



# **Avex Group**

## **Mid-Term Strategy 2018**

May 15, 2015

move the world

## **[1] Introduction**

[1-1] Changes in the business domain

[1-2] Corporate Philosophy of Avex Group

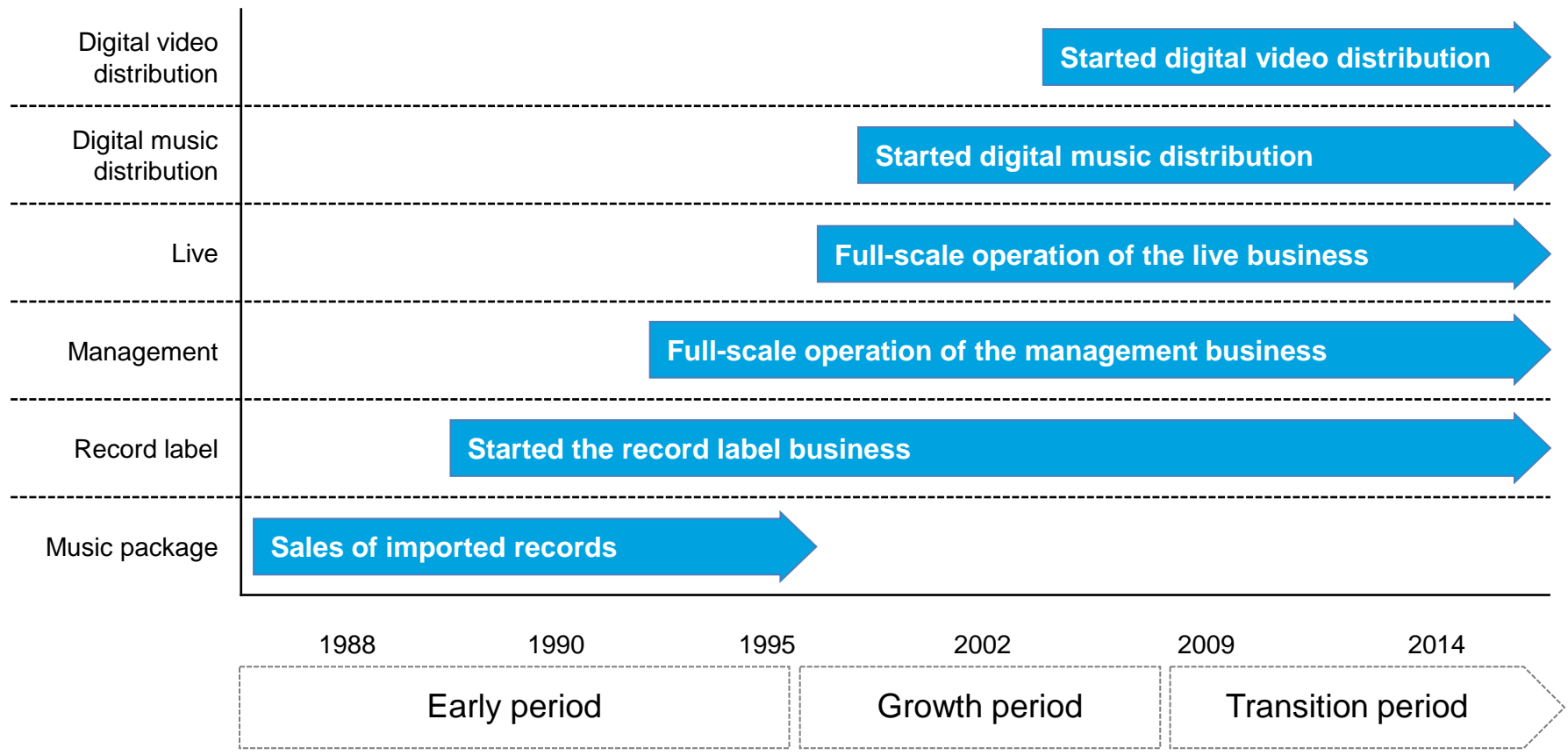
[2] Review of “Next Era 2014,” the previous medium-term business plan

[3] Current facts

[4] Future direction

[5] Target guideline

# ■ Changes in the business domain



What has remained unchanged is **our wish to deliver excitement to customers**

On the basis of everyone's dreams and aspirations, we are committed to delivering excitement to the world without being limited by convention.

**Aspiring to be a company  
that creates an exciting  
experience**

[1] Introduction

**[2] Review of “Next Era 2014,” the previous medium-term business plan**

[2-1] Review of the previous mid-term business plan “Next Era 2014”

[2-2] Achievements made through alliances with digital platforms

[3] Current facts

[4] Future direction

[5] Target guideline

# ■ Review of the previous mid-term business plan “Next Era 2014”

As a result of business diversification, we achieved a new record high in net sales for four consecutive years. We also improved our financial standing and aggressively enhanced shareholder returns. Improvement of the operating income margin is a future task.

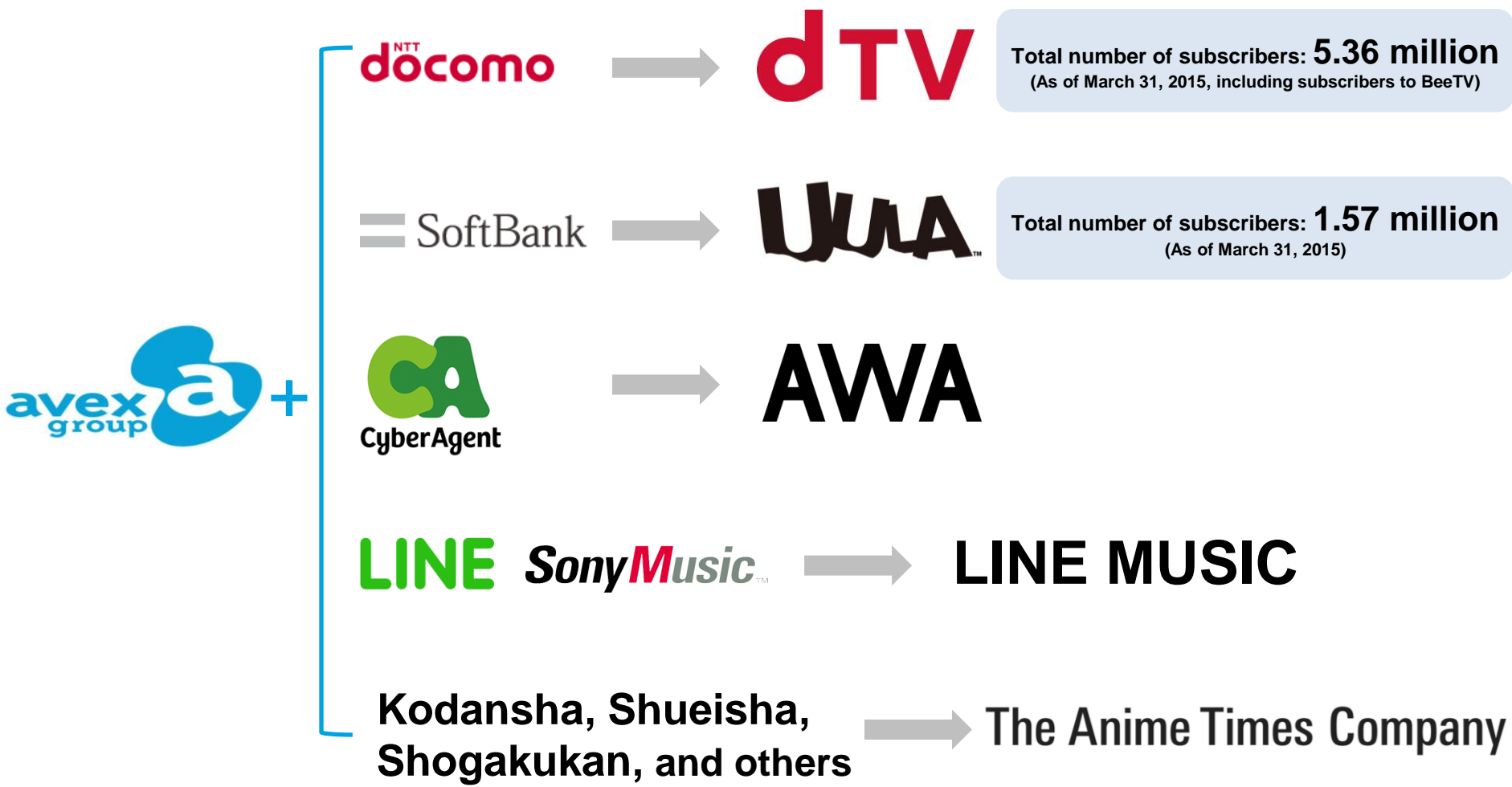
Targets set with the Next Era 2014 (announced on December 1, 2011)		Results			
		FY2011	FY2012	FY2013	FY2014
Net Sales	Achieving consolidated net sales at 140 billion yen or more for FY2013	¥121. billion	¥138.7 billion	¥156.9 billion	¥169.2 billion
Operating Income Margin	Continuing to achieve 10% or higher	10.1%	10.1%	6.6%	5.1%
ROE	Achieving 15% or higher	14.7%	18.4%	14.6%	12.2%
D/E Ratio	Striving to reduce interest-bearing liabilities*1 by targeting 1 time or below	0.7	0.4	0.2	0.2
Dividends	Achieving a dividend ratio of 30% or more*2	34.8%	31.8%	37.1%	35.2%

\*1: Reduced interest-bearing liabilities from 40 billion yen to 10 billion yen

\*2: The dividend ratio was raised to 35% in the fiscal year ended March 31, 2014

# ■ Achievements made through alliances with digital platforms

We aggressively promoted alliances in the digital domain based on the growth strategy.



[1] Introduction

[2] Review of “Next Era 2014,” the previous medium-term business plan

**[3] Current facts**

[3-1] Trend of digitalization of entertainment

[3-2] Market changes related to our company

[3-3] Changes in users

[3-4] Change in the music business

[3-5] Facts about the environment related to digital platforms

[3-6] Facts about the environment related to the live platform

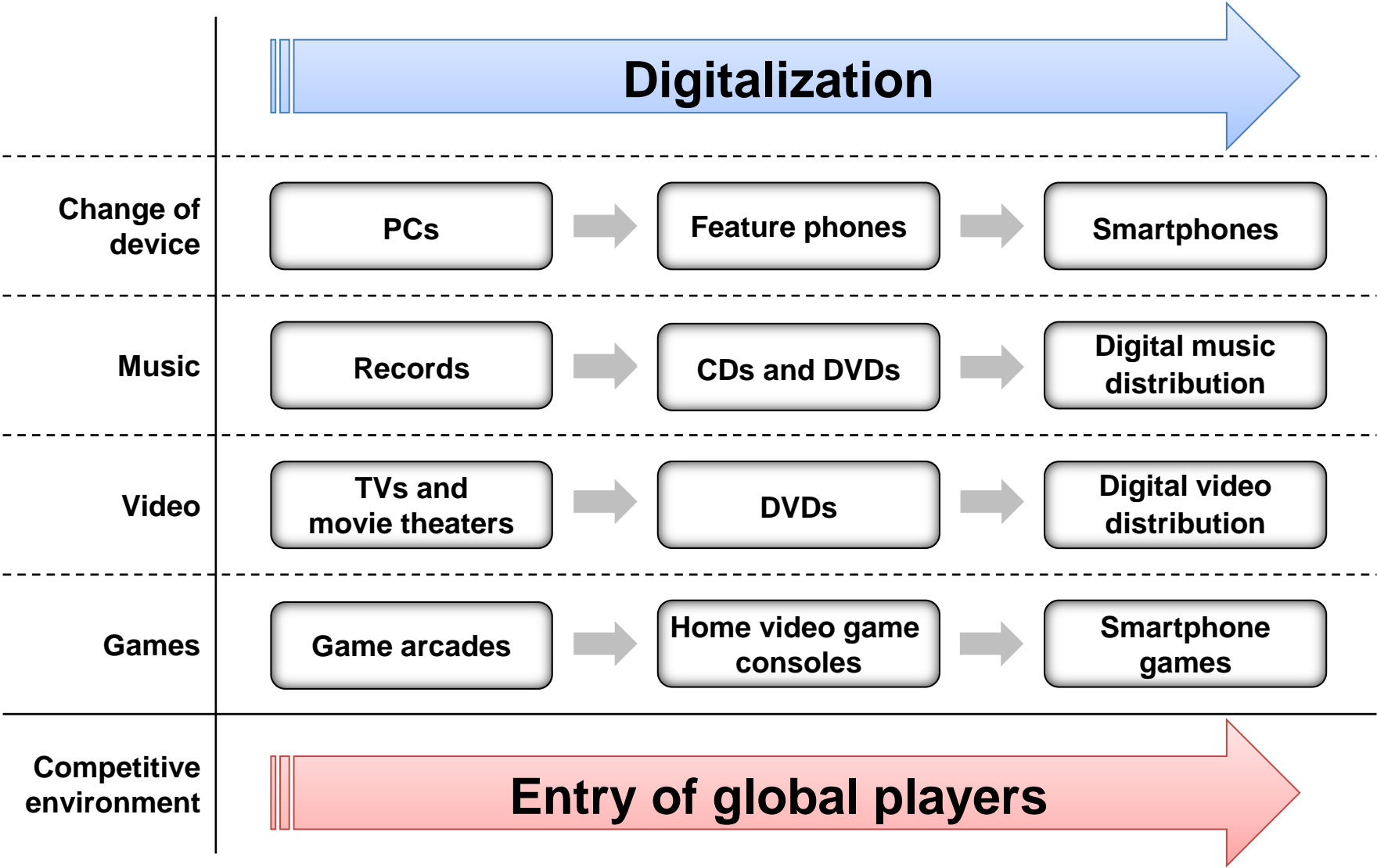
[4] Future direction

[5] Target guideline



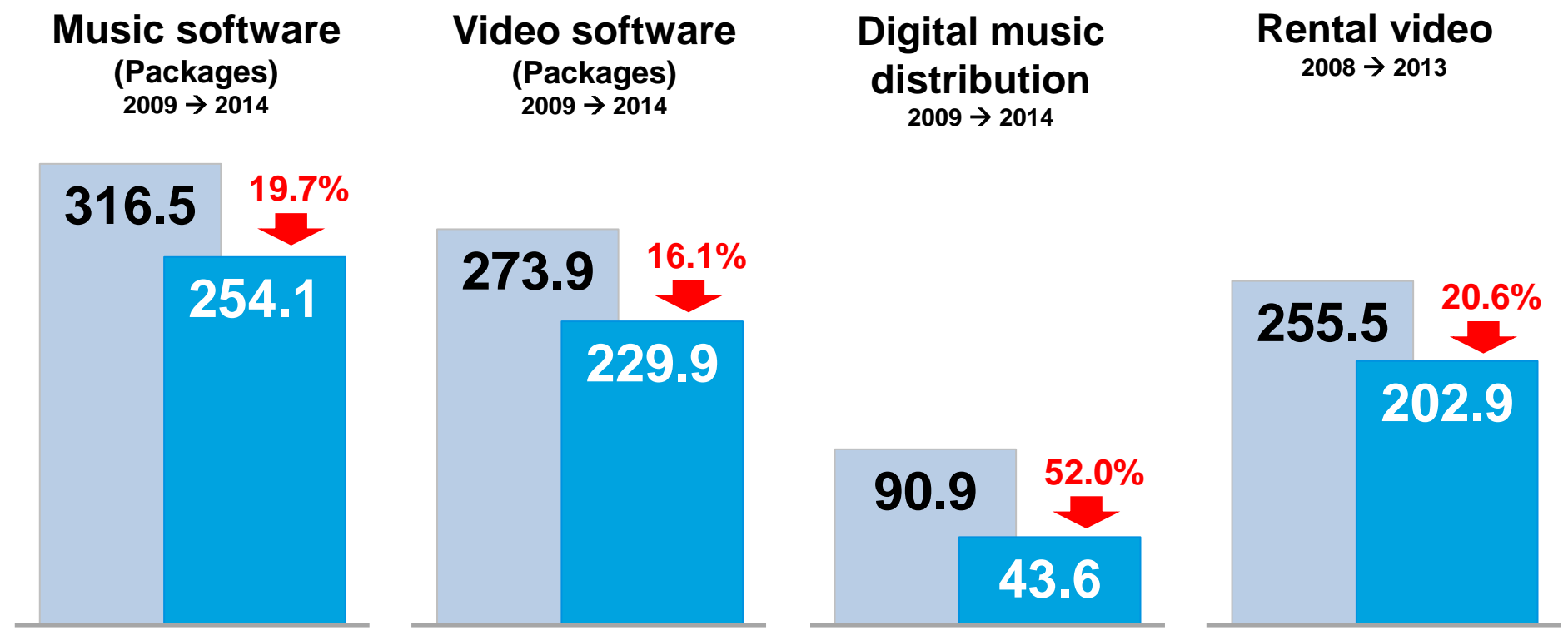
# ■ Trend of digitalization of entertainment

Digitalization of the market has greatly changed the means of providing content.



# ■ Market changes related to our company

The size of the markets of our existing businesses have been on a downward trend.



¥billion

\*Sources: Recording Industry Association of Japan, Japan Video Software Association, Motion Picture Producers Association of Japan, Inc., Media Development Research Institute Inc.

## ■ **Changes in users**

Digitalization has greatly changed the behavior of users.

**Changes in the use of money and time**

**Diversification of tastes**

**Changes in the way users obtain information**

# ■ Change in the music business

Digitalization and changes in users have resulted in big changes in media and the music business

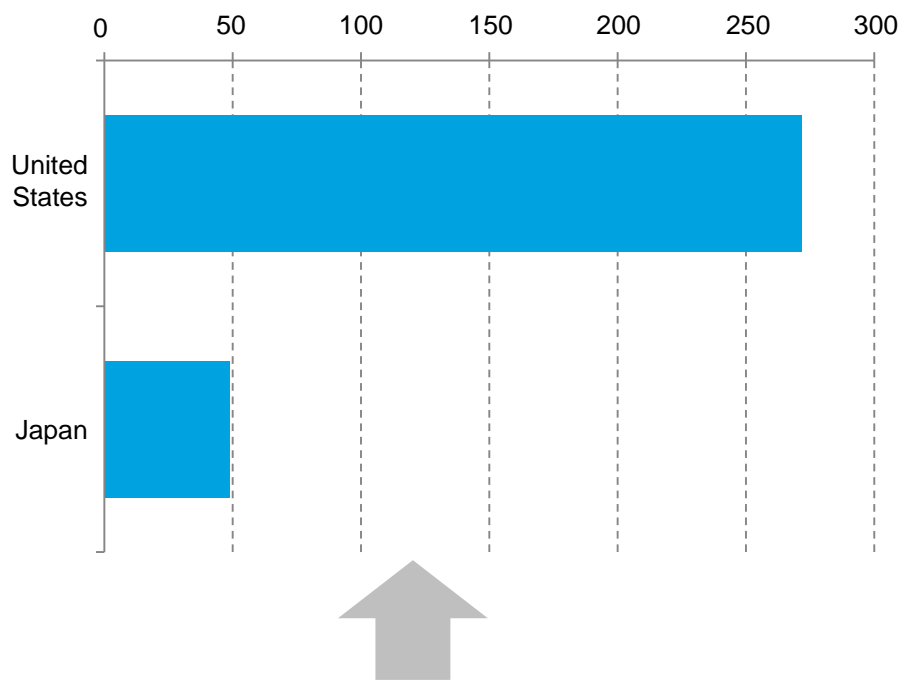
		Before		Now/Future	
Music business	Media	Mass media	➡	Social media	
	Management	Major talent agencies	➡	Increase of new players	
	Production	Major labels	➡	Increase in independent production	
	Sales	Domestic players	➡	Entry of global players	

# Facts about the environment related to digital platforms

- Currently both the digital music distribution market and digital video distribution market have large room for growth in Japan.
- However, it is likely that global players will enter the Japanese market, resulting in fierce competition.

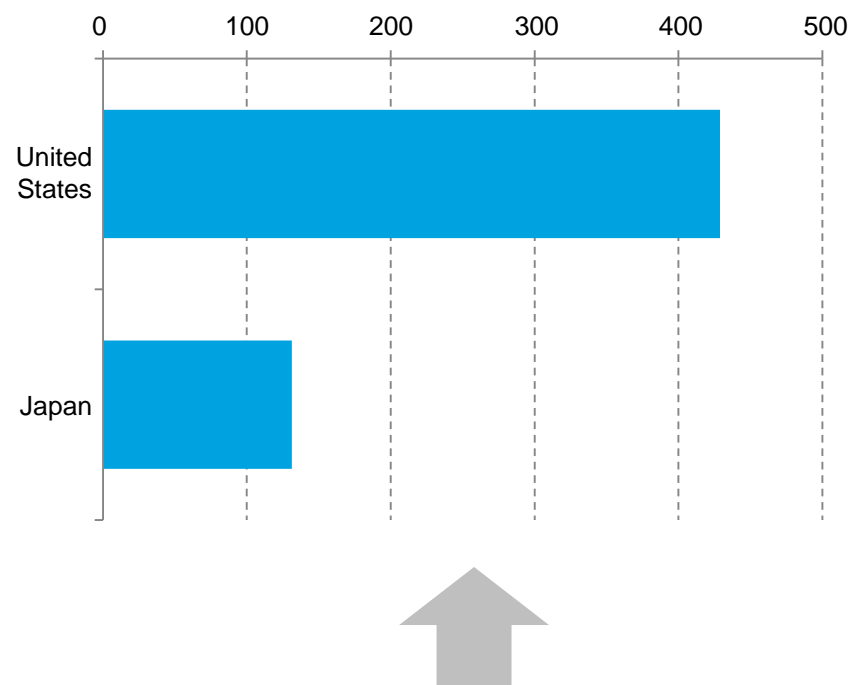
■ Size of the digital music distribution market (¥billion)

Source: International Federation of Phonogram and Videogram Producers (IFPI), 2014



■ Size of the online video distribution market (¥billion)

Sources: THE DIGITAL ENTERTAINMENT GROUP (United States), 2014, IT Navigator, Nomura Research Institute, Ltd. (Japan), 2014



Entry into Japan by global players

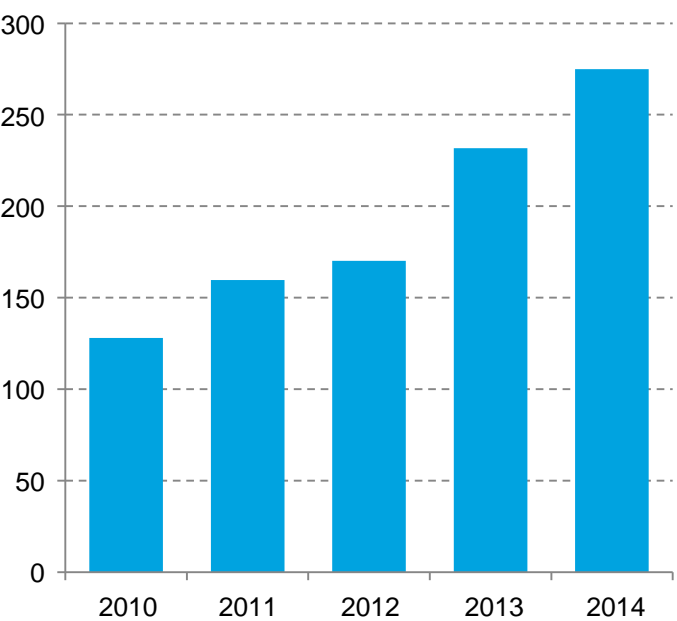
# Facts about the environment related to the live platform

- While digitalization is happening, the market related to live concerts, in which artists and the audience share time and space, has been expanding.
- However, the concert market may level off in the future due to the venue capacity issue.

Concert market expanded and exceeded 270 billion yen.

■ Size of the concert market (¥billion)

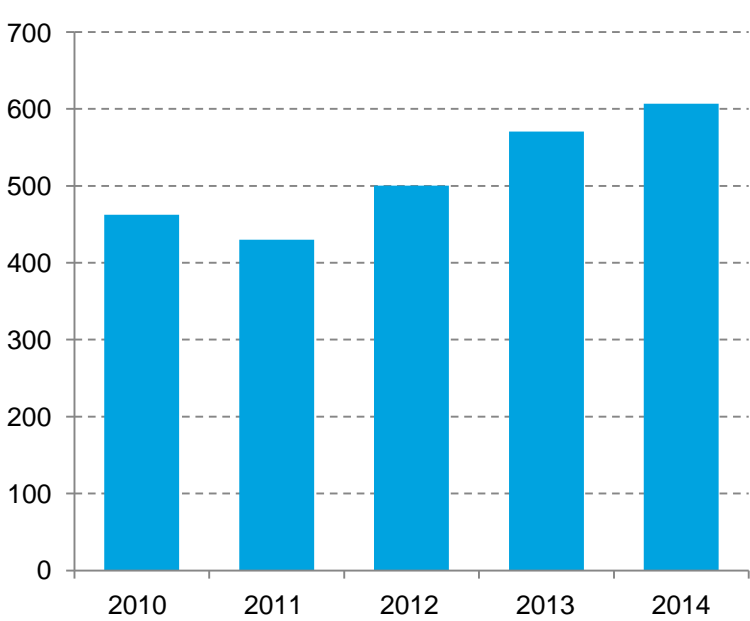
Source: All Japan Concert & Live Entertainment Promoters Conference



(Reference) The amusement and theme park market has also grown to 600 billion yen.

■ Size of the amusement and theme park market (¥billion)

Source: Ministry of Economy, Trade and Industry



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**[4] Future direction**

[4-1] Strengths and the competitive advantage of Avex Group

[4-2] Business policies for the next three years

[4-3] Mid-term strategy: Content strategies

[4-4] Mid-term strategy: Digital platform strategies (Music)

[4-5] Mid-term strategy: Digital platform strategies (Video)

[4-6] Mid-term strategy: Live platform strategy

[5] Target guideline

## ■ Strengths and the competitive advantage of Avex Group

Avex is a comprehensive entertainment company which is unparalleled in the world. We have various strengths demanded by artists, content owners, and players from other industries.

- We **own rights** as a content owner and are capable of **making use of rights proactively** by responding to environmental changes.
- We have the **capacity and foundation for 360-degree business operation**, covering labels, publishing, management, digital, live music, anime, and schools.
- We **achieved the largest share for three consecutive years** in the music market in Japan. We have **bargaining power and influence in the industry**.
- Being an independently-owned listed company, we have **reliability and financial power** and can make decisions **promptly and flexibly**.



## ■ Business policies for the next three years

We have formulated three business policies to respond to environmental changes and to make the first move while taking advantage of our own strengths.



**Contents**

**1. Enhancing content**



**Platforms**

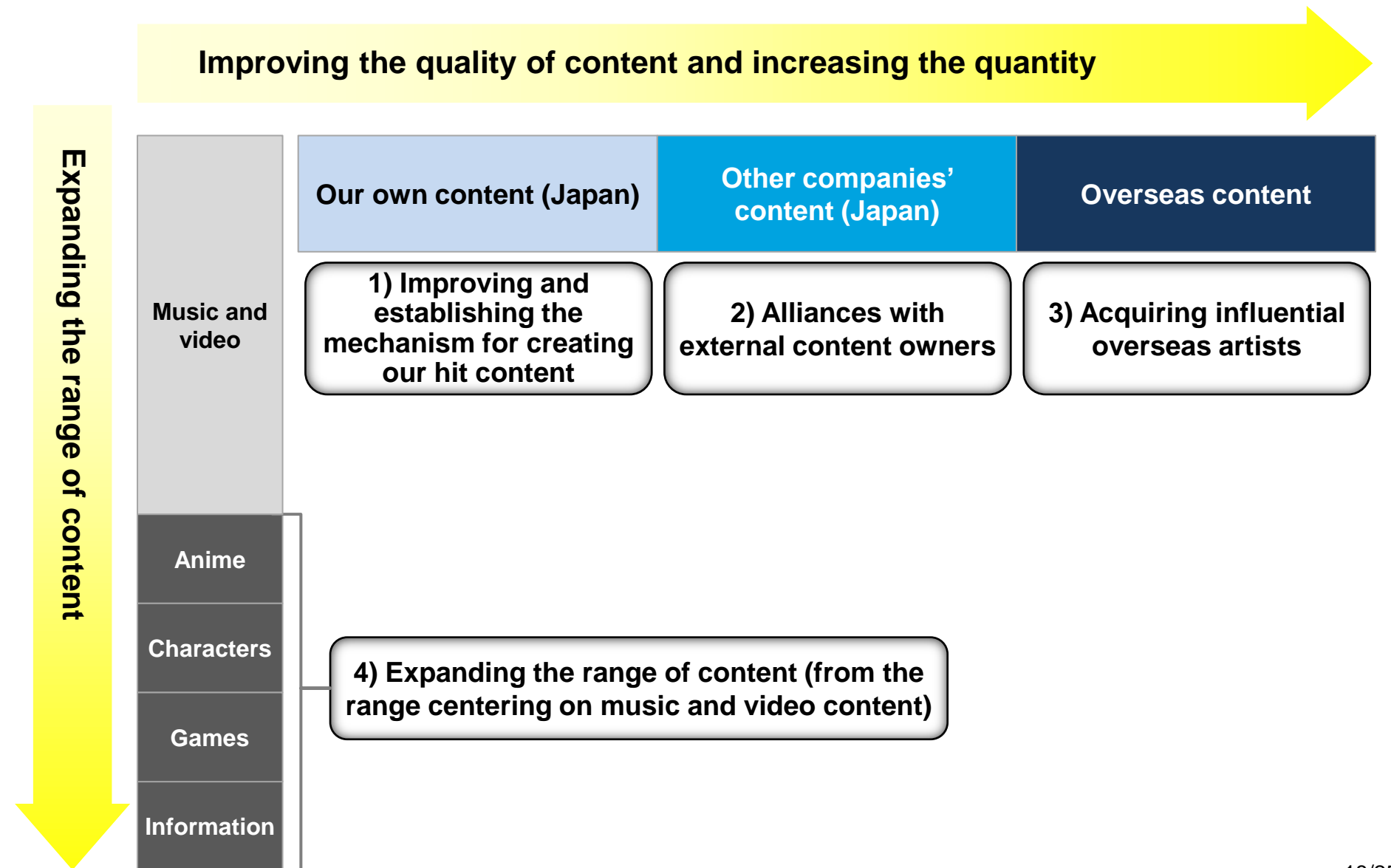
**2. Evolving digital services**

**3. Expanding live business**

# ■ Mid-term strategy: Content strategies

- 1. Enhancing content
- 2. Evolving digital services
- 3. Expanding live business

In order to enhance content, we promote the following four strategies.



# ■ Mid-term strategy: Digital platform strategies (Music)

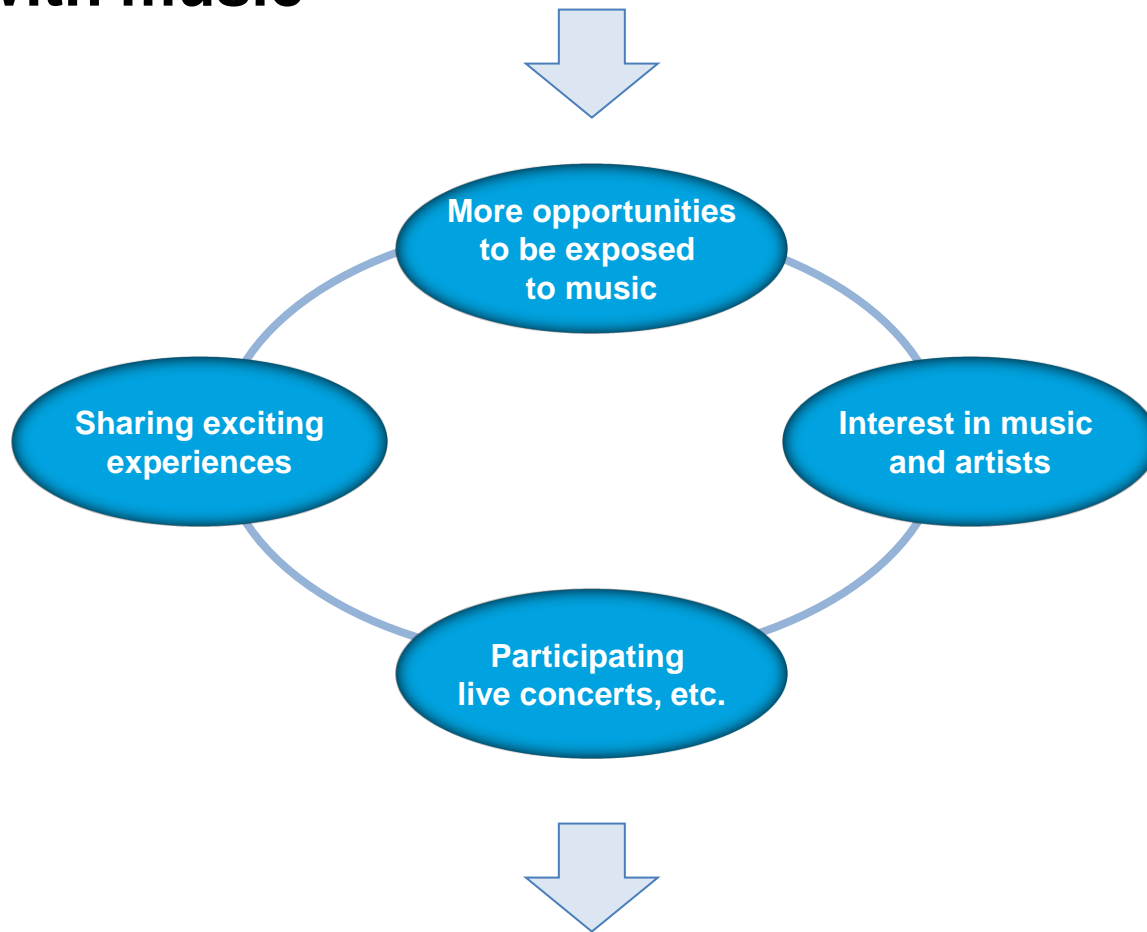
1. Enhancing content

2. Evolving digital services

3. Expanding live business

In response to changes in users, we are starting a new music streaming service

## Evolving into a service which provides new encounters with music



## Creating a lifestyle that is full of music

# ■ Mid-term strategy: Digital platform strategies (Video)

1. Enhancing content
2. Evolving digital services
3. Expanding live business

- Evolving digital video distribution services by responding to expected changes in lifestyle and competition
- Promoting alliances more aggressively, assuming future expansion in Asia



**Evolving existing services**  
(Enabling consumers to experience new lifestyles)

**Enhancing alliances**  
(Enhancing the business model by increasing partner companies)

**Expansion in Asia**  
(Developing businesses reflecting the characteristics of each country)

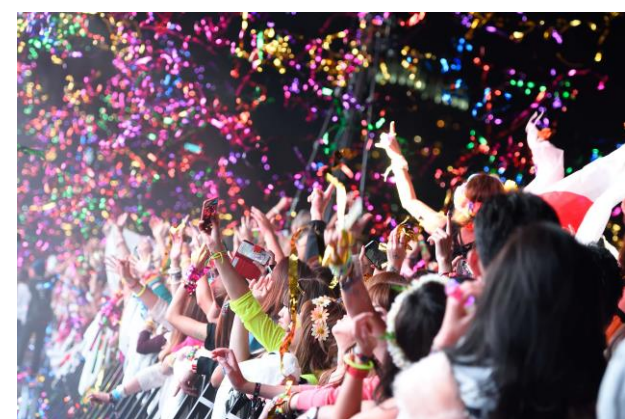
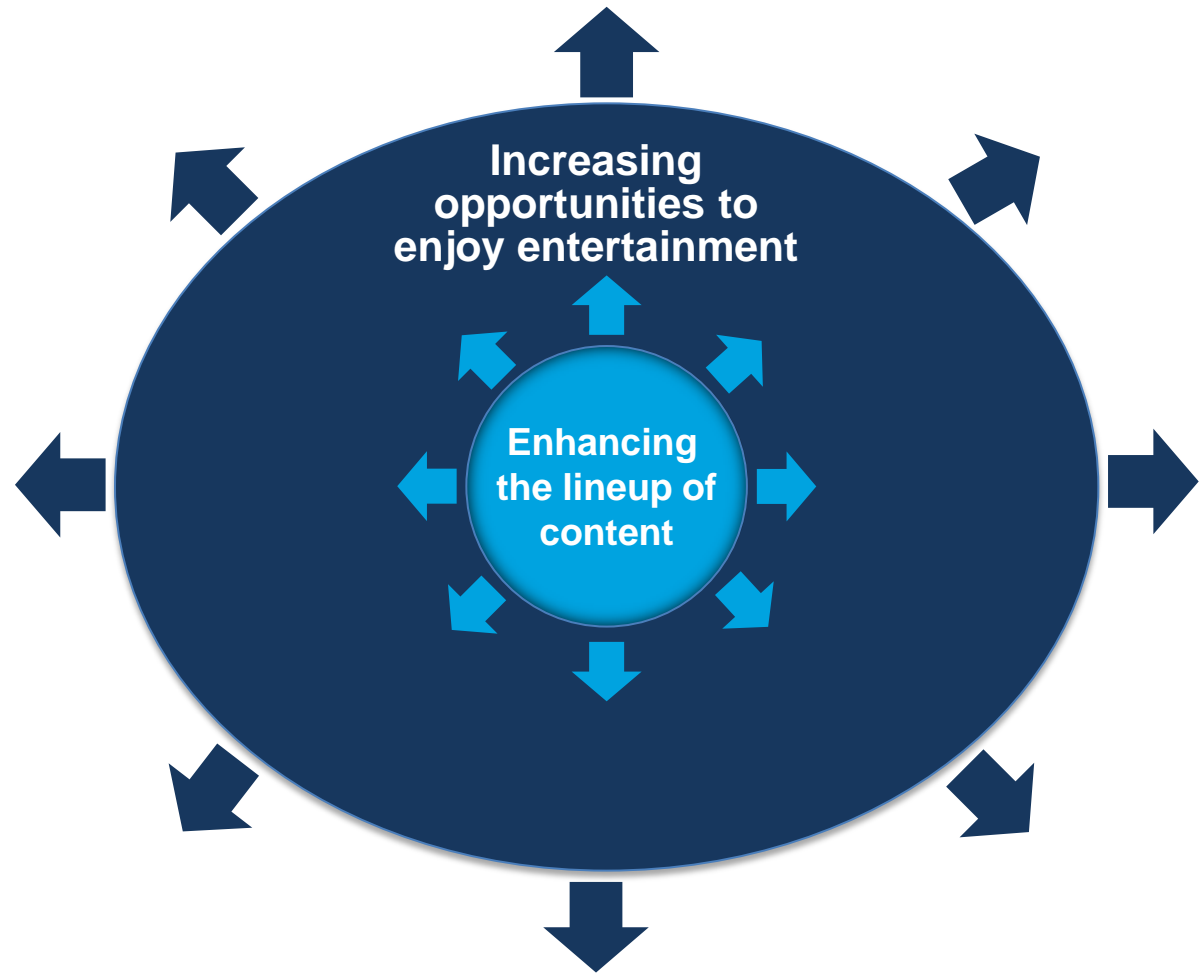


**Creating a lifestyle in which people enjoy video content**

# ■ Mid-term strategy: Live platform strategy

- |                              |
|------------------------------|
| 1. Enhancing content         |
| 2. Evolving digital services |
| 3. Expanding live business   |

- Boosting user demand further by enhancing the lineup of content
- Creating new opportunities to enjoy entertainment through alliances



**Creating a lifestyle full of entertainment experiences**

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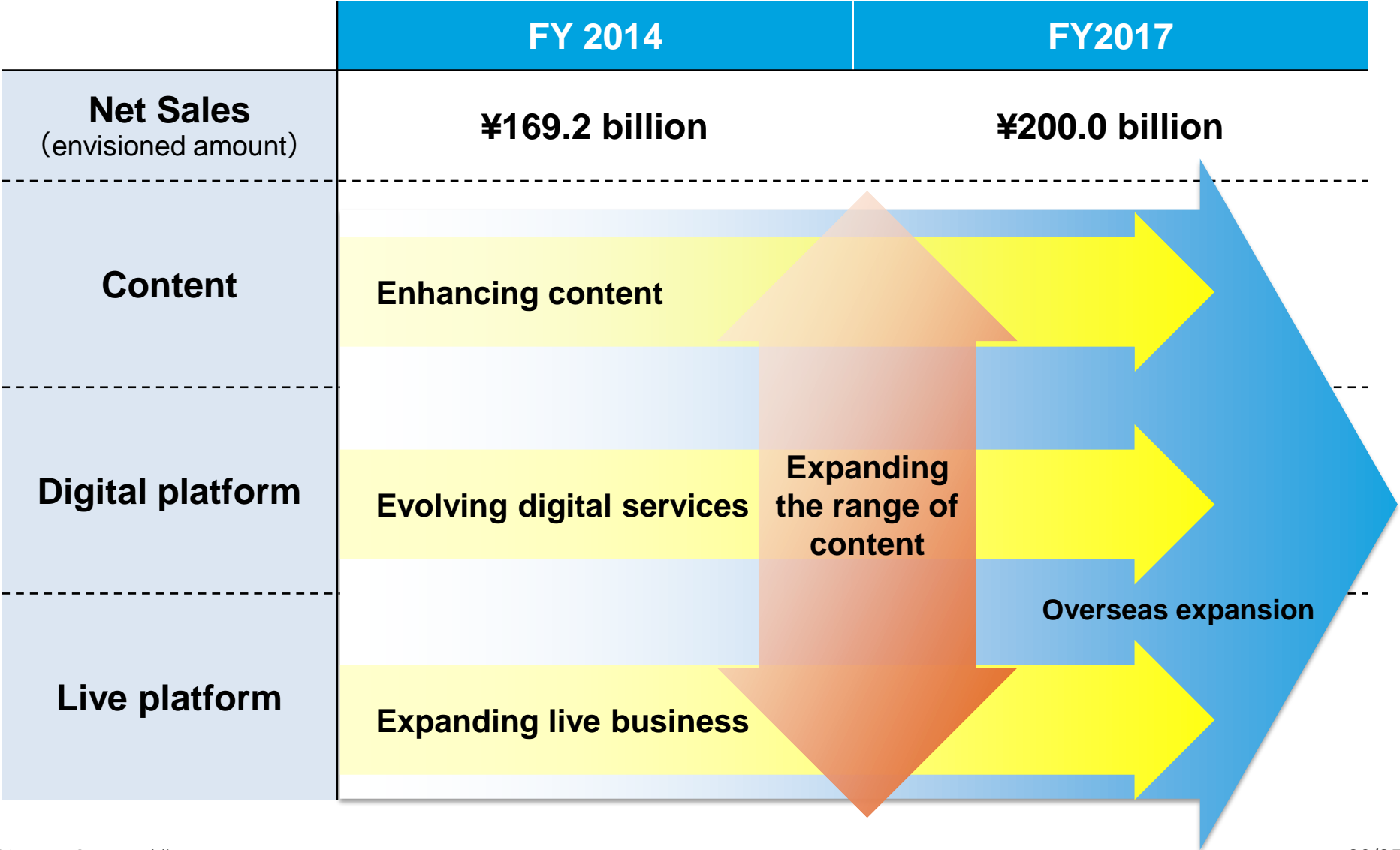
**[5] Target guideline**

[5-1] Vision of our businesses in the future

[5-2] Guidelines for medium-term targets

# ■ Vision of our businesses in the future

By expanding existing businesses, we aim to achieve net sales of 200 billion yen in FY2017.





## Management indexes for FY2017

<b>Net Sales</b>	<b>¥200.0 billion or more</b>
<b>Operating Income Margin</b>	<b>10% or higher</b>
<b>ROE</b>	<b>15% or higher</b>





**Aspiring to be a  
company creating an  
exciting experience**