY 2020 Q3	YoY	rate
Music	73.3	32.0	-41.3	-56.3%
Anime & Visual Content	11.1	8.2	-2.9	-26.2%
Digital Platform	25.3	18.5	-6.8	-27.1%
Others	3.5	4.3	+0.7	+22.0%
Adjustment	-13.1	-8.4	+4.7	—
Total	100.3	54.7	-45.6	-45.5%

Operating Income decreased by 5.9 billion yen
primarily due to decrease in Music and Digital Platform Business

Operating Income by Segment				(billions of yen)
	FY 2019 Q3	FY 2020 Q3	YoY	rate
Music	0.0	-2.4	-2.4	—
Anime & Visual Content	1.1	0.1	-0.9	-89.0%
Digital Platform	2.1	0.1	-1.9	-91.6%
Others	-0.9	-1.4	-0.5	—
Adjustment	-0.0	-0.0	+0.0	—
Total	2.3	-3.6	-5.9	—

Although special income as gain on sales of investment securities is recorded, Net Income Attributable to Owners of Parent decreased by 4.3 billion yen due to cost related to the COVID-19, and recording of extraordinary loss from Voluntary Retirement Initiative

Net Income Attributable to Owners of Parent				(billions of yen)
	FY 2019 Q3	FY 2020 Q3	YoY	rate
Net Income Attributable to Owners of Parent	0.0	-4.2	-4.3	—

Extraordinary Loss / Extraordinary Income

- Extraordinary Income occurred with “Special Income as Gain on Sales of Investment Securities” in 2.0 billion yen and “Employment Adjustment Subsidies” in 0.3 billion yen
- Extraordinary Loss occurred due to loss in suspension of live concerts and events and wage compensation due to temporary closure as “Loss due to Disaster” in 1.0 billion yen, with expense from “Retiree Premium Benefit” in 1.3 billion yen

Consolidated Results

(millions of yen)

	FY 2019 Q3	FY 2020 Q3	YoY	rate
Net Sales	100,312	54,707	-45,604	-45.5%
Cost of Sales	71,437	37,368	-34,069	
Gross Profit	28,875	17,339	-11,535	-39.9%
Gross Profit Margin	28.8%	31.7%	+2.9pt	
Personnel Expenses	8,860	8,047	-813	
Sales promotion & Advertising Expenses	5,932	4,099	-1,833	
General Expenses	11,732	8,803	-2,928	
Total SG&A Expenses	26,526	20,950	-5,575	
Operating Income	2,349	-3,610	-5,960	—
Operating Margin	2.3%	—	—	
Non-operating Income	81	257	+176	
Non-operating Expenses	631	462	-168	
Ordinary Income	1,799	-3,815	-5,615	—
Extraordinary Income	133	2,578	+2,445	
Extraordinary Loss	262	2,937	+2,675	
Income before Income Taxes	1,670	-4,175	-5,845	—
Total Income and Other Taxes	1,086	-358	-1,445	
Net Income Attributable to Non-controlling Interest	524	467	-56	
Net Income Attributable to Owners of Parent	59	-4,284	-4,343	—

(millions of yen)

	March 31st, 2020	December 31st, 2020			March 31st, 2020	December 31st, 2020
Current Assets	54,432	55,047		Current Liabilities	64,449	73,680
Cash and Deposits	17,956	25,809		Notes & Accounts Payable-trade, etc.	1,470	1,765
Notes & Accounts Receivable-trade	18,100	12,207		Short-term Debt, etc.	19,065	29,082
Inventories	5,531	6,319		Accounts Payable-Other	21,824	17,368
Others	12,843	10,709		Provision for Sales Return	3,244	2,826
				Others	18,844	22,638
Noncurrent Assets	65,981	66,142		Noncurrent Liabilities	6,515	4,319
Tangible & Intangible Assets	50,823	50,263		Long-term Debt	4,563	2,258
Investment, etc.	15,158	15,878		Others	1,952	2,060
Investment Securities	7,490	7,316		Total Liabilities	70,964	77,999
Others	7,667	8,561		Total Net Assets	49,449	43,189
Total Assets	120,414	121,189		Total Liabilities & Net Assets	120,414	121,189

(millions of yen)

		FY 2019 Q3	FY 2020 Q3	YoY
	Net Cash provided by Operating Activities	-3,972	-4,591	-619
	Net Cash provided by Investing Activities	-2,765	7,487	+10,253
	Net Cash provided by Financing Activities	1,487	4,962	+3,474
Consolidated Cash Flow		-5,250	7,858	+13,108
Effect of exchange rate change on cash and cash equivalents		-26	-4	+21
Net increase in cash and cash equivalents		-5,276	7,853	+13,129
Cash and cash equivalents at beginning of period		22,832	17,956	-4,876
Cash and cash equivalents at end of period		17,556	25,809	+8,253

Results by Segment: Music Business

Net Sales and Operating Income decreased primarily due to suspension of Live Concerts and Events from prevention measures against COVID-19

(millions of yen)

	FY 2019 Q3	FY 2020 Q3	YoY	rate
Net Sales	73,362	32,051	-41,311	-56.3%
Cost of Sales	56,049	22,622	-33,426	
Gross Profit	17,312	9,428	-7,884	-45.5%
Gross Profit Margin	23.6%	29.4%	+5.8pt	
Personnel Expenses	4,275	3,484	-791	
Sales Promotion & Advertising Expenses	4,022	2,580	-1,442	
General Expenses	4,514	2,628	-1,886	
GMF*	4,491	3,173	-1,317	
Total SG&A Expenses	17,304	11,867	-5,437	
Operating Income	7	-2,438	-2,446	—
Operating Margin	0.0%	—	—	

Net Sales by Sub-Segment				
	FY 2019 Q3	FY 2020 Q3	YoY	(millions of yen) rate
Live	28,902	3,223	-25,679	-88.8%
Merchandising	7,272	1,667	-5,605	-77.1%
Management	7,730	4,622	-3,108	-40.2%
Music Package	15,407	10,694	-4,713	-30.6%
Digital Music Distribution	8,346	8,228	-117	-1.4%
Music Publishing	2,284	2,093	-191	-8.4%
Others	4,432	2,191	-2,241	-50.6%

Results by Segment: Anime & Visual Content Business

Net Sales and Operating Income decreased due to decrease in number of Anime & Visual Content Package sales and Events (millions of yen)

	FY 2019 Q3	FY 2020 Q3	YoY	rate
Net Sales	11,198	8,261	-2,936	-26.2%
Cost of Sales	7,467	6,006	-1,460	
Gross Profit	3,730	2,254	-1,476	-39.6%
Gross Profit Margin	33.3%	27.3%	-6.0pt	
Personnel Expenses	677	639	-38	
Sales Promotion & Advertising Expenses	800	512	-287	
General Expenses	441	318	-122	
GMF*	690	660	-29	
Total SG&A Expenses	2,609	2,130	-478	
Operating Income	1,121	123	-998	-89.0%
Operating Margin	10.0%	1.5%	-8.5pt	

*GMF=Group Management Fee

Net Sales by Sub-Segment				
	FY 2019 Q3	FY 2020 Q3	YoY	rate
Anime Non-Package	7,723	6,789	-934	-12.1%
Anime Package	3,481	2,192	-1,289	-37.0%

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 Q3	FY 2020 Q3	YoY	rate
Net Sales	25,372	18,503	-6,869	-27.1%
Cost of Sales	17,872	13,441	-4,431	
Gross Profit	7,499	5,062	-2,437	-32.5%
Gross Profit Margin	29.6%	27.4%	-2.2pt	
Personnel Expenses	1,117	1,069	-48	
Sales Promotion & Advertising Expenses	1,039	901	-138	
General Expenses	1,828	1,554	-273	
GMF*	1,351	1,355	+4	
Total SG&A Expenses	5,337	4,880	-456	
Operating Income	2,162	181	-1,980	-91.6%
Operating Margin	8.5%	1.0%	-7.5pt	

*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

(millions of yen)

	FY 2019 Q3	FY 2020 Q3	YoY	rate
Digital Streaming	10,869	9,108	-1,760	-16.2%
E-Commerce	8,900	6,002	-2,897	-32.6%
Fan Club	4,213	2,873	-1,340	-31.8%
Others	1,483	703	-780	-52.6%

Indicators for Fan Club

		FY 2019 Q3	FY 2020 Q3
Fan Club	Subscribers (in ten thousand)	89.5	79.3

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 Q3	FY 2020 Q3	YoY	rate
Net Sales	3,565	4,351	+785	+22.0%
Cost of Sales	2,421	2,774	+353	
Gross Profit	1,143	1,576	+432	+37.8%
Gross Profit Margin	32.1%	36.2%	+4.1pt	
Personnel Expenses	785	1,167	+381	
Sales Promotion & Advertising Expenses	88	138	+49	
General Expenses	686	994	+307	
GMF*	512	748	+235	
Total SG&A Expenses	2,073	3,047	+974	
Operating Income	-930	-1,471	-541	—
Operating Margin	—	—	—	

Regarding the FY 2020 Consolidated Earnings Guidance and Shareholders' Return

■ Consolidated Earnings Guidance for FY 2020

(April 1st, 2020 to March 31st, 2021) as announced on December 24th, 2020.

Although the Company expect to register loss for Operating Income, Net Income Attributable to Owners of Parent is expected to be in surplus due to recording extraordinary income from transfer of fixed asset (planned on March, 2021)

	Operating Income	Net Income Attributable to Owners of Parent	Net Income per share
	million yen	million yen	yen
Forecast (FY2020)	-7,000	15,000	344.05
Previous FY Results (FY2019)	4,033	-1,102	-25.39

■ Dividend Increase

Avex's Dividend Policy: Payout Ratio 35% or more

Minimum Annual Dividend 50 yen per share.

In consideration of the current business trend and financial condition, the Company plans to implement previously announced dividend payout ratio of over 35% to continue a stable and balanced shareholders' return.

	Interim Dividend	Year-end Dividend	Annual Dividend
Actual & Forecast (FY2020)	25 yen / share (Actual)	96 yen / share (Forecast)	121 yen / share (Forecast)
Previous FY Results (FY2019)	25 yen / share	25 yen / share	50 yen / share

※The interim dividend for FY2020 has been distributed on December 3rd, 2020.

※The year-end dividend will be calculated according the current guidance.

■ Acquisition of Treasury Stock

In measures of increasing shareholder value, the Company acquired treasury stock.

Date of Acquisition : December 29th, 2020 (stipulated)
January 4th, 2021 (completed)

Total number of acquired shares : 2,397,600 shares (5.28% of issued shares)

Acquisition cost : 2,584,612,800 yen

【as of September 30th, 2020】

Total number of issued shares	45,343,500 shares
Number of treasury stock	1,677,802 shares (3.70%)



【As of December 29th, 2020】

Total number of issued shares	45,343,500 shares
Number of treasury stock	4,075,402 shares (8.98%)

※Above number of shares is total number of treasury stock from adding shares as of September 30th, 2020 with shares acquired in December 29th, 2020.

【Reference】

Highlights as of FY 2020 Q3 and from FY 2020 Q4

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. 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 conditions
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
Oct. 30	Joint venture establishment between Sanrio Co., Ltd. and Avex Asia Pte. Ltd.
Nov. 5	Regarding the Voluntary Retirement Initiative
Nov. 30	Regarding sell off of partial shares owned by subsidiary and recording of Extraordinary Income
Dec. 24	Regarding the FY2020 consolidated earnings and year-end dividend guidance
	Regarding transfer of fixed asset and Recording of extraordinary Income
	Regarding the result of Voluntary Retirement Initiative and recording of Extraordinary Loss
Dec. 28	Regarding the decision in acquisition of treasury stock
	Regarding acquisition of treasury stock via ToSTNeT-3
Dec. 29	Regarding the finalization and result of acquisition of treasury stock via ToSTNeT-3

Live /
Event

Music Business	
Jun.	“RAGE 2020 Summer powered by AQUOS GRAND FINALS” ※Online Live
Aug.	“Bang Dream! 8th☆LIVE”
	“a-nation online 2020” ※Online Live
	“RAGE VALORANT JAPAN TOURNAMENT powered by GALLERIA” ※Online Live
	“RAGE ASIA 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...”
Oct. - Nov.	“ROCK READING ‘Kofuku Oji’”
Nov.	“ELF - The Musical”
Dec. - Feb. ‘21	Harami-chan “Harami Teishoku Okawari Tour ~ Zenkoku no Okomesan he Haitatsu suru nu!~”



KODA KUMI



a-nation online 2020



RAGE ASIA 2020

Music Business

Package

- Apr. J SOUL BROTHERS III from EXILE TRIBE “Movin’ on” CD+DVD (Single)
- 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)
- Oct. Snow Man “KISSIN’ MY LIPS/ Stories” CD + DVD (Single)
NCT “NCT 2020 : RESONANCE Pt.1” CD (Album)
- Dec. EXILE “SUNSHINE” CD + DVD (Single)



BiSH



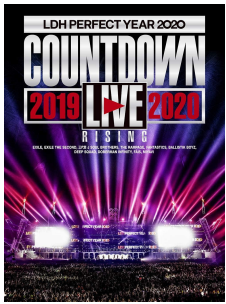
Snow Man



Kis-My-Ft2



“HiGH&LOW THE WORST”

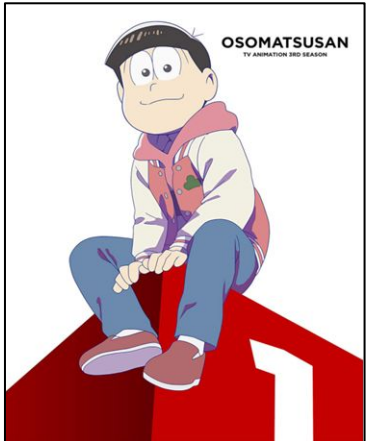


“LDH PERFECT YEAR 2020 COUNTDOWN LIVE 2019→2020 ‘RISING’”

Anime & Visual Content Business

Package

- Apr. “Stage Osomatsu-san on STAGE ～SIX MEN'S SHOW TIME3～” DVD/Blu-ray
- Jun. “KING OF PRISM SUPER LIVE Shiny Seven Stars!” DVD/Blu-ray
“Stage KING OF PRISM -Shiny Rose Stars-” DVD/Blu-ray
- Jul. “KING OF PRISM ALL STARS -Prism Show☆Best Ten-” DVD/Blu-ray
“F6 2nd LIVE TOUR ‘FANTASTIC ECSTASY’” DVD/Blu-ray
- Nov. “That Moment, My Heart Cried-CINEMA FIGHTERS project-” DVD/Blu-ray
“Fruits Basket 2nd season Vol.5” DVD/Blu-ray
- Dec. “Osomatsu-san 3rd Season Vol. 1” DVD/Blu-ray
“Fruit Basket 2nd season Vol.6”DVD/Blu-ray



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Major
Press Releases

- Jan. 13 Avex Becomes Japan’s First Major Label to Sign a J-POP Music Video License Agreement with the bilibili Chinese General Video Distribution Platform Offering nearly 3,300 titles owned by Avex
- Jan. 20 Charity Live Concert “LIVE EMPOWER CHILDREN 2021 supported by Aflac” in which 13 groups of artists performing for the young patients suffering from pediatric cancer. Crowdless performance to be live-streamed for free on February 15th, 2021.

Live / Event

Music Business

- Feb. ~ Jul. MISA KO UNO “UNO MISA KO Live Tour 2021 ‘Sweet Hug’”
- Feb. ~ Mar. Vicke Blanka “Devil Tour ‘Promised’”



MISA KO UNO



Vicke Blanka

パッケージ

Music Business	
1月	Snow Man “Grandeur” CD+DVD (シングル) Kis-My-Ft2 “Kis-My-Ft2 LIVE TOUR 2020 To-y2” DVD/Blu-ray BAEKHYUN “BAEKHYUN” CD+DVD (Album)
2月	SKE48 “Koi ochi Flag” CD+DVD (Single) NCT 127 “LOVEHOLIC” CD+Blu-ray (Album) V6 “For the 25th anniversary” DVD/Blu-ray Kis-My-Ft2 “Luv Bias” CD+DVD (Single) THE RAMPAGE from EXILE TRIBE “REBOOT” CD+DVD/Blu-ray (Album)
3月	Snow Man “Snow Man ASIA TOUR 2D.2D.” DVD/Blu-ray
Anime & Visual Content Business	
Jan.	“Osomatsu-san 3rd Season Vol. 2” DVD/Blu-ray
Feb.	“Osomatsu-san 3rd Season Vol. 3” DVD/Blu-ray
Mar.	“INITIAL D BATTLE STAGE 3” Blu-ray “Osomatsu-san 3rd Season Vol. 4” DVD/Blu-ray “Disney Koe no Ojisama Voice Stars Dream Live 2020” Blu-ray+CD “Zombie Land Saga Blu-ray BOX” Blu-ray



Snow Man



SKE48



Kis-My-Ft2



“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.

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Really! Mad+Pure