

Avex Inc.

(TSE 7860)

Earnings Results for FY 2018
(Fiscal year ending March 31, 2019)

May 9, 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
FY 2018 Highlights – Consolidated Balance Sheet-----	8
FY 2018 Highlights-----	9
Results by Segment-----	10
Music Business Highlights-----	11
Anime Business Highlights-----	14
Digital Business Highlights-----	15
Guidance Highlights for FY 2019, Ending March 2020-----	16
Market Data-----	18
Reference Data-----	22

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.

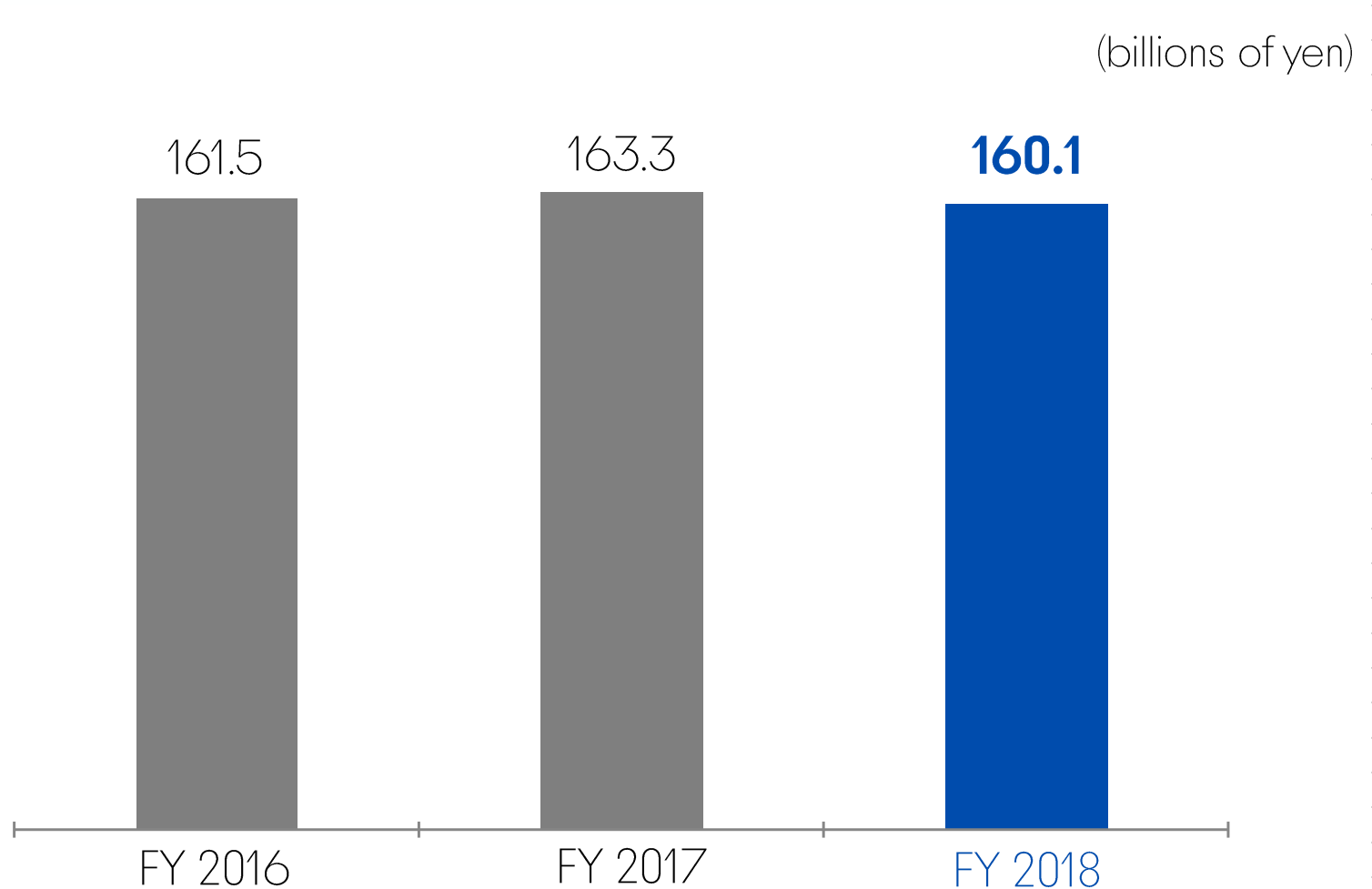
Corporate Planning

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

Consolidated Results

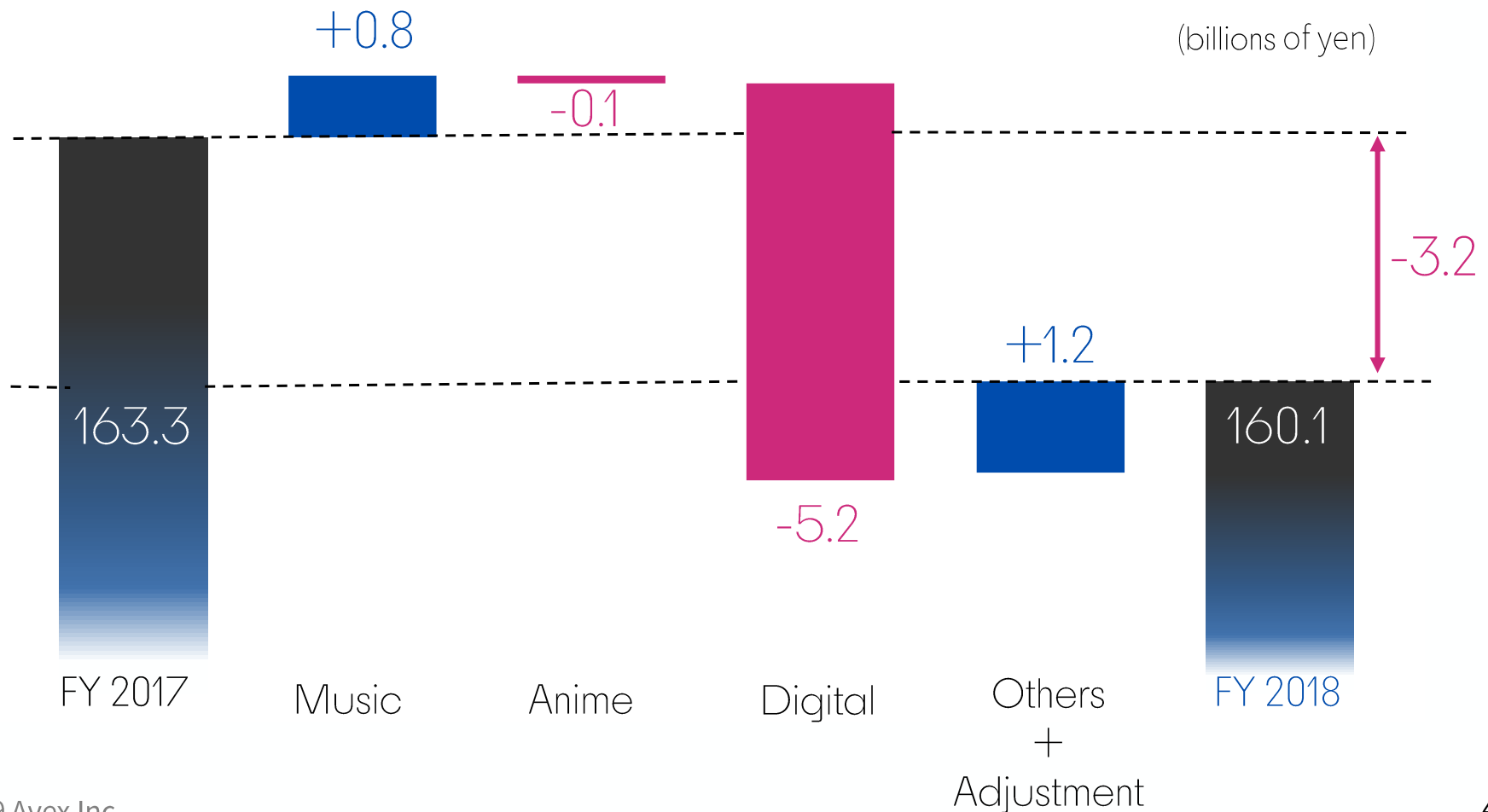
FY 2018 Highlights - Net Sales

3.2 billion yen (-2.0%) decrease YoY.



FY 2018 Highlights - Net Sales Change by Segment

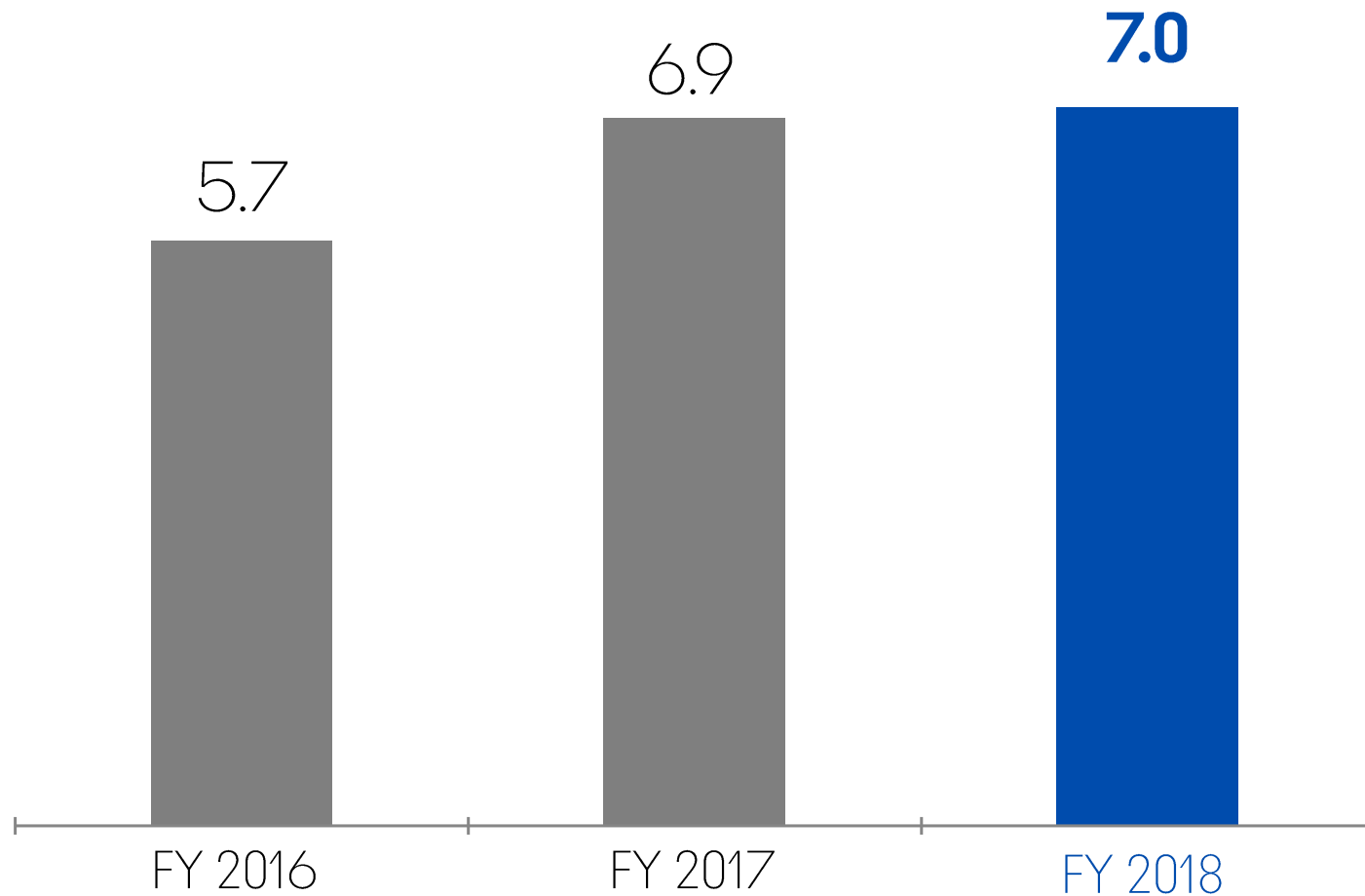
Net Sales decreased primarily due to decrease in subscribers in Subscription Services of Digital Business



FY 2018 Highlights – Operating Income

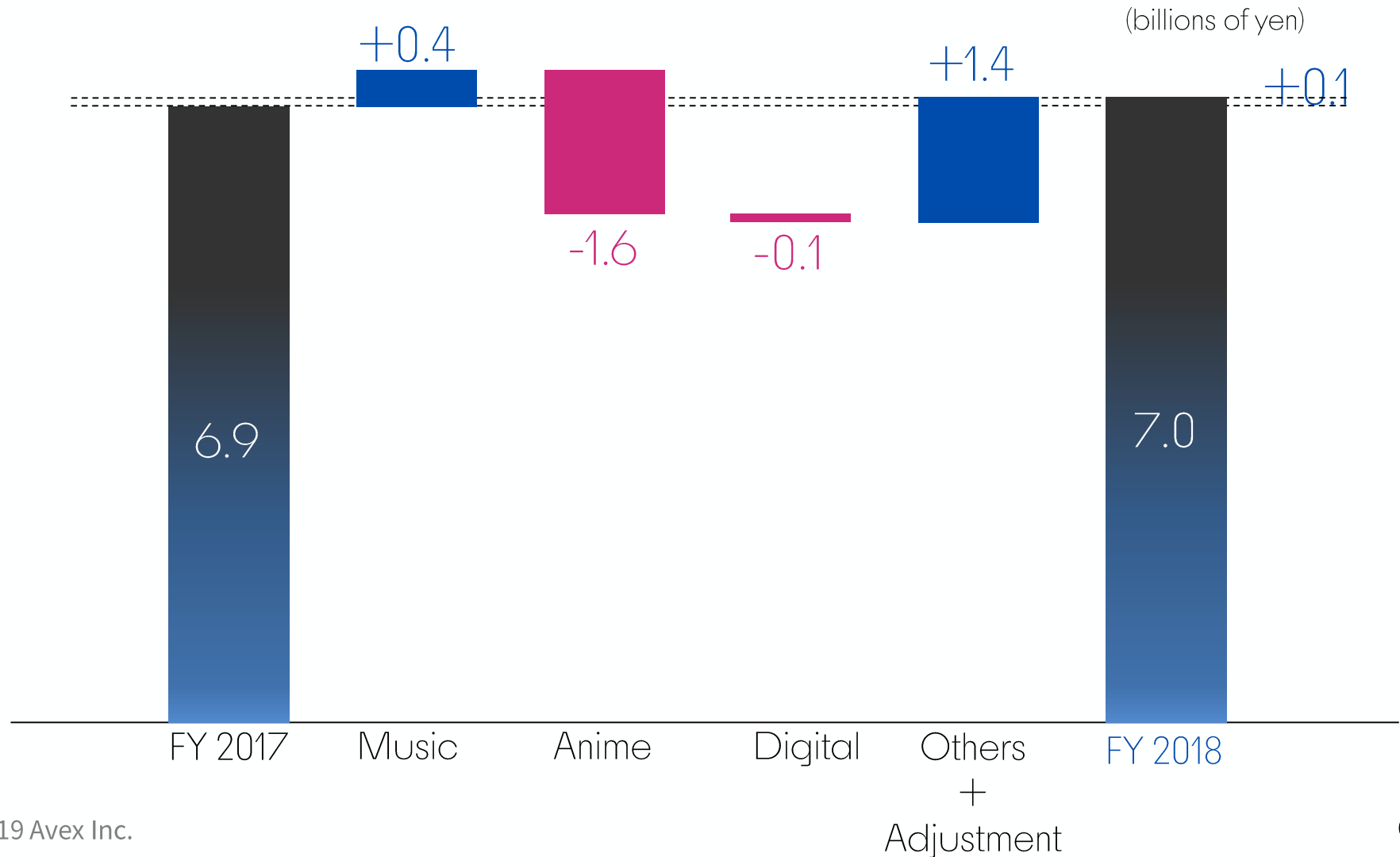
0.1 billion yen (+2.2%) increase YoY

(billions of yen)



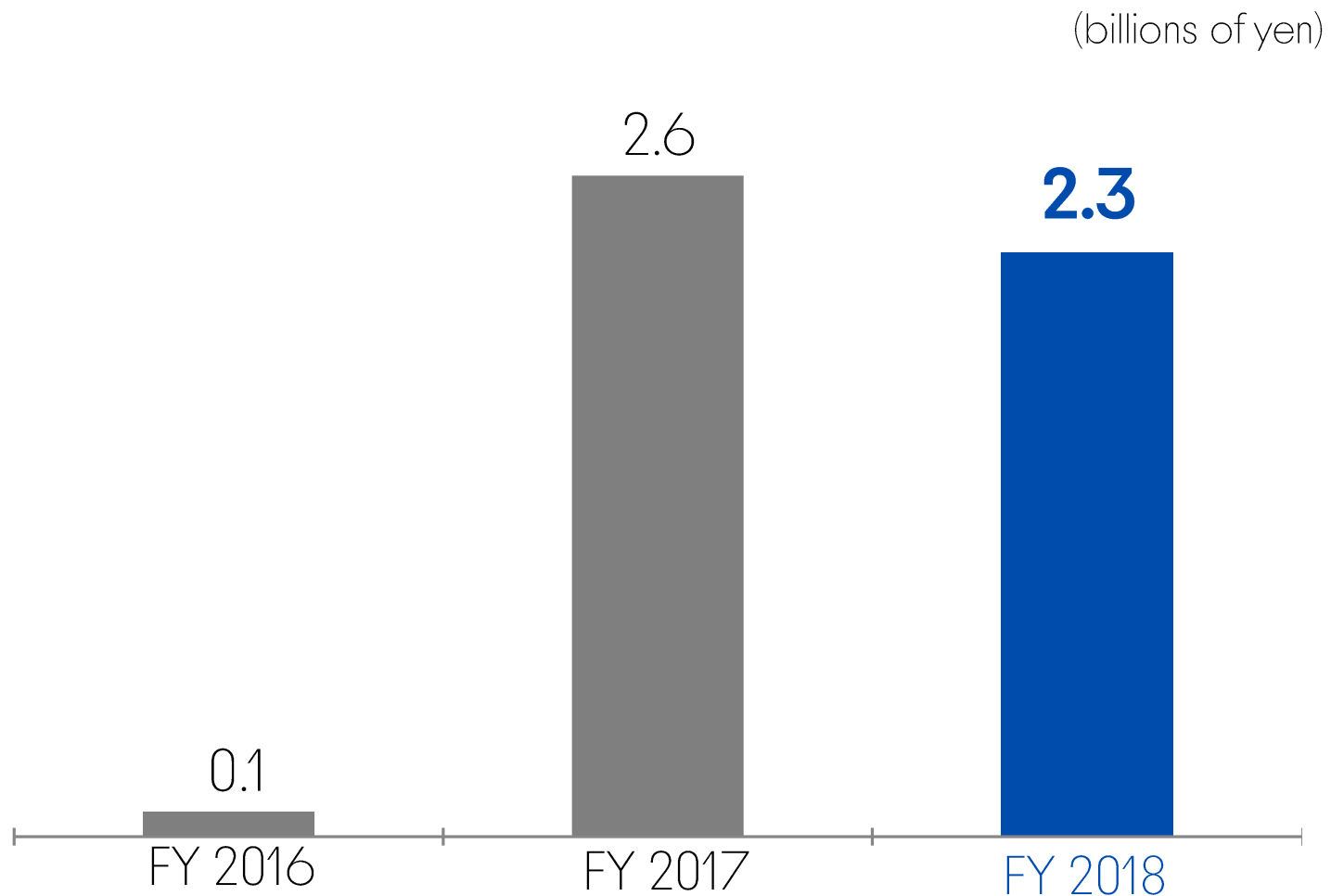
FY 2018 Highlights – Operating Income Change by Segment

Operating Income increased primarily due to decrease in HQ Building related cost, offset in part by decrease in profit in the Anime business



FY 2018 Highlights – Net Income Attributable to Owners of Parent

0.2 billion yen (-9.5%) decrease YoY



FY 2018 Highlights – Consolidated Balance Sheet

(billions of yen)

	Mar. 31, 2018	Mar. 31, 2019	YoY
Current Asset	66.4	58.0	-8.3
Noncurrent Asset	66.4	67.7	+1.2
Total Assets	132.8	125.8	-7.0

	Mar. 31, 2018	Mar. 31, 2019	YoY
Current Liabilities	68.0	64.2	-3.7
Noncurrent Liabilities	12.3	9.4	-2.8
Total Liabilities	80.4	73.7	-6.6
Total Net Assets	52.4	52.0	-0.4
Total Liabilities & Net Assets	132.8	125.8	-7.0

FY 2018 Highlights



FY 2018



Results by Segment

Music Business Highlights

Net sales increased primarily due to increase in Package Sales,
and Operating Income increased primarily due to
decrease in sales, general and administrative expenses

	FY 2017	FY 2018	YoY	(billions of yen) rate
Net Sales	129.1	130.0	+0.8	+0.7%
Gross Profit	38.4	37.1	-1.3	-3.4%
Gross Profit Margin	29.7%	28.5%	-1.2pt	
Operating Income	6.3	6.7	+0.4	+6.7%
Operating Margin	4.9%	5.2%	+0.3pt	

Net Sales by Sub-Segment (billions of yen)									
	FY 2017	FY 2018	YoY	rate		FY 2017	FY 2018	YoY	rate
Live Concert	45.5	41.8	-3.7	-8.2%	Music Package	36.5	41.6	+5.1	+14.1%
Merchandising	12.8	13.0	+0.1	+1.4%	Digital Music Distribution	11.5	11.5	+0.0	+0.1%
E-Commerce	12.7	14.7	+2.0	+15.9%	Music Publishing	2.9	3.6	+0.7	+24.2%
Management	8.4	9.0	+0.6	+8.0%	Others	7.4	6.5	-0.8	-11.6%
Fan Club	5.3	4.8	-0.5	-9.4%					

Music Business Highlights: Live Concerts

Number of Audience and Ticket Prices decrease YoY due to decrease in number of Performances in Stadium Class

Venue Size	FY 2017	FY 2018	YoY
Stadium class	73	37	-36
Arena class	74	130	+56
Hall & Live House class	749	790	+41
Total	896	957	+61
Audience (millions of people)	3.74	3.29	-0.45
Concert Ticket Average Price	¥9,615	¥9,450	-¥165

Major Live Concerts Cumulative Total in FY2018

AAA "AAA DOME TOUR 2018 COLOR A LIFE"

Nissy (Takahiro Nishijima) "Nissy Entertainment '5th Anniversary' BEST DOME TOUR"

"a-nation 2018"

"ULTRA JAPAN 2018"

TOHOSHINKI "TOHOSHINKI LIVE TOUR 2018~Tomorrow~"

Music Business Highlights: Music Package

		FY 2017	FY 2018	YoY	
* M u s i c P a c k a g e	Albums	Average Price (¥)	2,960	3,555	+595
		Units (thousands)	5,678	3,334	-2,344
	Singles	Average Price (¥)	1,019	1,102	+82
		Units (thousands)	4,472	4,671	+199
	DVDs / Blu-ray	Average Price (¥)	5,330	5,927	+597
		Units (thousands)	2,286	3,382	+1,096

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

Major Titles Cumulative Total in FY2018

CD Albums

Artist	Title	Copies (thousands)
Kis-My-Ft2	"Yummy!!"	277
J Soul Brothers III from EXILE TRIBE	"FUTURE"	268
EXILE	"STAR OF WISH"	212

CD Singles

Artist	Title	Copies (thousands)
SKE48	"IKINARI PUNCH LINE"	489
SKE48	"Stand by you"	481
Kis-My-Ft2	"Kimi wo Daisuki da"	349

Music DVDs / Blu-ray Discs

Artist	Title	Copies (thousands)
Namie Amuro	"namie amuro Final Tour 2018~Finally~"	1,846
Kis-My-Ft2	"LIVE TOUR 2018 Yummy!! you&me"	217

※Total Copies as of March 31st, 2019

Anime Business Highlights

Net Sales is roughly the same level YoY,
while Operating Income decreased primarily due to lower profit margin

(billions of yen)

	FY 2017	FY 2018	YoY	rate
Net Sales	14.2	14.1	-0.1	-1.0%
Gross Profit	4.6	3.6	-0.9	-20.6%
Gross Profit Margin	32.2%	25.9%	-6.4pt	
Operating Income	1.4	-0.1	-1.6	—
Operating Margin	9.9%	—	—	

Net Sales by Sub-Segment

(billions of yen)

	FY 2017	FY 2018	YoY	rate
Anime Package	5.0	4.1	-0.8	-17.0%
Anime Non-Package	9.2	9.9	+0.7	+7.9%

Digital Business Highlights

Net sales decreased due to decrease in subscription in Digital Video Subscription Services, while Operating Income remains the same level.

	FY 2017	FY 2018	YoY	(billions of yen) rate
Net Sales	22.7	17.5	-5.2	-23.0%
Gross Profit	5.6	5.3	-0.2	-4.2%
Gross Profit Margin	24.7%	30.7%	+6.0pt	
Operating Income	1.7	1.6	-0.1	-7.6%
Operating Margin	7.7%	9.3%	+1.5pt	

Guidance Highlights for FY 2019, Ending March 2020

FY 2019 Guidance Highlights - Consolidated

(billions of yen)

Consolidated	FY 2018	FY 2019	YoY	Rate
Operating Income	7.0	7.2	+0.1	+1.6%
Net Income	2.3	2.8	+0.4	+18.9%

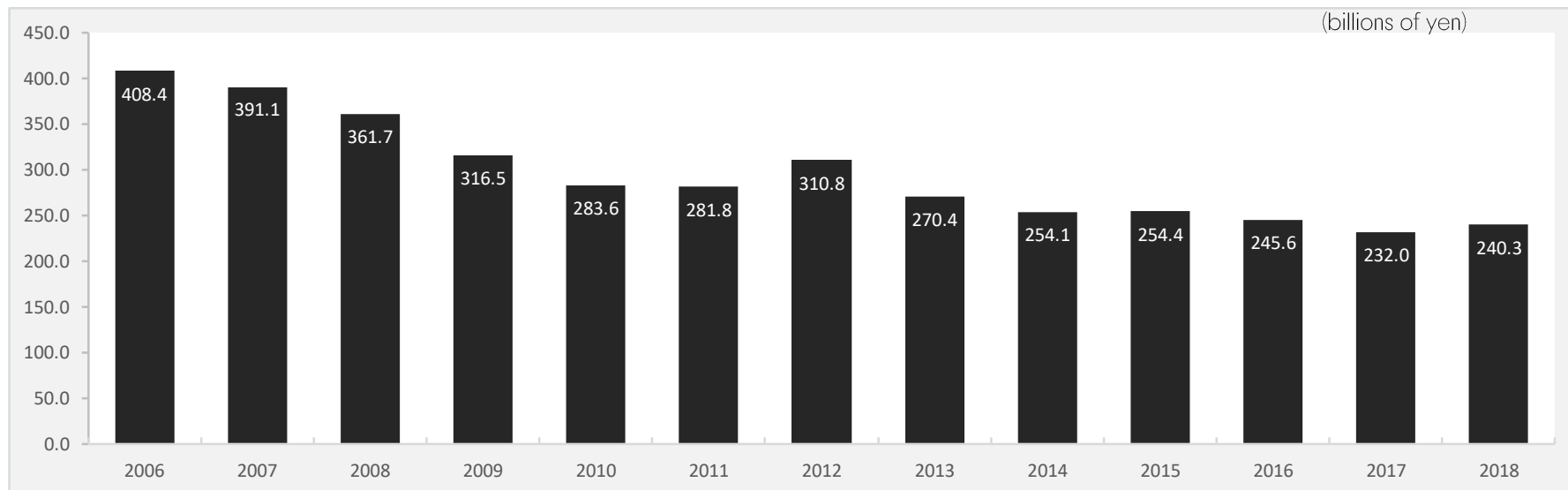
<Dividend Policy>

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

Market Data

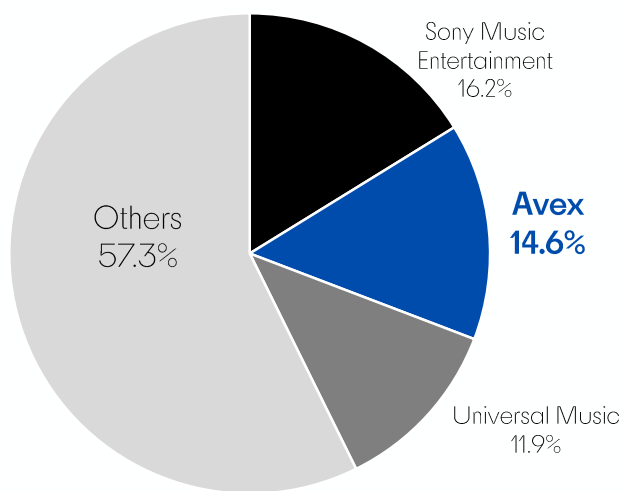
■ Music Package Market

Music Package Production increased. (YoY 104%)



(source: Recording Industry Association of Japan)

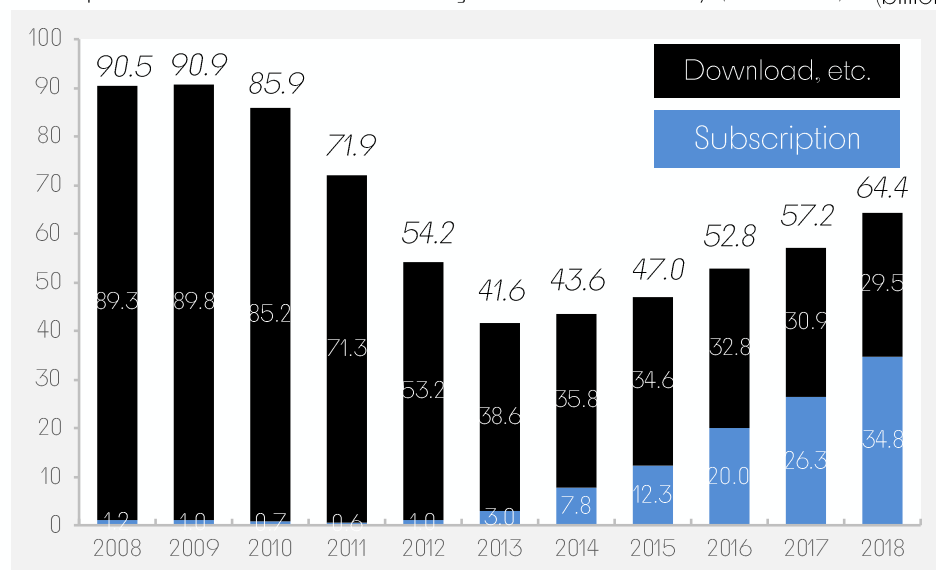
■ 2018 Music Software Market share by Label



(source: Oricon)

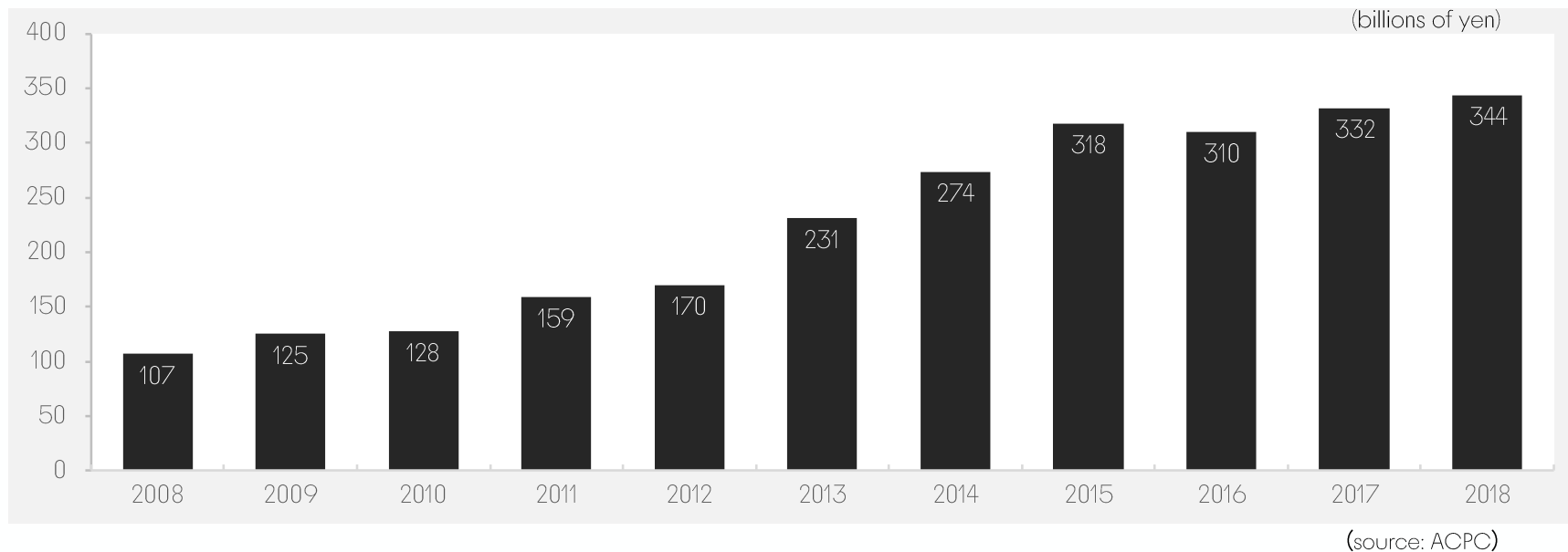
■ Digital Music Market

Subscription Services are contributing to market recovery (YoY 113%) (billions of yen)

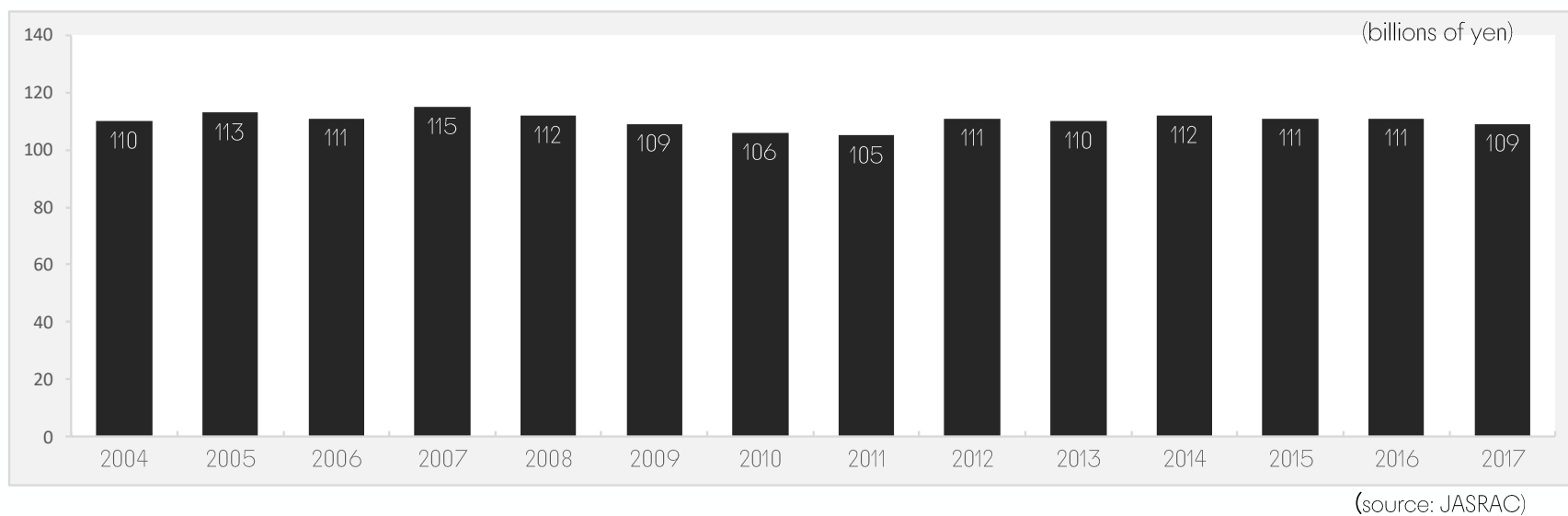


(source: Recording Industry Association of Japan)

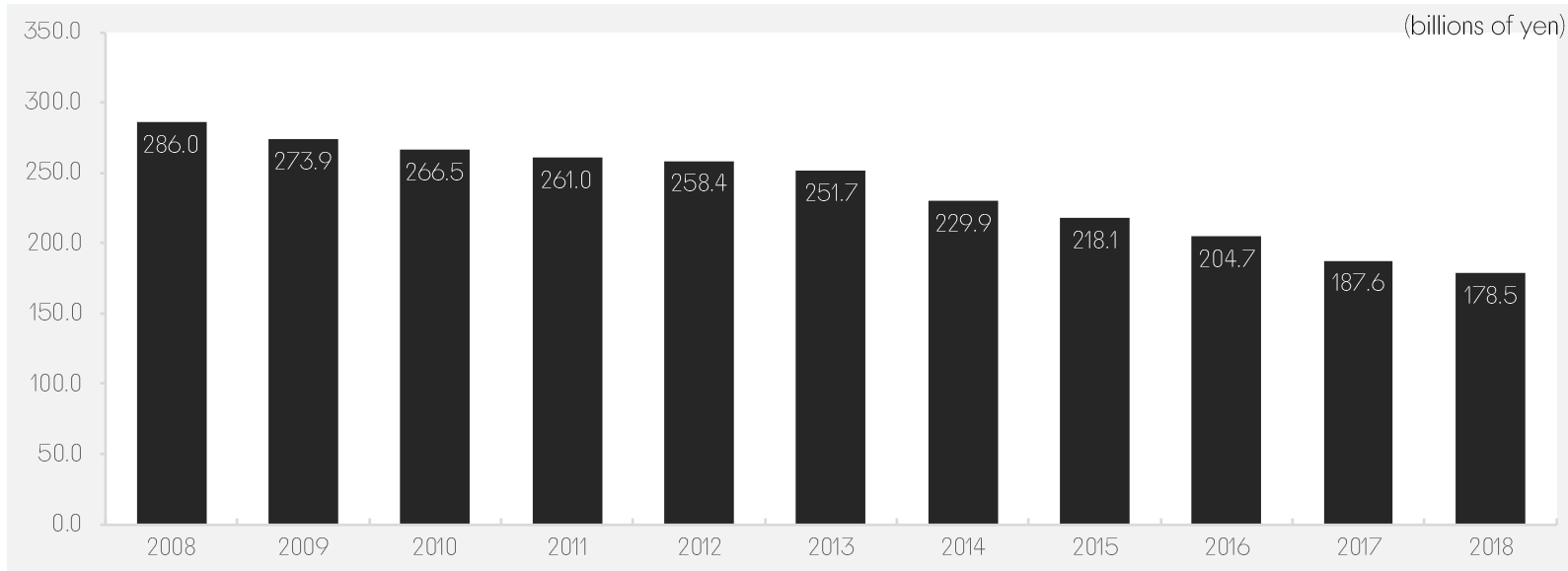
■ **Live Concert Market** Increase due to increase in number of large-scale live concerts (YoY 104%)



■ **JASRAC Copyright Royalties collected** Stable at about 110 billion yen



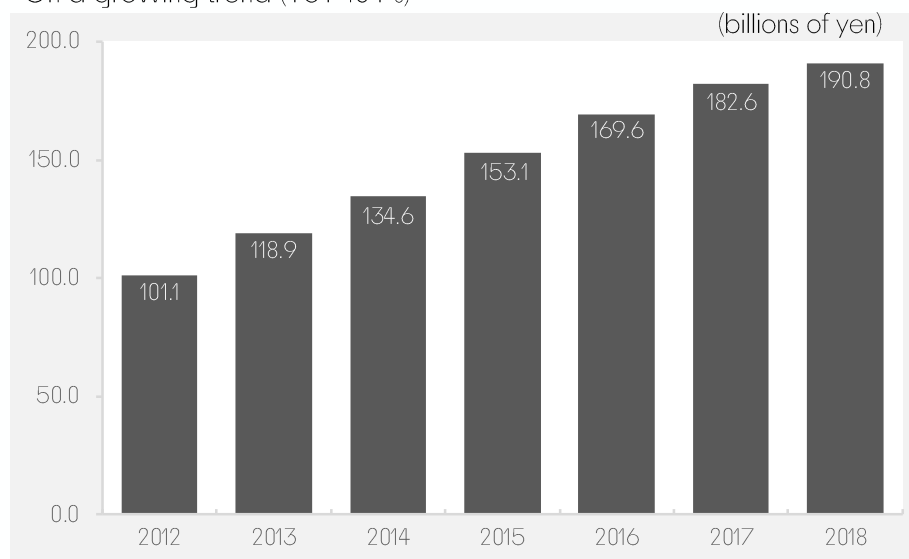
■ Video Software Market On a declining trend (YoY 95%)



(source: Japan Video software Association)

■ Domestic Digital Video Distribution Market

On a growing trend (YoY 104%)



(source: Nomura Research Institute, Ltd.)

Reference Data

Consolidated Income Statement

(millions of yen)

Consolidated Income Statement					
	FY 2017	FY 2018 Guidance*	FY 2018	YoY	vs Guidance
Net Sales	163,375		160,126	-3,249	
Cost of Sales	114,967		113,820	-1,147	
Gross Profit	48,408		46,306	-2,102	
Gross Profit Margin	29.6%		28.9%	-0.7pt	
Personnel Expenses	13,232		13,200	-32	
Sales promotion & Advertising Expenses	9,848		9,967	+119	
General Expenses	18,388		16,048	-2,339	
Total SG&A Expenses	41,469		39,216	-2,252	
Operating Income	6,939	7,000	7,089	+150	+89
Operating Margin	4.2%		4.4%	+0.2pt	
Ordinary Income	6,582		6,529	-53	
Net Income attributable to owners of parent	2,601	2,650	2,354	-246	-295

*FY 2018 guidance as announced on May 10, 2018

Music Business Income Statement

(millions of yen)

Music Business				
	FY 2017	FY 2018	YoY	rate
Net Sales	129,197	130,082	+885	+0.7%
Cost of Sales	90,770	92,968	+2,198	
Gross Profit	38,427	37,113	-1,313	-3.4%
Gross Profit Margin	29.7%	28.5%	-1.2pt	
Personnel Expenses	7,131	7,227	+95	
Sales Promotion & Advertising Expenses	6,942	7,115	+173	
General Expenses	7,921	7,934	+13	
GMF [★]	10,108	8,086	-2,022	
Total SG&A Expenses	32,104	30,364	-1,739	
Operating Income	6,322	6,749	+426	+6.7%
Operating Margin	4.9%	5.2%	+0.3pt	

★ GMF = Group Management Fee

Music Business: Results by Sub-Segment

Net Sales by Sub-Segment				(millions of yen)
	FY2017	FY2018	YoY	rate
Live	45,594	41,848	-3,746	-8.2%
Merchandising	12,824	13,003	+179	+1.4%
E-Commerce	12,726	14,754	+2,028	+15.9%
Management	8,425	9,098	+673	+8.0%
Fan Club	5,332	4,830	-502	-9.4%
Music Package	36,507	41,636	+5,129	+14.1%
Digital Music Distribution	11,548	11,563	+15	+0.1%
Music Publishing	2,962	3,679	+717	+24.2%
Others	7,455	6,589	-866	-11.6%

Music Business: Indicators			
		FY2017	FY2018
Concert Ticket	Average Price(¥)	9,615	9,450
Fan Club	Subscribers (thousands of people)	953	928

(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.- Dec.)	57,297	64,466	+12.5%

(millions of yen)

Live Concert Market Data		(Reference: ACPC)	
	2017	2018	YoY
Live Concert Market (Jan.-Dec.)	332,448	344,823	+3.7%

Anime Business Income Statement

(millions of yen)

Anime Business				
	FY 2017	FY 2018	YoY	rate
Net Sales	14,265	14,124	-141	-1.0%
Cost of Sales	9,665	10,472	+807	
Gross Profit	4,600	3,651	-949	-20.6%
Gross Profit Margin	32.2%	25.9%	-6.4pt	
Personnel Expenses	779	1,161	+381	
Sales Promotion & Advertising Expenses	843	830	-12	
General Expenses	507	822	+315	
GMF ★	1,062	1,032	-30	
Total SG&A Expenses	3,193	3,847	+654	
Operating Income	1,407	-195	-1,603	—
Operating Margin	9.9%	—	—	

Anime Business: Results by Sub-Segment

Net Sales by Sub-Segment				(millions of yen)
	FY2017	FY2018	YoY	rate
Anime Package	5,015	4,162	-853	-17.0%
Anime Non-Package	9,251	9,986	+734	+7.9%

Anime Business: Indicators			
		FY2017	FY2018
DVDs / Blu-ray *	Average Price (¥)	5,282	6,444
	Units (thousands)	671	492

*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	FY 2018	YoY	rate
Net Sales	22,771	17,533	-5,238	-23.0%
Cost of Sales	17,150	12,146	-5,003	
Gross Profit	5,621	5,386	-234	-4.2%
Gross Profit Margin	24.7%	30.7%	+6.0pt	
Personnel Expenses	508	589	+81	
Sales Promotion & Advertising Expenses	1,532	1,769	+236	
General Expenses	648	580	-68	
GMF★	1,172	822	-350	
Total SG&A Expenses	3,862	3,761	-101	
Operating Income	1,758	1,625	-133	-7.6%
Operating Margin	7.7%	9.3%	+1.5pt	

★ GMF = Group Management Fee

Other Businesses Income Statement

(millions of yen)

Other Businesses				
	FY 2017	FY 2018	YoY	rate
Net Sales	2,623	3,072	+449	+17.1%
Cost of Sales	1,234	2,011	+776	
Gross Profit	1,388	1,061	-327	-23.6%
Gross Profit Margin	52.9%	34.6%	-18.3pt	
Personnel Expenses	1,001	1,035	+34	
Sales Promotion & Advertising Expenses	538	210	-327	
General Expenses	780	607	-172	
GMF ★	357	295	-62	
Total SG&A Expenses	2,678	2,149	-528	
Operating Income	-1,289	-1,088	+201	—
Operating Margin	—	—	—	

★ GMF=Group Management Fee

Consolidated Balance Sheet

(millions of yen)

Consolidated Balance Sheet

Mar. 31st, 2018 **Mar. 31st, 2019**

Current Assets	66,410	58,047
Cash and Deposits	28,184	22,832
Notes & Accounts Receivable-trade	19,963	17,863
Inventories	5,679	6,114
Others	12,583	11,236
Noncurrent Assets	66,477	67,761
Tangible & Intangible Assets	52,089	52,377
Investment, etc.	14,387	15,384
Investment Securities	7,085	8,509
Others	7,301	6,874
Total Assets	132,887	125,808

Mar. 31st, 2018 **Mar. 31st, 2019**

Current Liabilities	68,068	64,272
Notes & Accounts Payable-trade	1,716	1,412
Short-term Debt	11,500	7,500
Accounts Payable-Other	29,590	25,866
Allowance for Returned Goods	4,337	3,827
Others	20,923	25,665
Noncurrent Liabilities	12,359	9,480
Long-term Debt	10,692	7,617
Others	1,666	1,862
Total Liabilities	80,427	73,753
Total Net Assets	52,460	52,055
Total Liabilities & Net Assets	132,887	125,808

Consolidated Cash Flow Statement

(millions of yen)

Consolidated Cash Flow Statement

	FY 2017	FY 2018	YoY
Net Cash provided by Operating Activities	13,429	11,003	-2,425
Net Cash provided by Investing Activities	-12,919	-6,381	+6,537
Net Cash provided by Financing Activities	3,476	-10,014	-13,490
Cash Flow	3,986	-5,392	-9,378
Free Cash Flow	510	4,622	+4,112
Effect of exchange rate change on cash and cash equivalents	-101	41	+142
Net increase in cash and cash equivalents	3,885	-5,351	-9,236
Cash and cash equivalents at beginning of period	24,298	28,184	+3,885
Cash and cash equivalents at end of period	28,184	22,832	-5,351



Really! Mad+Pure