

Avex Inc.

(TSE 7860)

Financial Highlights for Q3 FY 2018
(Fiscal year ending March 31, 2019)

February 7, 2019



Really! Mad+Pure

Table of Contents

Consolidated Results-----	2
Net Sales-----	3
Net Sales Change by Segment-----	4
Operating Income-----	5
Operating Income Change by Segment-----	6
Net Income Attributable to Owners of Parent-----	7
Q3 Highlights and Q4 Plans-----	8
Results by Segment-----	9
Music Business Highlights-----	10
Anime Business Highlights-----	13
Digital Business Highlights-----	14
Reference Data-----	15

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, forecasts include potential risks and uncertain elements. In particular, in Avex Group's business domain, there are factors other than general economic conditions that may affect its performance. Please note, therefore, that actual results may greatly differ from guidance.

Inquiries

Avex Inc.

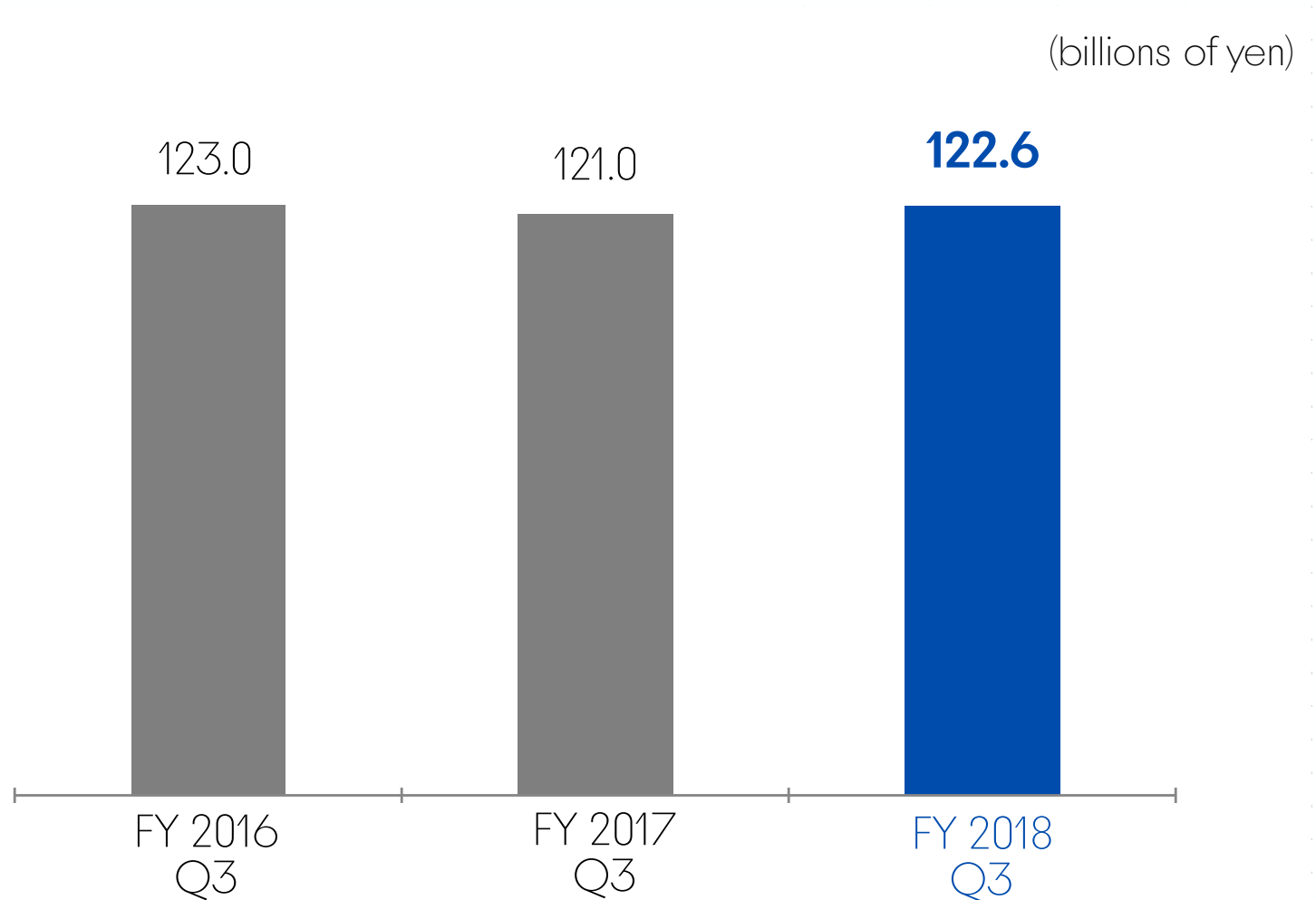
Corporate Planning (Tel: +81-3-6447-5366)

<https://avex.com/jp/ja/contact/ir/> or E-mail: stock@av.avex.co.jp

Consolidated Results

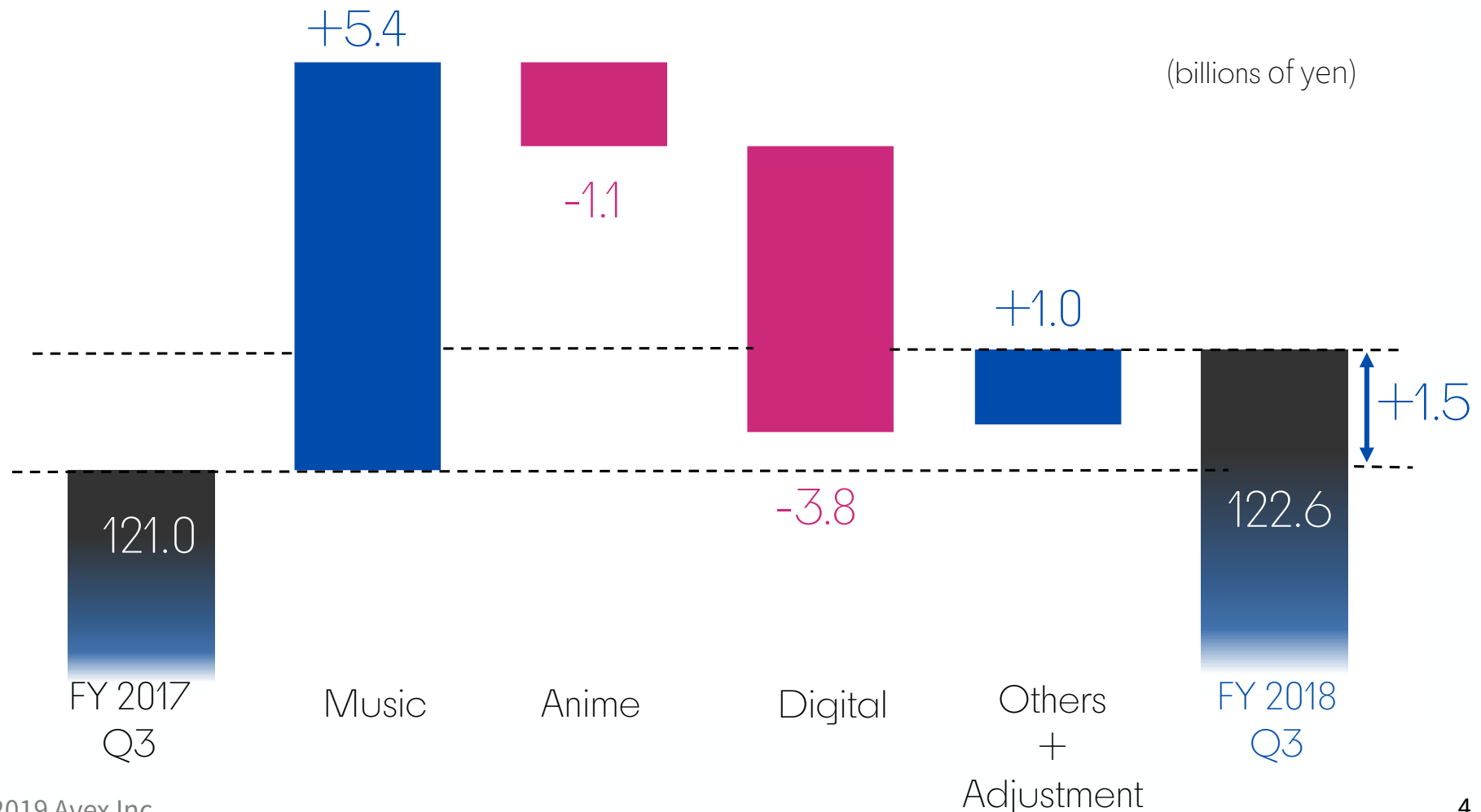
FY 2018 Q3 Highlights - Net Sales

1.5 billion yen (+1.3%) increase YoY.



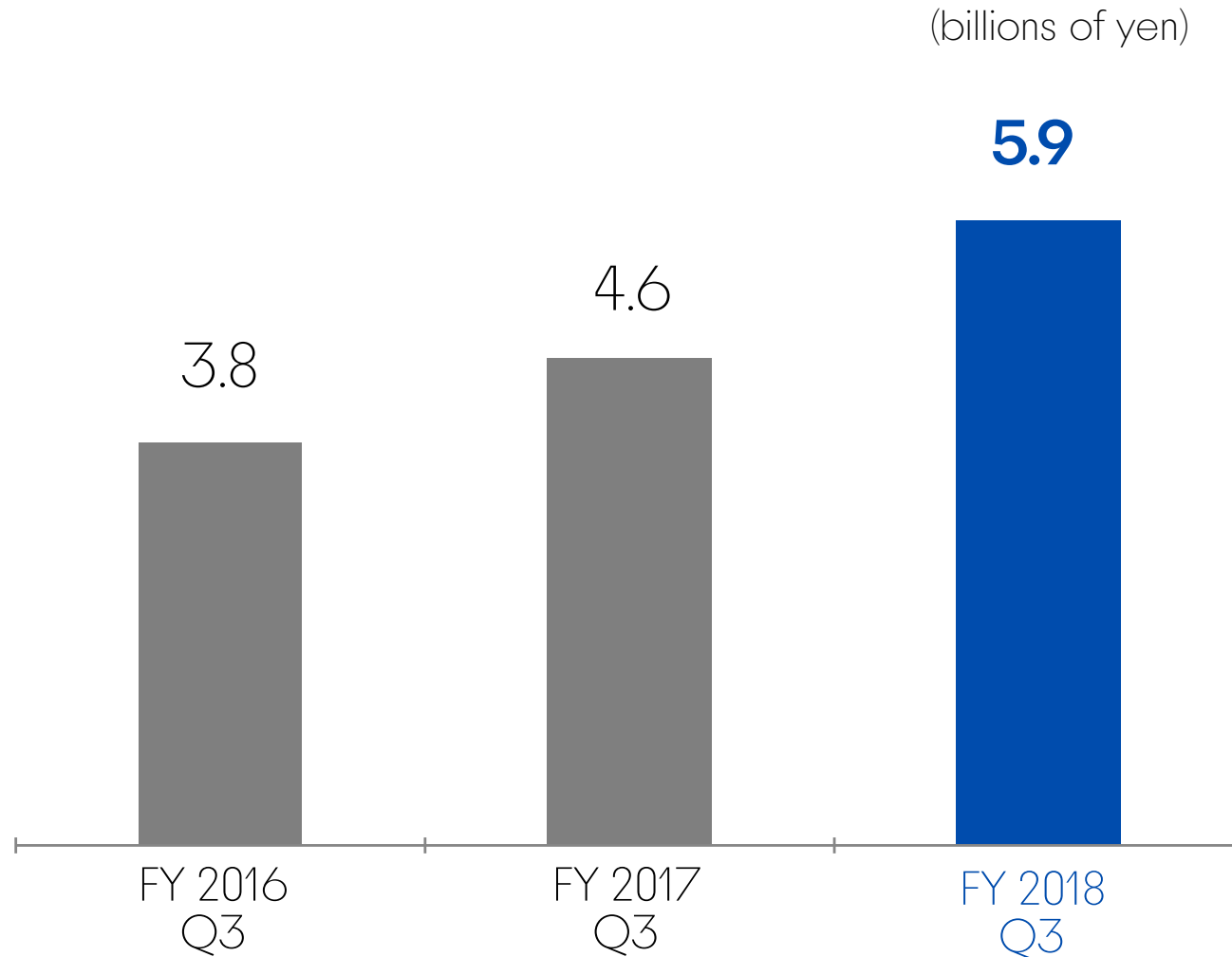
FY 2018 Q3 Highlights - Net Sales Change by Segment

Net Sales increased primarily due to strong Package Sales in the Music Business, offset in part due to decrease in subscribers in Subscription Services of Digital Business



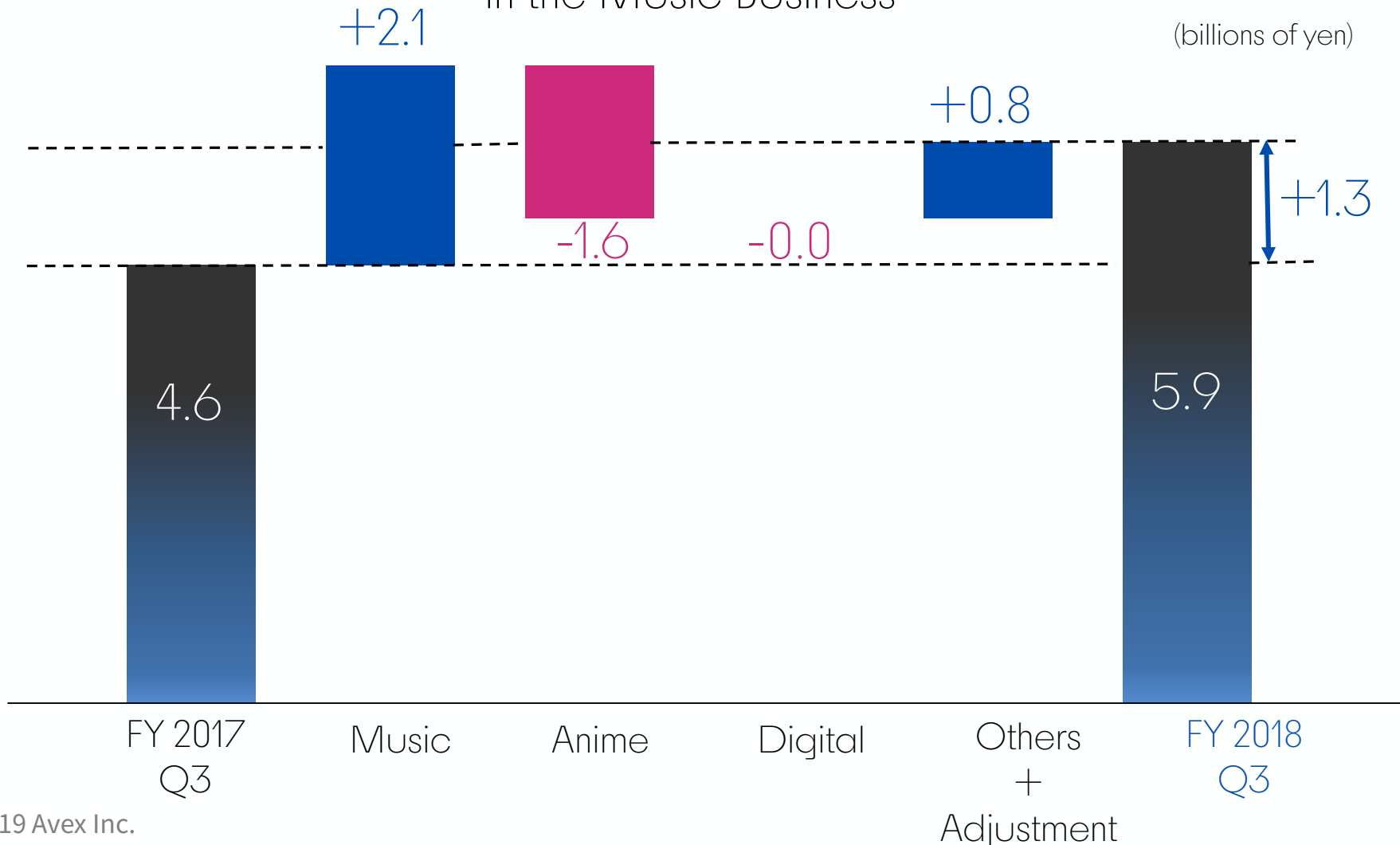
FY 2018 Q3 Highlights – Operating Income

1.3 billion yen (+28.0%) increase YoY

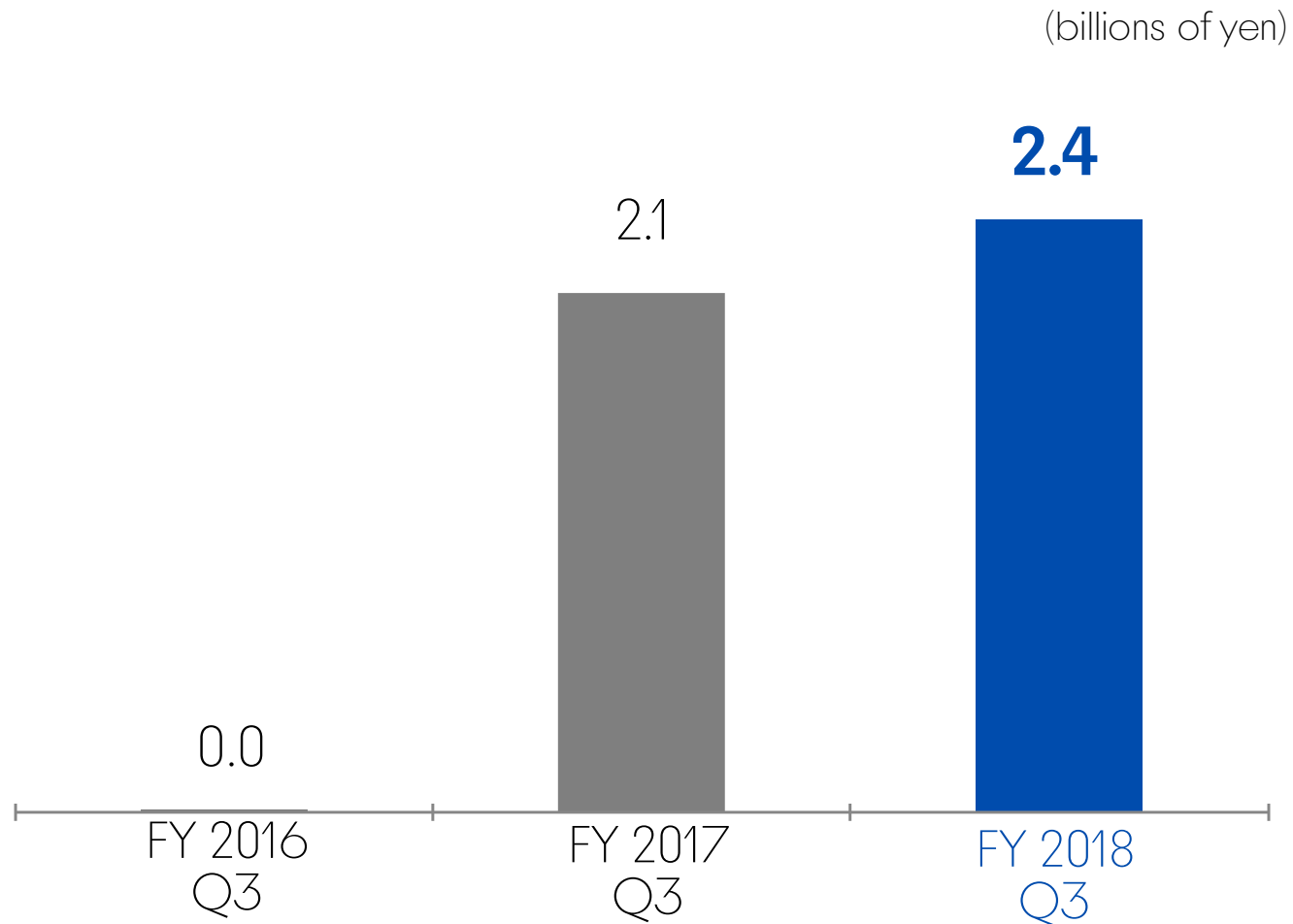


FY 2018 Q3 Highlights – Operating Income Change by Segment

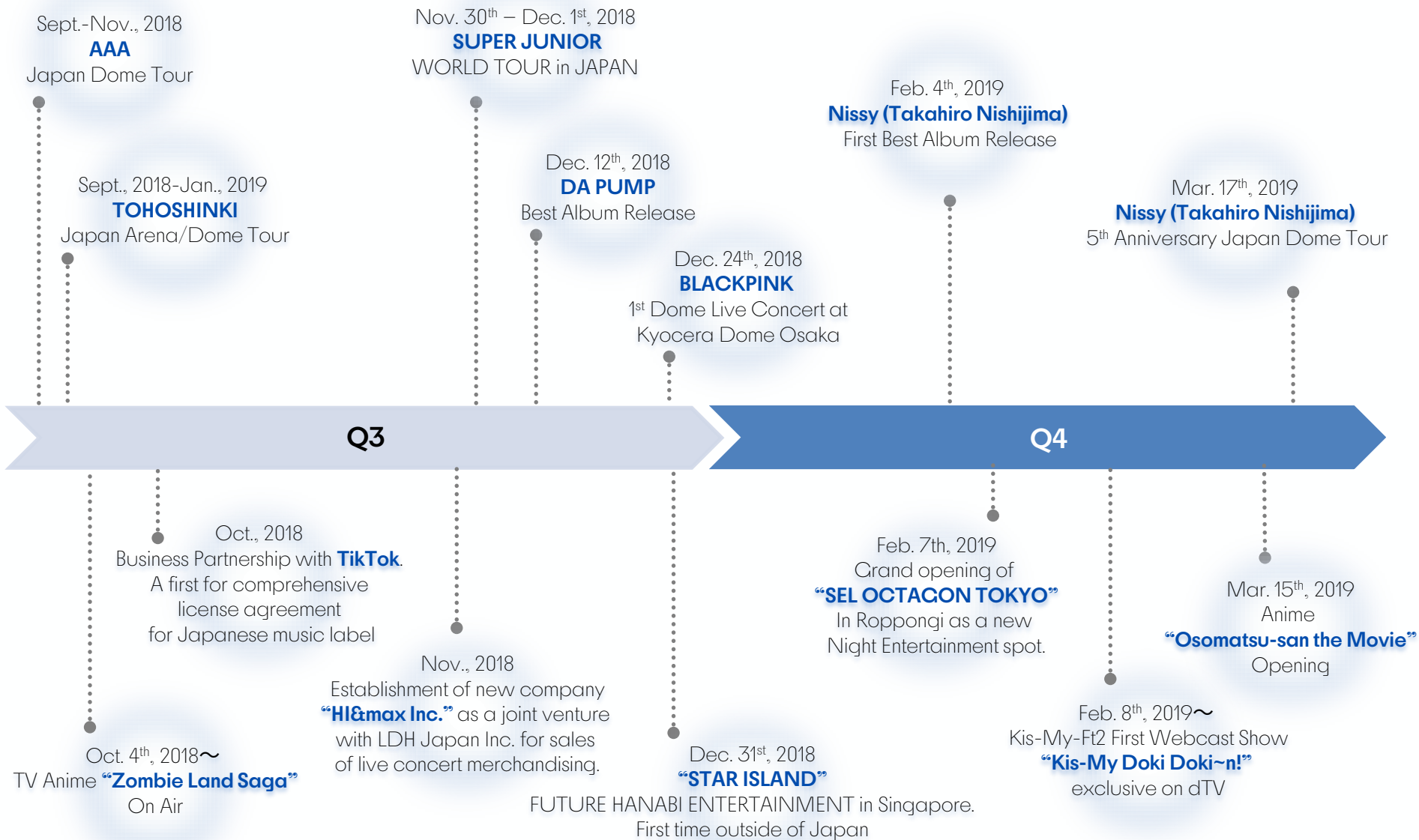
Operating Income increased primarily due to strong Package Sales and Live Concerts with high profit ratio in the Music Business



FY2018 Q3 Highlights – Net Income Attributable to Owners of Parent 0.3 billion yen (+14.4%) increase YoY



FY2018 Q3 Highlights and Q4 Plans



Results by Segment

Music Business Highlights

Net sales and Operating Income increased primarily due to increase in Package Sales and Live Concerts with high profit ratio.

	FY 2017 Q3	FY 2018 Q3	YoY	(billions of yen) rate
Net Sales	95.2	100.7	+5.4	+5.8%
Gross Profit	27.2	28.5	+1.2	+4.7%
Gross Profit Margin	28.6%	28.3%	-0.3pt	
Operating Income	3.8	6.0	+2.1	+55.1%
Operating Margin	4.1%	6.0%	+1.9pt	

Net Sales by Sub-Segment

(billions of yen)

	FY 2017 Q3	FY 2018 Q3	YoY	rate		FY 2017 Q3	FY 2018 Q3	YoY	rate
Live Concert	36.1	32.9	-3.1	-8.8%	Music Package	24.7	33.5	+8.7	+35.5%
Merchandising	10.0	10.1	+0.1	+1.1%	Digital Music Distribution	8.5	8.7	+0.2	+3.1%
E-Commerce	8.4	10.1	+1.6	+20.1%	Music Publishing	1.9	2.2	+0.3	+18.7%
Management	6.1	6.5	+0.4	+6.8%	Others	5.2	4.3	-0.8	-16.6%
Fan Club	3.6	3.7	+0.0	+2.7%					

Music Business Highlights: Live Concerts

Ticket Prices are roughly the same level YoY,
with decrease in number of Performances in Stadium Class

Venue Size	FY 2017 Q3	FY 2018 Q3	YoY
Stadium class	63	32	-31
Arena class	56	109	+53
Hall & Live House class	620	627	+7
Total	739	768	+29
Audience (millions of people)	3.16	2.74	-0.41
Concert Ticket Average Price	¥9,604	¥9,517	-¥87

Major Live Concerts Cumulative Total in FY2018 Q3

AAA "AAA DOME TOUR 2018 COLOR A LIFE"

"a-nation 2018"

"ULTRA JAPAN 2018"

TOHOSHINKI "TOHOSHINKI LIVE TOUR 2018~Tomorrow~"

SUPER JUNIOR "SUPER JUNIOR WORLD TOUR 'SUPER SHOW 7' in JAPAN"

Music Business Highlights: Music Package

		FY 2017 Q3	FY 2018 Q3	YoY	
* M u s i c P a c k a g e	Albums	Average Price (¥)	2,880	3,383	+503
		Units (thousands)	4,527	2,923	-1,603
	Singles	Average Price (¥)	1,043	1,050	+6
		Units (thousands)	3,351	3,532	+180
	DVDs / Blu-ray	Average Price (¥)	5,088	6,005	+916
		Units (thousands)	1,065	2,764	+1,699

*Music Package indicators consist of new releases and do not include back catalogs.

Major Titles Cumulative Total in FY2018 Q3

CD Albums

Artist	Title	Copies (thousands)
Kis-My-Ft2	"Yummy!!"	278
J Soul Brothers III from EXILE TRIBE	"FUTURE"	268
EXILE	"STAR OF WISH"	212

CD Singles

Artist	Title	Copies (thousands)
SKE48	"IKINARI PUNCH LINE"	501
SKE48	"Stand by you"	341

Music DVDs / Blu-ray Discs

Artist	Title	Copies (thousands)
Namie Amuro	"namie amuro Final Tour 2018~Finally~"	1,838

※Total Copies as of December 31st, 2018

Anime Business Highlights

Net Sales and Operating Income decreased primarily due to weak Anime Package Sales

(billions of yen)

	FY 2017 Q3	FY 2018 Q3	YoY	rate
Net Sales	10.6	9.5	-1.1	-10.3%
Gross Profit	3.6	2.3	-1.2	-33.9%
Gross Profit Margin	33.8%	24.9%	-8.9pt	
Operating Income	1.3	-0.3	-1.6	—
Operating Margin	12.3%	—	—	

Net Sales by Sub-Segment

(billions of yen)

	FY 2017 Q3	FY 2018 Q3	YoY	rate
Anime Package	3.7	2.7	-1.0	-26.8%
Anime Non-Package	6.9	6.8	-0.0	-1.2%

Digital Business Highlights

Net sales decreased due to decrease in subscription in Digital Video Subscription Services, while Operating Margin recovered.

	FY 2017 Q3	FY 2018 Q3	YoY	(billions of yen) rate
Net Sales	17.3	13.4	-3.8	-22.3%
Gross Profit	4.3	4.1	-0.2	-5.5%
Gross Profit Margin	25.1%	30.5%	+5.4pt	
Operating Income	1.4	1.4	-0.0	-1.0%
Operating Margin	8.3%	10.6%	+2.3pt	

Reference Data

Consolidated Income Statement

(millions of yen)

Consolidated Income Statement

	FY 2017 Q3	FY 2018 Q3	YoY	rate	FY2018 Guidance*
Net Sales	121,075	122,621	+1,545	+1.3%	
Cost of Sales	86,050	87,729	+1,679		
Gross Profit	35,024	34,891	-133	-0.4%	
Gross Profit Margin	28.9%	28.5%	-0.4pt		
Personnel Expenses	9,843	9,936	+92		
Sales promotion & Advertising Expenses	6,773	6,931	+157		
General Expenses	13,754	12,070	-1,684		
Total SG&A Expenses	30,372	28,938	-1,433		
Operating Income	4,651	5,952	+1,300	+28.0%	7,000
Operating Margin	3.8%	4.9%	+1.1pt		
Ordinary Income	4,872	5,691	+818		
Net Income attributable to owners of parent	2,112	2,417	+304	+14.4%	2,650

*FY2018 guidance as announced on May 10, 2018

Music Business Income Statement

(millions of yen)

Music Business

	FY 2017 Q3	FY 2018 Q3	YoY	rate
Net Sales	95,294	100,791	+5,496	+5.8%
Cost of Sales	68,064	72,281	+4,216	
Gross Profit	27,229	28,510	+1,280	+4.7%
Gross Profit Margin	28.6%	28.3%	-0.3pt	
Personnel Expenses	5,365	5,372	+6	
Sales Promotion & Advertising Expenses	4,796	4,985	+188	
General Expenses	5,808	5,993	+184	
GMF [★]	7,370	6,127	-1,243	
Total SG&A Expenses	23,341	22,478	-862	
Operating Income	3,888	6,031	+2,143	+55.1%
Operating Margin	4.1%	6.0%	+1.9pt	

★ GMF = Group Management Fee

Music Business: Results by Sub-Segment

Net Sales by Sub-Segment				(millions of yen)
	FY2017 Q3	FY2018 Q3	YoY	rate
Live	36,136	32,974	-3,161	-8.8%
Merchandising	10,025	10,132	+106	+1.1%
E-Commerce	8,446	10,140	+1,694	+20.1%
Management	6,125	6,541	+416	+6.8%
Fan Club	3,655	3,753	+98	+2.7%
Music Package	24,737	33,514	+8,777	+35.5%
Digital Music Distribution	8,536	8,798	+262	+3.1%
Music Publishing	1,914	2,271	+357	+18.7%
Others	5,269	4,393	-875	-16.6%

Music Business: Indicators			
		FY2017 Q3	FY2018 Q3
Concert Ticket	Average Price(¥)	9,604	9,517
Fan Club	Subscribers (thousands of people)	969	945

(millions of yen)

Music Market Data		(Reference: Recording Industry Association of Japan)	
	2017	2018	YoY
Music Package Market (Jan.- Dec.)	232,048	240,337	+3.6%
Digital Music Distribution Market (Jan.- Sept.)	42,889	47,823	+11.5%

(millions of yen)

Live Concert Market Data		(Reference: ACPC)	
	2017	2018	YoY
Live Concert Market (Jan.-Jun.)	129,709	143,812	+10.9%

Anime Business Income Statement

(millions of yen)

Anime Business				
	FY 2017 Q3	FY 2018 Q3	YoY	rate
Net Sales	10,690	9,586	-1,103	-10.3%
Cost of Sales	7,078	7,199	+120	
Gross Profit	3,611	2,387	-1,224	-33.9%
Gross Profit Margin	33.8%	24.9%	-8.9pt	
Personnel Expenses	561	822	+261	
Sales Promotion & Advertising Expenses	625	555	-69	
General Expenses	330	603	+272	
GMF ★	783	725	-57	
Total SG&A Expenses	2,299	2,706	+407	
Operating Income	1,312	-319	-1,631	—
Operating Margin	12.3%	—	—	

★ GMF = Group Management Fee

Anime Business: Results by Sub-Segment

Net Sales by Sub-Segment

(millions of yen)

	FY2017 Q3	FY2018 Q3	YoY	rate
Anime Package	3,775	2,762	-1,013	-26.8%
Anime Non-Package	6,914	6,830	-84	-1.2%

Anime Business: Indicators

	FY2017 Q3	FY2018 Q3
DVDs / Blu-ray *	Average Price (¥)	4,969
	Units (thousands)	538
		5,944
		368

*DVDs / Blu-ray indicators consist of new releases and do not include back catalogs.

Digital Business Income Statement

(millions of yen)

Digital Business

	FY 2017 Q3	FY 2018 Q3	YoY	rate
Net Sales	17,380	13,496	-3,884	-22.3%
Cost of Sales	13,025	9,379	-3,645	
Gross Profit	4,355	4,116	-238	-5.5%
Gross Profit Margin	25.1%	30.5%	+5.4pt	
Personnel Expenses	374	406	+32	
Sales Promotion & Advertising Expenses	1,139	1,238	+98	
General Expenses	487	432	-55	
GMF [★]	906	606	-299	
Total SG&A Expenses	2,908	2,683	-224	
Operating Income	1,446	1,432	-13	-1.0%
Operating Margin	8.3%	10.6%	+2.3pt	

★ GMF = Group Management Fee

Other Businesses Income Statement

(millions of yen)

Other Businesses				
	FY 2017 Q3	FY 2018 Q3	YoY	rate
Net Sales	1,798	2,162	+364	+20.2%
Cost of Sales	680	1,588	+907	
Gross Profit	1,117	574	-543	-48.6%
Gross Profit Margin	62.1%	26.6%	-35.5pt	
Personnel Expenses	683	894	+211	
Sales Promotion & Advertising Expenses	224	166	-58	
General Expenses	771	511	-260	
GMF★	222	195	-27	
Total SG&A Expenses	1,901	1,768	-133	
Operating Income	-784	-1,193	-409	—
Operating Margin	—	—	—	

★ GMF=Group Management Fee

Consolidated Balance Sheet

(millions of yen)

Consolidated Balance Sheet

Mar. 31st, 2018 **Dec. 31st, 2018**

Current Assets	66,410	60,707
Cash and Deposits	28,184	23,580
Notes & Accounts Receivable-trade	19,963	21,044
Inventories	5,679	6,738
Others	12,583	9,344
Noncurrent Assets	66,477	67,979
Tangible & Intangible Assets	52,089	52,159
Investment, etc.	14,387	15,819
Investment Securities	7,085	8,335
Others	7,301	7,484
Total Assets	132,887	128,686

Mar. 31st, 2018 **Dec. 31st, 2018**

Current Liabilities	68,068	66,594
Notes & Accounts Payable-trade	1,716	2,058
Short-term Debt, etc.	14,558	18,064
Accounts Payable-Other	29,590	26,224
Allowance for Returned Goods	4,337	4,244
Others	17,865	16,002
Noncurrent Liabilities	12,359	10,074
Long-term Debt	10,692	8,398
Others	1,666	1,675
Total Liabilities	80,427	76,668
Total Net Assets	52,460	52,017
Total Liabilities & Net Assets	132,887	128,686



Really! Mad+Pure