



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

May 13th, 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 Income Attributable to Owner of Parents increased due to extraordinary income from sale of headquarter building and other income.

(billions of yen)

	FY 2019	FY 2020 Guidance*	FY 2020	YoY	vs. Guidance
Net Sales	135.4	-	81.5	-53.9	-
Operating Income	4.0	-7.0	-6.2	-10.3	+0.7
Net Income Attributable to Owners of Parent	-1.1	15.0	12.8	+13.9	-2.1

*FY 2020 guidance as announced on December 24th, 2020

Net Sales decreased by 53.9 billion yen (-39.8%) YoY primarily due to suspension of live concerts and events

Net Sales by Segment (billions of yen)				
	FY 2019	FY 2020	YoY	rate
Music	98.8	50.3	-48.5	-49.1%
Anime & Visual Content	14.1	12.0	-2.0	-14.5%
Digital Platform	35.6	26.1	-9.5	-26.7%
Others	5.7	6.3	+0.6	+11.4%
Adjustment	-18.8	-13.3	+5.4	—
Total	135.4	81.5	-53.9	-39.8%

Operating Income decreased by 10.3 billion yen YoY
primarily due to decrease in Music and Digital Platform Businesses

Operating Income by Segment				(billions of yen)
	FY 2019	FY 2020	YoY	rate
Music	2.1	-2.7	-4.9	—
Anime & Visual Content	1.1	-0.2	-1.3	—
Digital Platform	2.7	-0.8	-3.6	—
Others	-1.9	-2.4	-0.4	—
Adjustment	0.0	0.0	+0.0	—
Total	4.0	-6.2	-10.3	—

Although impairment loss and extraordinary loss from Voluntary Retirement Initiative occurred, gains on sales of fixed assets and investment securities are recorded, Net Income Attributable to Owners of Parent increased by 13.9 billion yen

Net Income Attributable to Owners of Parent				(billions of yen)
	FY 2019	FY 2020	YoY	rate
Net Income Attributable to Owners of Parent	-1.1	12.8	+13.9	—
Extraordinary Income/ Extraordinary Loss				

- Extraordinary Income occurred due to “Special Income as Gain on Sales of Fixed Assets” in 28.7 billion yen from sale of headquarter building and “Special income as Gain on Investment Securities” in 2.0 billion yen from partial sale of shares in NexTone Inc. and “Employment Adjustment Subsidies” in 0.4 billion yen
- Extraordinary Loss occurred due to impairment loss in fixed tangible asset of some businesses and software-related impairment loss, total in 1.8 billion yen; wage compensation due to temporary closure as “Loss due to Disaster” in 1.3 billion yen; suspension of live concerts and events and wage with expense from “Retiree Premium Benefit” in 1.3 billion yen

Consolidated Results

(millions of yen)

	FY 2019	FY 2020	YoY	rate
Net Sales	135,469	81,527	-53,942	-39.8%
Cost of Sales	96,375	55,908	-40,467	
Gross Profit	39,093	25,618	-13,474	-34.5%
Gross Profit Margin	28.9%	31.4%	+2.5pt	
Personnel Expenses	12,170	12,128	-42	
Sales promotion & Advertising Expenses	8,336	6,875	-1,460	
General Expenses	14,553	12,893	-1,660	
Total SG&A Expenses	35,060	31,897	-3,163	
Operating Income	4,033	-6,278	-10,311	—
Operating Margin	3.0%	—	—	
Non-operating Income	137	330	+193	
Non-operating Expenses	1,152	591	-561	
Ordinary Income	3,017	-6,538	-9,556	—
Extraordinary Income	581	31,616	+31,034	
Extraordinary Loss	2,915	5,562	+2,646	
Income before Income Taxes	684	19,515	+18,831	—
Total Income and Other Taxes	1,225	6,353	+5,128	
Net Income Attributable to Non-controlling Interest	561	330	-231	
Net Income Attributable to Owners of Parent	-1,102	12,831	+13,934	—

(millions of yen)

	March 31st, 2020	March 31st, 2021			March 31st, 2020	March 31st, 2021
Current Assets	54,432	84,716		Current Liabilities	64,449	45,138
Cash and Deposits	17,956	52,654		Notes & Accounts Payable-trade, etc.	1,470	1,457
Trade Accounts Receivable, etc.	18,100	14,120		Short-term Debt, etc.	19,065	54
Inventories	5,531	6,318		Accounts Payable-Other	21,824	18,341
Accounts Receivable	4,193	6,373		Provision for Sales Return	3,244	2,892
Others	8,649	5,249		Others	18,844	22,392
Noncurrent Assets	65,981	20,389		Noncurrent Liabilities	6,515	1,626
Tangible & Intangible Assets	50,823	6,974		Long-term Debt	4,563	4
Investment, etc.	15,158	13,414		Others	1,952	1,622
Investment Securities	7,490	7,143		Total Liabilities	70,964	46,765
Others	7,667	6,270		Total Net Assets	49,449	58,339
Total Assets	120,414	105,105		Total Liabilities & Net Assets	120,414	105,105

(millions of yen)

		FY 2019	FY 2020	YoY
	Net Cash provided by Operating Activities	-4,032	-6,480	-2,447
	Net Cash provided by Investing Activities	-3,444	70,041	+73,486
	Net Cash provided by Financing Activities	2,659	-28,928	-31,587
Consolidated Cash Flow		-4,817	34,633	+39,451
Effect of exchange rate change on cash and cash equivalents		-58	64	+123
Net increase in cash and cash equivalents		-4,876	34,698	+39,575
Cash and cash equivalents at beginning of period		22,832	17,956	-4,876
Cash and cash equivalents at end of period		17,956	52,654	+34,698

Results by Segment: Music Business

Net Sales and Operating Income decreased primarily
due to decrease in number of Anime & Visual Content Package sales
and Live Events-related sales

(millions of yen)

	FY 2019	FY 2020	YoY	rate
Net Sales	98,882	50,349	-48,532	-49.1%
Cost of Sales	75,093	35,293	-39,799	
Gross Profit	23,788	15,055	-8,733	-36.7%
Gross Profit Margin	24.1%	29.9%	+5.8pt	
Personnel Expenses	5,884	5,185	-699	
Sales Promotion & Advertising Expenses	5,465	4,012	-1,453	
General Expenses	4,731	3,838	-893	
GMF*	5,569	4,792	-777	
Total SG&A Expenses	21,652	17,828	-3,823	
Operating Income	2,136	-2,772	-4,909	—
Operating Margin	2.2%	—	—	

Net Sales by Sub-Segment				(millions of yen)
	FY 2019	FY 2020	YoY	rate
Live	35,957	4,803	-31,153	-86.6%
Merchandising	8,679	2,118	-6,561	-75.6%
Management	9,768	6,469	-3,299	-33.8%
Music Package	25,878	20,588	-5,290	-20.4%
Digital Music Distribution	11,066	11,023	-42	-0.4%
Music Publishing	2,999	2,733	-266	-8.9%
Others	6,079	3,373	-2,705	-44.5%

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 Event-related sales

(millions of yen)

	FY 2019	FY 2020	YoY	rate
Net Sales	14,142	12,095	-2,046	-14.5%
Cost of Sales	9,641	8,910	-731	
Gross Profit	4,500	3,185	-1,315	-29.2%
Gross Profit Margin	31.8%	26.3%	-5.5pt	
Personnel Expenses	915	909	-6	
Sales Promotion & Advertising Expenses	1,072	1,078	+5	
General Expenses	591	445	-145	
GMF*	819	971	+151	
Total SG&A Expenses	3,399	3,404	+5	
Operating Income	1,101	-219	-1,320	—
Operating Margin	7.8%	—	—	

*GMF=Group Management Fee

Net Sales by Sub-Segment				
	FY 2019	FY 2020	YoY	rate
Anime Non-Package	9,714	8,918	-796	-8.2%
Anime Package	4,437	3,176	-1,260	-28.4%

Results by Segment: Digital Platform Business

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

(millions of yen)

	FY 2019	FY 2020	YoY	rate
Net Sales	35,616	26,108	-9,507	-26.7%
Cost of Sales	25,493	19,777	-5,715	
Gross Profit	10,122	6,330	-3,791	-37.5%
Gross Profit Margin	28.4%	24.2%	-4.2pt	
Personnel Expenses	1,475	1,417	-57	
Sales Promotion & Advertising Expenses	1,669	1,862	+192	
General Expenses	2,527	2,096	-430	
GMF*	1,686	1,853	+166	
Total SG&A Expenses	7,359	7,229	-129	
Operating Income	2,763	-898	-3,662	—
Operating Margin	7.8%	-	-	

*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	FY 2020	YoY	rate
Digital Streaming	14,176	12,017	-2,158	-15.2%
E-Commerce	14,247	8,932	-5,314	-37.3%
Fan Club	5,285	4,365	-920	-17.4%
Others	2,037	1,063	-973	-47.8%

Indicators for Fan Club			
		FY 2019	FY 2020
Fan Club	Subscribers (in ten thousand)	89.1	71.3

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	FY 2020	YoY	rate
Net Sales	5,713	6,362	+649	+11.4%
Cost of Sales	3,904	3,972	+67	
Gross Profit	1,808	2,390	+581	+32.2%
Gross Profit Margin	31.7%	37.6%	+5.9pt	
Personnel Expenses	1,395	1,768	+373	
Sales Promotion & Advertising Expenses	225	247	+22	
General Expenses	1,366	1,681	+314	
GMF*	801	1,118	+316	
Total SG&A Expenses	3,788	4,815	+1,027	
Operating Income	-1,980	-2,425	-445	—
Operating Margin	—	—	—	

Regarding the FY 2020 Shareholders' Return

■ 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 with the Company's consolidated financial results, the Company plans to implement 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 (Planned)	121 yen / share (Forecast)
Previous FY Results (FY2019)	25 yen / share	25 yen / share	50 yen / share

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

※The year-end dividend for FY 2020 will be presented for approval from the 34th General Shareholders' Meeting..

■ 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

Regarding the FY 2021 Consolidated Earnings Guidance and Year-end Dividend Forecast

■FY 2021 Guidance Highlights

(billions of yen)

Consolidated	FY 2020	FY 2021	YoY	Rate
Operating Income	-6.2	1.0	+7.2	-
Net Income	12.8	0.0	-12.8	-

■Year-end Dividend Forecast

Payout Ratio 35% or more, minimum Annual Dividend 50 yen per share

【Reference】 Highlights of FY 2020 and from FY 2021 Q1

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
Jan. 13, '21	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, '21	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.
Mar. 1, '21	Avex Entertainment and the World's Leading Live Entertainment Entity AEG Presents Announce Newly Formed Complementary Joint Partnership "AEGX"
Mar. 4, '21	Avex began sales of artist official merchandises in YouTube and Spotify, allowing users worldwide to purchase official merchandises while enjoying video and music.
Mar. 24, '21	Avex managed artist Daimaou Kosaka is appointed as Advisor for UNEP Sustainability Action in UN Environment Programme
Mar. 25, '21	Notification of an agreement for the strategic partnership with HYPEBEAST, the world-leading fashion media organization for the youth culture

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”
Jan.-Feb. ‘21	“MONTY PYTHON’S SPAMALOT” (Japan Production)
Feb. ‘21	“RAGE PARTY 2021 powered by SHARP” ※Online Live



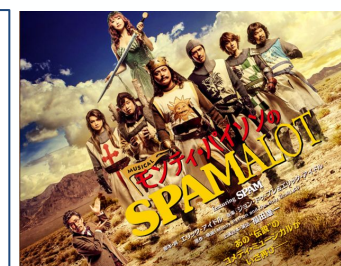
KODA KUMI



RAGE ASIA 2020



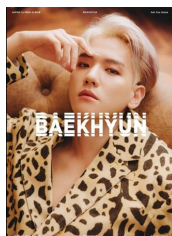
“Bang Dream! 8th☆LIVE”



“Monti Python’s
SPAMALOT”

Package

Music Business	
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)
Jan. ‘21	EXILE TRIBE “RISING SUN TO THE WORLD” CD+DVD (Single) EITO “Sukkarakan” CD+DVD (Album) Snow Man “Grandeur” CD+DVD (Single) BAEKHYUN “BAEKHYUN” CD+DVD (Album) Kis-My-Ft2 “Kis-My-Ft2 LIVE TOUR 2020 To-y2” DVD/Blu-ray
Feb. ‘21	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) TOHOSHINKI “TOHOSHINKI LIVE TOUR 2019 ~XV~” DVD/Blu-ray
Mar. ‘21	Snow Man “Snow Man ASIA TOUR 2D.2D.” DVD/Blu-ray TREASURE “THE FIRST STEP : TREASURE EFFECT” CD+DVD/Blu-ray (Album)



Package

Anime & Visual Content Business

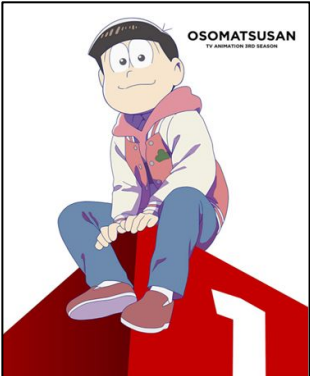
- Apr. “Stage Osomatsu-san on STAGE ～SIX MEN'S SHOW TIME3～” DVD/Blu-ray
- Jun. “KING OF PRISM SUPER LIVE Shiny Seven Stars!” DVD/Blu-ray
“Stage KING OF PRISM -Shiny Rose Stars-” DVD/Blu-ray
- Jul. “F6 2nd LIVE TOUR ‘FANTASTIC ECSTASY’” DVD/Blu-ray
“KING OF PRISM ALL STARS -Prism Show☆Best Ten-” DVD/Blu-ray
- Nov. “That Moment, My Heart Cried-CINEMA FIGHTERS project-” DVD/Blu-ray
- Dec. “Osomatsu-san 3rd Season Vol. 1” DVD/Blu-ray
- Jan., ‘21 “KING OF PRISM ALL SERIES Blu-ray Disc "Dream Goes On!" Blu-ray
“Osomatsu-san 3rd Season Vol. 2” DVD/Blu-ray
- Feb., ‘21 “Osomatsu-sa 3rd Season Vol. 3” DVD/Blu-ray
“i☆Ris 8th Anniversary Live ～88888888～” DVD/Blu-ray
- Mar., ‘21 “Osomatsu-san 3rd Season Vol. 4” DVD/Blu-ray
“Disney Koe no Ojisama - Voice Stars Dream Live 2020” Blu-ray+CD



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Major Press Releases	Apr. 13	Pre-launch of “AssetBank” in uniform management of digital contents copyrights and other information on blockchain “JCBI.”
	Apr. 16	Avex Technologies Inc. formally enters the NFT business market in business protecting IP holder’s copyrights and digital content
Live / Event	Music Business	
	Apr.~May	SHINJIRO ATAE ”ATAE SHINJIRO TALK SHOW 2021”
	Apr.~	Da-iCE “Da-iCE ARENA TOUR 2021 -SiX-”
	Jun.~ (planned)	MISAKO UNO “UNO MISAKO Live Tour 2021 ‘Sweet Hug’”
※In accordance to prevention measures against COVID-19, live concerts and events may be canceled or postponed.		



SHINJIRO ATAE



MISAKO UNO



Da-iCE

Package

Music Business

- Apr. Snow Man Headlining Movie “Takizawa Kabuki ZERO 2020 The Movie” DVD/Blu-ray
EXILE “PARADOX” CD+DVD (Single)
- Jun. V6 “Bokura wa Mada/MAGIC CARPET RIDE” CD+DVD (Single)
GENERATIONS, THE RAMPAGE, FANTASTICS, BALLISTIK BOYZ from EXILE TRIBE
“BATTLE OF TOKYO TIME 4 Jr.EXILE” CD+DVD (Album)

Anime & Visual Content Business

- Apr. “Osomatsu-san 3rd Season Vol. 5 DVD/Blu-ray
- May “Osomatsu-san 3rd Season Vol. 6” DVD/Blu-ray
“Zombieland Saga LIVE ~Franchouchou LIVE OF THE DEAD ‘R’~” Blu-ray
- Jun. “Osomatsu-san 3rd Season Vol. 7” DVD/Blu-ray
“Zombieland Saga Revenge SAGA.1” Blu-ray+CD



Snow Man



V6

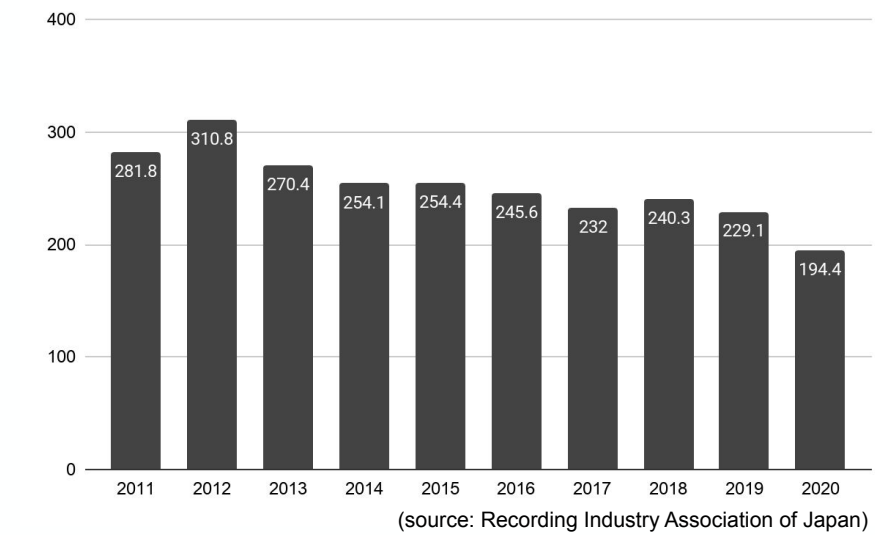


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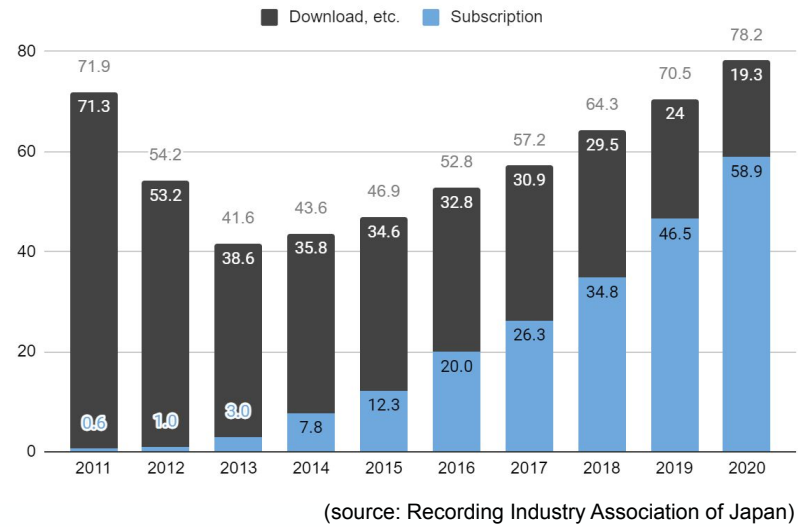
【Reference】 Market Data

Music Package, Digital Music, Live Concert, Copyright MarketsReally! Mad+Pure

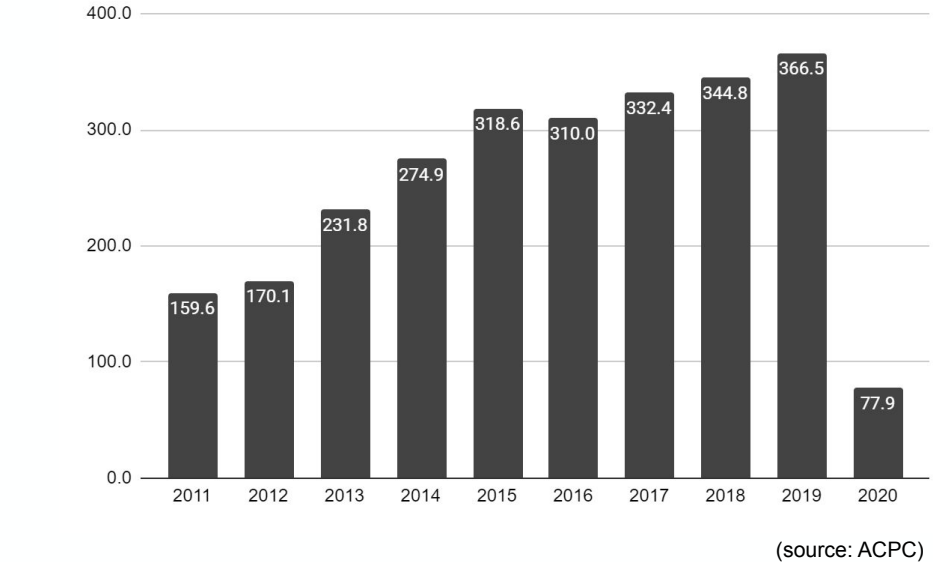
■Music Package Market Music Package Production on a declining trend (YoY 85%)
(billions of yen)



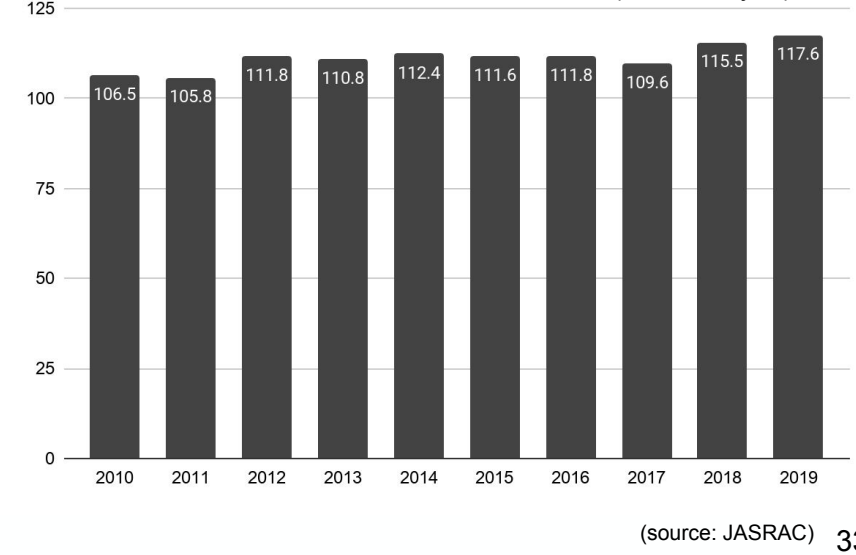
■Digital Music Market
Subscription Services are contributing to market recovery (YoY 111%)
(billions of yen)



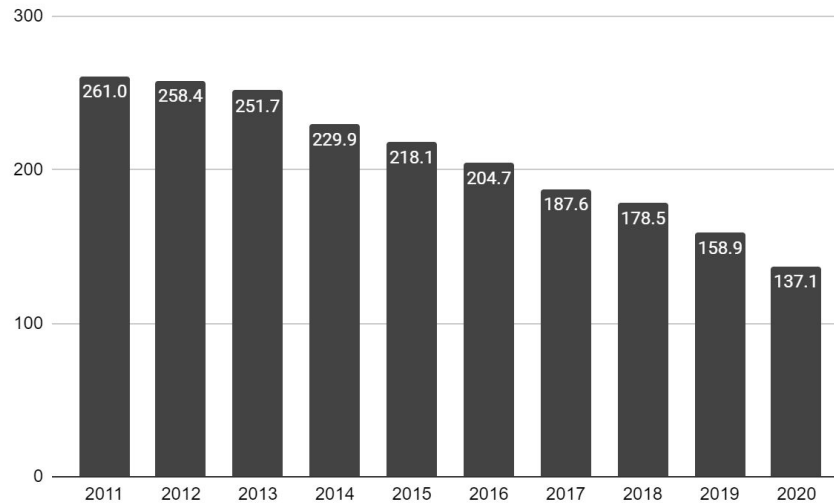
■Live Concert Market
Drastic decrease due to widespread of COVID-19 (YoY21%)
(billions of yen)



■JASRAC Copyright Royalties collected
Stable over the past years at about 110 billion yen
(billions of yen)

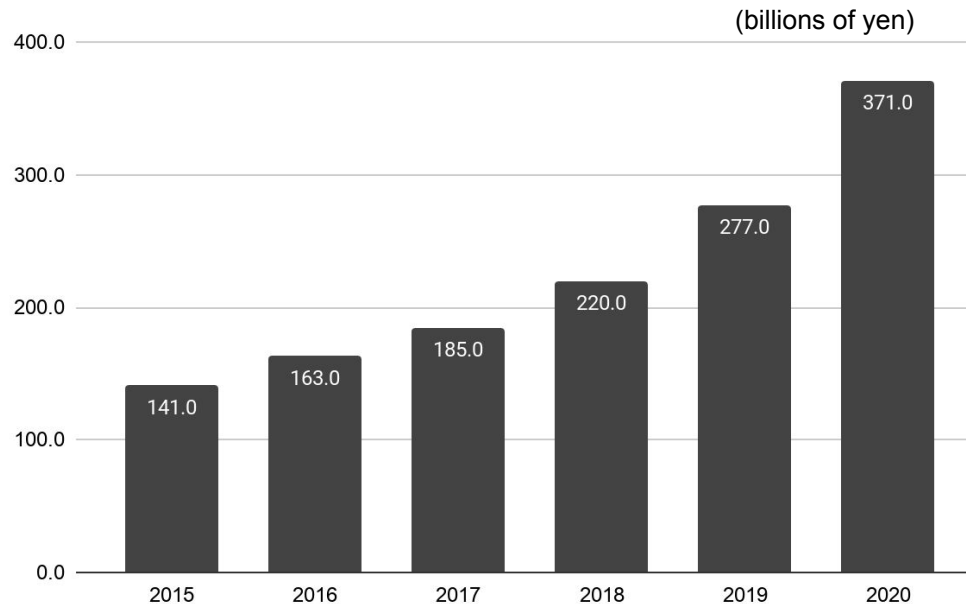


■Video Software Market on a declining trend (YoY 86%) (billions of yen)



(source: Japan Video Software Association)

■Domestic Digital Video Streaming Market Significant growth in 2020 (YoY134%)



(source: Digital Content Association of Japan.)

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